

**BEFORE THE  
PENNSYLVANIA IC UTILITY COMMISSION**

**Docket No. R-2024-3046523**

**Duquesne Light Company**

**Statement No. 13**

**Docket R-2024-3046523**

**Direct Testimony of Howard S. Gorman**

**Subjects: Jurisdictional Separation and  
Allocated Cost of Service**

**Dated: March 20, 2024**

1           **SECTION I - INTRODUCTION AND PURPOSE OF TESTIMONY**

2           **Q.     Please state your name and occupation.**

3           A.     My name is Howard Gorman. I am the President of HSG Group, Inc., a consulting  
4           firm that I started in 2010.

6           **Q.     Please summarize your educational background and professional experience.**

7           A.     My educational background, professional experience and summary of testimony  
8           are presented in Attachment A.

10          **Q.     On whose behalf are you testifying in this proceeding?**

11          A.     I am testifying on behalf of Duquesne Light Company (“Duquesne Light” or  
12          “Company”) in this proceeding before the Pennsylvania Public Utility Commission  
13          (“Commission”).

15          **Q.     What is the scope of your testimony in this proceeding?**

16          A.     My testimony describes the Jurisdictional Separation Studies (each a “JSS”) and  
17          the unbundled, Allocated Cost of Service Study (“ACOS”) I have prepared for  
18          Duquesne Light with the Commission’s Data Filing Requirements (“DFR”),  
19          specifically DFR IV-E-1.

20          The purpose of the JSS is to separate Duquesne Light’s total annual revenue  
21          requirement among the following:

- 22                 •     Supply service,

- 1 • Portion subject to the jurisdiction of the Federal Energy Regulatory  
2 Commission (“FERC”), i.e., the transmission revenue requirement,
- 3 • Borough of Pitcairn, which is discussed below, and
- 4 • Portion subject to the jurisdiction of the Commission, i.e., the distribution  
5 revenue requirement.
- 6 • In my testimony, “jurisdiction” means jurisdiction, or regulation, only as to  
7 rates.
- 8 • Separate Jurisdictional Separation Studies were prepared for the year ended  
9 December 31, 2023 (Historic Test Year or HTY), for the year ended  
10 December 31, 2024 (Future Test Year or FTY) and for the year ended  
11 December 31, 2025 on a fully projected basis (Fully Projected Future Test  
12 Year or FPFTY).

13 The purpose of the ACOS is to assign, on a cost-causation basis, Duquesne  
14 Light’s distribution revenue requirement (determined in the JSS) among the rate  
15 classes in its Tariff. The ACOS was prepared for the FPFTY.

16  
17 **Q. Which study was used in revenue allocation and rate design?**

18 A. The ACOS for the FPFTY, which assigns the distribution revenue requirement  
19 among the rate classes in the Tariff, was the basis for revenue allocation and rate  
20 design proposed by Company witness Mr. Ogden, Statement No. 14. In the FPFTY  
21 ACOS, the revenue requirement resulting from the ACOS for each rate class was  
22 compared to the revenue produced by the present Tariff rates, and this information

1 was used for guidance by Duquesne Light in designing the rates it is proposing in  
2 this proceeding.

3 The HTY JSS and the FTY JSS were not used in determining the  
4 distribution portion of the total revenue requirement.

5  
6 **Q. How is your testimony organized?**

7 A. My testimony is organized as follows:

8 Section I (this section)- Introduction and purpose of testimony

9 Section II- Overview of ACOS

10 Section III- Identification and discussion of exhibits included with my testimony

11 Section IV- Jurisdictional Separation Studies

12 Section V- Allocated Cost of Service Study

13 Section VI- Development of Allocators for FPFTY ACOS

14

15 **SECTION II - OVERVIEW OF JURISDICTIONAL SEPARATION STUDIES**

16 **AND ALLOCATED CLASS COST OF SERVICE STUDIES**

17 **Q. Please describe the purpose of the JSS and how it is prepared.**

18 A. The Company's filing in this proceeding is based on the investments made and to  
19 be made, and costs to be incurred, to provide distribution delivery service to its  
20 Pennsylvania jurisdictional customers. Company witness Mr. O'Brien has  
21 determined the Company's total revenue requirement for the FPFTY (Duquesne  
22 Light Exhibit No. 2). The purpose of the JSS is to separate the total revenue  
23 requirement, after first eliminating revenues and costs to provide supply service,

1 between the portion subject to the jurisdiction of the FERC, i.e., transmission  
2 revenue requirement, and the portion subject to the jurisdiction of the Commission,  
3 i.e., the distribution revenue requirement.

4 In addition, a portion of the total revenue requirement is assigned or  
5 allocated to the Borough of Pitcairn, as discussed below.

6 In performing the JSS, each component of the total annual revenue  
7 requirement, including plant and other rate base items, operating expenses,  
8 depreciation and taxes, is analyzed, in order to directly assign or to allocate that  
9 item between transmission and distribution. The distribution revenue requirement  
10 amount determined in the JSS, is then allocated among the rate classes in the  
11 ACOS.

12

13 **Q. Please discuss how distribution service provided to the Borough of Pitcairn is**  
14 **reflected in the JSS.**

15 A. The Borough of Pitcairn was historically a “sales for resale” customer of the  
16 Company and subject to the jurisdiction of the FERC. Subsequent to electric  
17 restructuring in Pennsylvania, Pitcairn now purchases its energy requirements from  
18 a wholesale provider, receives transmission service under the PJM Open Access  
19 Transmission Tariff and uses delivery service provided by the Company at 23 kV.  
20 The Company’s distribution Tariff does not provide for this service (to a wholesale  
21 customer), therefore the costs associated with providing the service are removed in  
22 determining the distribution revenue requirement. To accomplish this, Pitcairn is  
23 represented as a separate jurisdictional column in the JSS.

1 **Q. Please describe the purpose of the ACOS and how it is prepared.**

2 A. As discussed above, the Company's filing is based on its investments and costs  
3 incurred to provide distribution delivery service to its Pennsylvania jurisdictional  
4 customers. The purpose of the ACOS is to directly assign or allocate among the  
5 rate classes each component of the distribution revenue requirement, including  
6 plant and other rate base items, operating expenses, depreciation and taxes, in order  
7 to determine the cost of providing service to each rate class. Each component of  
8 the total revenue requirement must be analyzed and assigned or allocated among  
9 the rate classes, so that the utility can establish rates that, based on assumptions  
10 such as sales volumes and the number of customers, provide it with a fair  
11 opportunity to recover its costs and to earn an appropriate return.

12 A three-step process is traditionally used to analyze each component of the  
13 revenue requirement. The first step is Functionalization of each component; for  
14 Duquesne Light these functions are Primary Distribution, Secondary Distribution  
15 and Billing.

16 The second step is Classification of each functionalized component as  
17 Demand, Energy or Customer.

18 The final step, Class allocation, is the allocation of each functionalized,  
19 classified component among the rate classes.

20 The results of the ACOS, that is, the distribution revenue requirement determined  
21 for each rate class, are compared to the revenue produced by the present Tariff  
22 rates; this information was used by Duquesne Light for guidance in designing the  
23 rates it is proposing in this proceeding.

1 **Q. What is meant by "direct assignment?"**

2 A. The term "direct assignment" means identifying plant investments or costs incurred  
3 exclusively to serve a specific customer or group of customers. Direct assignments  
4 best reflect the cost causation of serving particular customers or rate classes.  
5 Therefore, direct assignments should be used whenever possible.

6

7 **Q. What are External allocators and Internal allocators.**

8 A. Two types of allocators are used in performing a JSS or ACOS: external allocators  
9 and internal allocators. *External allocators* are based on special studies derived  
10 from the utility's accounting, operating and other records. For example, the  
11 allocator "NCP-Primary" measures each class' peak, not necessarily coincident  
12 with the system peak, and is used to allocate certain demand costs. Other examples  
13 of external allocators are the number of customers in each rate class, meter costs  
14 for each rate class and historical bad debt experience for each rate class.

15 *Internal allocators* are based on some combination of external allocators,  
16 previously directly assigned costs and other internal allocators. For example, the  
17 allocators for property insurance costs are based on plant investments; it is  
18 necessary to allocate plant investments before property insurance costs can be  
19 allocated. Both external and internal allocators are used in each of the  
20 functionalization, classification and allocation steps.

21

1 **Q. What is the FPFTY total revenue requirement?**

2 A. The FPFTY total revenue requirement was determined by Duquesne Light witness  
3 O'Brien to be \$1,210.340 million, which includes a return on distribution rate base,  
4 as well as overall total company rate base, of 8.34%. The exhibits that I am  
5 sponsoring show, by FERC account, the composition of the total revenue  
6 requirement for the JSS, and the composition of the distribution revenue  
7 requirement for the ACOS.

8 **Q. What is the revenue at present rates in the FTY and the FPFTY?**

9 A. The supply, transmission and distribution revenue at present rates for the FTY and  
10 the FPFTY were computed by Duquesne Light witness Ogden, as shown on  
11 Attachment DFR IV-A Fully Projected Future (page 2, columns I, J and K). This  
12 information was used in the JSS and the ACOS; the distribution revenue at present  
13 rates was also used in the ACOS.

14 **Q. What rate classes are represented in the ACOS?**

15 A. The ACOS includes the following rate classes:  
16 Residential (RS)  
17 Residential Heating (RH)  
18 Residential Add-on Heat (RA)  
19 General Service Small (GS)  
20 General Service Medium<25 (GM<25)  
21 General Service Medium>25 (GM>25)  
22 General Service Medium Heating<25 (GMH<25)  
23 General Service Medium Heating>25 (GMH>25)  
24 General Service Large (GL)  
25 General Service Large Heating (GLH)  
26 Large (L)  
27 High-Voltage Power Service (HVPS)  
28 Street Lighting Energy (SE)  
29 Street Lighting (SM)  
30 Unmetered Service (UMS)

1 **Q. Are these the rate classes that are currently in the Tariff?**

2 A. Yes, with the following explanations and exceptions:

3 1. The Tariff class GSGM includes a separate set of rates for each of the  
4 following customer load profiles: a) GS No Demand; b) GM Demand under  
5 25 kW (GM<25) and c) GM Demand 25 kW and greater (GM>25).

6 Because there is a different set of rates for each customer load profile, they  
7 are represented separately in the ACOS.

8 2. The Tariff class GMH was split into two groups in the ACOS, because they  
9 are represented as separate customer load profiles in the Company's supply  
10 tariff: a) GMH Demand under 25 kW (GMH<25) and b) GMH Demand 25  
11 kW and greater (GMH>25).

12 3. The ACOS rate class group Street Lighting (SLM) comprises four Tariff  
13 rate classes: Street Lighting Municipal (SLM), Street Lighting Highway  
14 (SLH), Private Area Lighting (PAL) and Architectural Lighting (AL).  
15 SLM, SLH and PAL have the same load and usage profiles. AL is very  
16 small and was included in the group for convenience. The current Lighting  
17 classes will remain separate classes in the Tariff.

18 **Q. Please describe the functions that are included in Distribution.**

19 A. Distribution comprises the functions Primary Distribution, Secondary Distribution  
20 and Billing. The distribution system, Primary Distribution and Secondary  
21 Distribution, moves power from distribution substations to the Company's  
22 customers. The distribution system includes operating facilities rated below 69kV;  
23 *Primary Distribution* includes assets rated 4kV through 23kV and *Secondary*

1        *Distribution* includes all other distribution assets related to moving power to  
2        customers, including service drops and excluding meters. *Billing* includes metering,  
3        billing and customer accounting and service.

4  
5        **Q.    Did you prepare the Company’s JSS and ACOS in its two most prior recent**  
6        **base rate case before this Commission, Dockets No. R-2018-3000124 and R-**  
7        **2021-3024750**

8        A.    Yes, I prepared the Company’s JSS and ACOS in those proceeding.

9  
10       **Q.    Did you use the same methodology to prepare the JSS and ACOS that you are**  
11       **presenting today, as in those two proceedings?**

12       A.    Yes, the same methodology was used.

13  
14       **SECTION III- IDENTIFICATION AND DESCRIPTION OF EXHIBITS**

15       **Q.    Please identify the exhibits that are included with your testimony.**

16       A.    My testimony includes exhibits identified in the Index to Exhibit 6. The JSS for  
17       the FPPTY, FTY and HTY are presented in Exhibits 6-1, 6-1A and 6-1B  
18       respectively. The ACOS for the FPPTY is presented in Exhibits 6-2 through 6-9,  
19       including Development of Allocator values on Exhibit 6-9. Exhibit 6-10 shows the  
20       proposed Revenue Allocation, which is described in Mr. Ogden’s testimony,  
21       including Distribution ROR at Proposed Revenue Allocation. Exhibit 6-11  
22       presents the SL- Distribution-only Component.

23

1 **Q. Please describe Exhibits 6-1, 6-1A and 6-1B.**

2 A. Exhibit 6-1 presents the jurisdictional separation for the FPFTY. The exhibit shows  
3 each item in the total revenue requirement, the direct assignment or allocator  
4 selected for that item, and the result of the allocation (or assignment) among supply,  
5 transmission, Pitcairn and distribution.

6 The components of the revenue requirement are: plant and other rate base  
7 (lines 1-76), operating expenses (lines 77-137), depreciation expense (lines 138-  
8 159) and taxes (lines 160-177). Revenues (lines 181-189) are compared to total  
9 expenses (line 179, also line 191) to compute net income at present rates (line 192,  
10 also line 210) and return on rate base at present rates (line 212).

11 The distribution revenue required to produce a rate of return of 8.34% in the  
12 FPFTY is computed on lines 214-230, and the difference between the revenue  
13 requirement and revenue at present rates is shown on line 233.

14 The distribution revenue requirement for the FPFTY is \$755.6 million, an  
15 increase of \$100.985 million over Distribution revenue at present rates.

16 Exhibit 6-1A and Exhibit 6-1B present the JSS for the HTY and the FTY,  
17 respectively. The line references are the same as for Exhibit 6-1.

18

19 **Q. Please describe Exhibit 6-2.**

20 A. Exhibit 6-2 summarizes the results of the ACOS for the FPFTY. The exhibit  
21 presents, for each rate class, the return on rate base at present rates for the FPFTY,  
22 and the FPFTY revenue requirement assuming each class provides the rate of return  
23 on rate base requested by the Company in this proceeding, 8.34%.

1           The exhibit shows revenue at present rates (lines 1-4), expenses (line 6), net  
2 income (line 7) and rate base (line 9) for each rate class, and computes return on  
3 rate base at present rates (line 11). The revenue requirement for each rate class to  
4 produce a rate of return of 8.34% is on line 13, and the corresponding net income  
5 and rate of return for each rate class are computed on lines 15-25. The exhibit  
6 computes the increase or decrease in distribution revenue for each class to produce  
7 the 8.34% return (line 27), and the percentage of total revenue (line 28) and  
8 distribution tariff revenue (line 29) this increase represents.

9           The exhibit demonstrates that to produce the return on rate base of 8.34%  
10 an increase in distribution revenue of \$100.060 million, or 15.89% of distribution  
11 tariff revenue (15.44% of total distribution revenue), is needed.

12

13 **Q. Please describe Exhibit 6-3.**

14 A. Exhibit 6-3 presents the results of the ACOS, summarized by functional  
15 classification (primary distribution, secondary distribution- demand related,  
16 secondary distribution- customer related and billing) and also shows unitized  
17 revenue requirements. This information is useful in rate design.

18

19 **Q. Please describe Exhibits 6-4 through 6-4F.**

20 A. Exhibits 6-4 through 6-4F compute the costs to be considered in determining the  
21 customer charge, based on PUC precedent, for the following rate classes: RS  
22 (Exhibit 6-4A); GS (Exhibit 6-4B), GM<25 (Exhibit 6-4C); GM>25 (Exhibit 6-

1 4D); GMH (Exhibit 6-4E); and L (Exhibit 6-4F), with a summary on Exhibit 6-4.

2 The amounts on these exhibits are based on the results of the ACOS.

3 **Q. Please describe Exhibit 6-4G.**

4 A. Exhibit 6-4G computes the credit for untransformed service.

5 **Q. Please describe Exhibit 6-4H.**

6 A. Exhibit 6-4H computes the rates for Rider 16 Back-up power.

7 **Q. Please describe Exhibit 6-4I.**

8 A. Exhibit 6-4I identifies the costs related to Electric Vehicle charging that are  
9 included in the Revenue Requirement.

10

11 **Q. Please describe Exhibit 6-5.**

12 A. Exhibit 6-5 shows how each component of the FPPTY revenue requirement has  
13 been functionalized in this study, among one or more of the following functions:  
14 Primary Distribution, Secondary Distribution and Billing. The exhibit shows the  
15 allocator selected for each component, and the result of the allocation. The line  
16 references are the same as for Exhibit 6-1.

17

18 **Q. Please describe Exhibit 6-6.**

19 A. Exhibit 6-6 shows how each component of the Secondary Distribution function has  
20 been classified to either Demand or Customer. Classification schedules are not  
21 needed for Primary Distribution because it is classified 100% to Demand or for

1 Billing because it is classified 100% to Customer. The exhibit shows the  
2 classification allocator selected for each component, and the result of the allocation.  
3 The line references are the same as for Exhibit 6-1.  
4

5 **Q. Please describe Exhibits 6-7 through 6-7D.**

6 A. Exhibits 6-7 through 6-7D show how each component of the functionalized,  
7 classified costs has been allocated among the rate classes. This includes Primary  
8 Distribution Demand (Exhibit 6-7A), Secondary Distribution Demand (Exhibit 6-  
9 7B), Secondary Distribution Customer (Exhibit 6-7C) and Billing Customer  
10 (Exhibit 6-7D). The information is summarized on Exhibit 6-7. The Balance totals  
11 for Primary Distribution Demand and Billing Customer are from Exhibit 6-5  
12 (Functionalization), and the balance totals for Secondary Distribution Demand and  
13 Secondary Distribution Customer are from Exhibit 6-6 (Classification- Secondary  
14 distribution). Each exhibit shows the allocation factor selected to allocate each  
15 component among the rate classes, and the result of the allocation. The line  
16 references are the same as for Exhibit 6-1.  
17

18 **Q. Please describe Exhibits 6-8 through 6-8D.**

19 A. Exhibit 6-8 shows the allocator used for each account. The exhibit includes columns  
20 for JSS, Functionalization; Classification (Secondary Distribution) and Class  
21 Allocation (Primary Distribution Demand, Secondary Distribution Demand,  
22 Secondary Distribution Customer and Billing Customer).

1                    Exhibits 6-8A through 6-8D show the allocator values for, respectively, JSS,  
2                    Functionalization, Classification and Class Allocation.

3

4                    **Q.     Please describe Exhibit 6-9.**

5                    A.     Exhibit 6-9 shows the development of the external allocator values. I will discuss  
6                    each exhibit in detail later in my testimony.

7

8                    **SECTION IV- JURISDICTIONAL SEPARATION STUDIES**

9                    **Q.     Referring to Exhibit 6-1, the JSS for the FPFTY, how did you determine the**  
10                    **appropriate direct assignment or allocator for the jurisdictional separation of**  
11                    **each item in the total revenue requirement?**

12                    A.     Selection of the appropriate direct assignment or allocator for the jurisdictional  
13                    separation of each component of the total revenue requirement was based on careful  
14                    consideration of cost causality, as well as prior Duquesne Light methodology,  
15                    Commission precedent and utility practice as stated in the Electric Utility Cost  
16                    Allocation Manual (January 1992) of the National Association Of Regulatory  
17                    Utility Commissioners (“NARUC Manual”). Cost causality means the cause and  
18                    effect relationships between customer requirements, load profiles and usage  
19                    characteristics on one hand, and the costs incurred to serve those requirements on  
20                    the other hand.

21

1 **Q. How did you directly assign or allocate the components of rate base for the**  
2 **purpose of jurisdictional separation?**

3 A. *Intangible assets* is primarily software, and the components of this asset were  
4 allocated according to their use for customer-related activities, AMI initiative and  
5 other activities.

6 *Transmission plant* and *distribution plant* were directly assigned to their  
7 respective functions based on the FERC accounts, except for the distribution assets  
8 that serve Pitcairn, which were directly assigned to it. The Company's FERC  
9 accounts reflect the 7-factor test (separating Transmission and Distribution assets)  
10 completed in connection with its filing in Docket R-00061346.

11 *General plant* was allocated based on the labor content of operating and  
12 maintenance ("O&M") accounts.

13 *Depreciation reserve* followed the plant and asset accounts to which it  
14 related.

15 *Other rate base items* were provided by function (Accumulated deferred  
16 income tax, Materials & supplies) or were directly assigned (Customer deposits) or  
17 allocated (Cash working capital, Capitalized pension).

18

19 **Q. How did you directly assign or allocate costs for the purpose of jurisdictional**  
20 **separation?**

21 A. *Supply costs* and *Transmission O&M* were directly assigned to their respective  
22 functions. *Distribution O&M* was directly assigned to the distribution function,  
23 except for a small portion that was allocated to Pitcairn based on its share of the

1 distribution assets that serve Pitcairn. Customer accounts and customer service  
2 costs were directly assigned to Distribution.

3 Most *Administrative & general* costs were allocated based on labor content  
4 of O&M accounts. Customer-related items were directly assigned to distribution;  
5 and property insurance was allocated based on plant cost.

6 *Depreciation expense* followed the plant or assets accounts to which it  
7 related.

8 *Taxes* were allocated based on labor (payroll taxes), plant cost (PURPA  
9 tax), revenue subject to Pennsylvania gross receipts tax; or taxable income  
10 (Pennsylvania and Federal income tax).

11

12 **Q. How did you directly assign or allocate revenue for the purpose of**  
13 **jurisdictional separation?**

14 A. Each revenue component was directly assigned to one jurisdictional column.  
15 *Supply and Transmission revenue* were directly assigned to their respective  
16 functions; these amounts include miscellaneous revenues directly identified to  
17 those functions. *Distribution revenue*, including delivery revenue and other  
18 revenues included in this proceeding, were directly assigned to distribution.

19

20 **Q. How did you compute the Pennsylvania jurisdictional distribution revenue**  
21 **requirement?**

22 A. The Pennsylvania jurisdictional distribution revenue requirement is computed on  
23 lines 214-230. It is the amount required to recover all jurisdictional costs, and to  
24 provide an after-tax return on jurisdictional rate base of 8.34%.

1

2 **Q. Do the JSS for the HTY, presented in Exhibit 6-1A, and the JSS for the FTY,**  
3 **presented in Exhibit 6-1B, compute the respective jurisdictional revenue**  
4 **requirement in the same manner as the JSS for the FPFTY, presented in**  
5 **Exhibit 6-1?**

6 A. Yes.

7 **SECTION V - ALLOCATED COST OF SERVICE (ACOS) STUDY**

8 **Q. Referring to Exhibits 6-2 through 6-8D, the ACOS for the FPFTY, how did**  
9 **you determine the appropriate allocators for functionalizing, classifying and**  
10 **allocating the components of the distribution revenue requirement?**

11 A. Selection of the appropriate approach for functionalizing, classifying and allocating  
12 each component of the revenue requirement was based on careful consideration of  
13 cost causality, as well as prior Duquesne Light methodology, Commission  
14 precedent and utility practice as stated in the NARUC Manual. Cost causality  
15 means the cause and effect relationships between customer requirements, load  
16 profiles and usage characteristics on one hand, and the costs incurred to serve those  
17 requirements on the other hand.

18 **Functionalization**

19 **Q. Please describe the functionalization step in preparing the ACOS.**

20 A. In the functionalization step, costs are separated by the utility's basic service  
21 functions; for Duquesne Light, these are Primary Distribution, Secondary

1 Distribution and Billing. There are separate functions for Primary Distribution and  
2 Secondary Distribution because some customers take service at Primary voltages;  
3 therefore it is necessary to separate the assets so that only the customers that use  
4 each portion of the system are allocated the costs attributed to that portion. Billing  
5 refers to activities starting at the meter on the customer's premises, and includes  
6 metering activities and customer care, as well as activities intrinsic to the utility  
7 function.

8 **Q. Were any assets refunctionalized?**

9 A. For the most part, functionalization follows costs as recorded in the FERC Uniform  
10 System of Accounts. However, some accounts were split into more than one cost  
11 component. For example, a portion of Station Equipment (Account 362)  
12 representing assets used to serve customers in the downtown network was split out  
13 in order to allocate the cost among the appropriate rate classes.

14           Underground Conduits (Account 366) and Underground Conductors  
15 (Account 367) were split into separate components representing three different  
16 portions of the underground system- Radial; Network; and Underground  
17 Residential Development ("URD"), based on Company engineering estimates and  
18 judgments.

19           Exhibit 6-5 shows the amount for each FERC account and other  
20 components included in the revenue requirement (in the column "Balance"), the  
21 functional allocator used for each (in the column "Allocator"), and the amounts  
22 assigned to each function (in the columns "Primary Distribution" and "Secondary

1 Distribution” and “Billing”). The revenue requirement for each function is shown  
2 on line 230. Exhibit 6-8B shows the values for each functional allocator.

3

4 **Q. How were assets functionalized between the Primary Distribution and**  
5 **Secondary Distribution functions?**

6 A. Duquesne Light’s Primary Distribution system operates at voltages of 4kV up to  
7 23kV. In recent years, Duquesne Light has converted much of the 4kV system to  
8 23kV, and has expanded the 23kV portion of the system.

9 Structures (Account 361) and Station Equipment (Account 362) are part of the  
10 Primary Distribution system.

11 Overhead Conductors and Devices (Account 365) were functionalized  
12 between Primary Distribution and Secondary Distribution based on a review of  
13 purchases over the period 1999-2022.

14 Poles, Towers and Fixtures (Account 364) were allocated proportionately  
15 to the Overhead Conductors and Devices they support.

16 Each component (Radial, Network, and URD) of Underground Conduits  
17 (Account 366) and Underground Conductors (Account 367) was functionalized  
18 between Primary Distribution and Secondary Distribution based on a review of  
19 purchases over the period 1999-2022.

20 Line Transformers (Account 368) has subaccounts for Overhead, Radial,  
21 Network and URD. Almost all transformers are part of the Secondary Distribution  
22 system, except for some of the larger Overhead transformers which are part of the  
23 Primary Distribution system.

1 Services (Account 369) are also part of the Secondary Distribution system,  
2 and Meters (Account 370) are part of the Billing function. Street Lighting  
3 Equipment (Account 373) is part of the Secondary Distribution system.

4 Exhibit 6-9B summarizes the results of the functionalization of distribution  
5 assets (accounts 360-373 in the USA) between Primary Distribution and Secondary  
6 distribution. Exhibit 6-9C shows the supporting calculations.

7 **Classification**

8 **Q. Please describe the classification step in preparing the ACOS.**

9 A. In the classification step, the previously functionalized accounts are separated into  
10 Customer, Energy or Demand, according to the system design or operating  
11 characteristics that cause them to be incurred.

12 Customer-related costs are incurred to attach a customer to the distribution  
13 system, to operate and maintain the Company's distribution plant, to meter usage,  
14 and to maintain the customer's account. Customer-related costs are primarily a  
15 function of the number of customers served and continue to be incurred whether or  
16 not a particular customer uses any electricity, and typically do not vary with usage  
17 or load profile. They include capital costs associated with the customer portion of  
18 the distribution system, services and meters, and operating costs such as customer  
19 service, field service, billing and accounting.

20 Energy-related costs would vary with the amount of electricity sold to or  
21 delivered to customers. In the ACOS, no costs or rate base were allocated on the  
22 basis of energy (MWh).

1           Demand-, or capacity-, related costs are associated with plant that is  
2           designed, constructed and operated to meet system peak demand or non-coincident  
3           class peak demand.

4

5   **Q.   How were assets and costs classified?**

6   A.   Most assets and costs fit into one of the three classifications, but some are split  
7           between Demand and Customer based upon special studies or based on the  
8           classification of related assets or other related costs.

9           On the Duquesne Light system, Primary Distribution plant is designed to  
10          meet localized peak demands; these functions are classified 100% to Demand. The  
11          Billing function is classified 100% to Customer.

12          Secondary Distribution plant has two purposes- to connect the customer in  
13          order to carry electricity to the customer regardless of use, and to meet localized  
14          peak demands. Most Secondary Distribution assets (i.e., Overhead Conductors;  
15          Underground Conduits; Underground Conductor; and Line Transformers) were  
16          classified as Demand or Customer using a Minimum System approach. In the  
17          Minimum System approach, for each Secondary Distribution asset class, the  
18          Minimum Size Ratio was computed, equal to the ratio of x) the cost of the minimum  
19          size of that asset necessary to provide reliable distribution service to y) the average  
20          cost of that asset. The utility must install the minimum size asset, and incur the  
21          cost for that asset, simply to connect the customer, regardless of usage or load  
22          profile, and the cost of the minimum size asset is not related to usage (kWh) or peak  
23          demand. Therefor the portion of total asset cost represented by the Minimum

1 System Ratio is classified as Customer-related. The balance of each Secondary  
2 Distribution asset account is classified as Demand-related.

3 Investments in Poles, Towers and Fixtures are classified as Customer  
4 proportionately to Overhead Conductors. Services, Meters and Meter  
5 Communications Equipment, and Street Lighting assets are classified as Customer.  
6 Secondary Distribution costs that are related to particular assets were classified in  
7 proportion to those assets. For example, Maintenance of Overhead Lines (Account  
8 593) was classified using the same classification allocator as Overhead Lines.  
9 Other costs, such as general plant and administrative and general expenses, are  
10 related to more than one function. Therefor each item in Other costs was analyzed  
11 to determine the appropriate classification allocator.

12 Exhibit 6-6 shows the classification of each component in the Secondary  
13 Distribution function by FERC account. Primary Distribution is classified 100%  
14 to Demand and Billing is classified 100% to Customer, so there is no need to show  
15 the classification by FERC account. Exhibit 6-8C shows the values for each  
16 classification allocator.

17

18 **Q. Please describe the Minimum System approach used in the ACOS.**

19 A. The Minimum System approach was used for Secondary system Line  
20 Transformers, Overhead Conductors and Underground Conductors.

21 For *Line Transformers*, Duquesne Light provided detailed historical records  
22 by size and by cost for each of Overhead transformers (Account 368.1),  
23 Underground Radial transformers (Account 368.3), Underground Network

1 transformers (Account 368.5) and URD transformers (Account 368.7). For each of  
2 these accounts, the Minimum System Ratio, equal to the ratio of (x) the cost of the  
3 minimum size transformer to (y) the average cost of all transformers, was  
4 computed, using recent costs. The Minimum System Ratio represents the Customer  
5 component of cost, and is computed by dividing (a) what the account balance would  
6 be if all units in the account were equivalent to the minimum size unit, by (b) the  
7 total account balance.

8 For *Overhead Conductors* and *Underground Conductors*, historical  
9 information by size and by cost was not available. For each item, the ratio of (x)  
10 the estimated current cost if the minimum size (voltage rated) unit would be  
11 installed to (y) the estimated average current cost of all units, was computed; this  
12 ratio equals the Customer component of cost. Separate minimum size computations  
13 were made for Overhead Conductors and each component of Underground  
14 Conductors (Radial, Network and URD).

15 Exhibit 6-9B summarizes the classification of distribution assets (Accounts  
16 360-373 in the FERC USA) based on the Minimum System Study, and Exhibit 6-  
17 9C shows the supporting calculations.

18 The demand-classified portions of certain of these assets were adjusted to  
19 reflect the ability of the minimum size system to carry a portion of peak load (Peak  
20 Load Carrying Capacity, or "PLCC"). I will discuss the PLCC adjustment below.

21 **Q. Please describe the class allocation step in preparing the ACOS.**

22 A. In the class allocation step, the functionalized, classified costs are allocated among  
23 the rate classes, based on causal relationships. These relationships are determined

1 by analyzing the Company's system design and operations, its accounting records  
2 and its system and customer load data. Based on those analyses, direct assignments  
3 of costs, as well as cost allocators, can be chosen for each asset and cost.  
4

5 **Q. How were the components of the rate base in the Distribution revenue**  
6 **requirement allocated among the rate classes in the ACOS?**

7 A. Demand-related assets, or the demand-related portions of assets, were allocated  
8 based on the appropriate class non-coincident peak (“NCP”) allocator. Exhibit 6-  
9 9D identifies the demand allocator selected for the demand component of each type  
10 of asset (Distribution Substations; Poles, Tower and Fixtures and Overhead  
11 Conductors; Underground Conduits and Underground Conductors; and Line  
12 Transformers). Separate NCP allocators were developed for the different  
13 configurations of the distribution system, as described in Exhibit 6-9D.

14 Customer-related assets, or the customer-related portions, were allocated  
15 based on the number of customers that use the asset, or special studies for Services  
16 (Account 369- based on the comparative costs of installing residential and  
17 commercial services), Meters (Account 370-based on the number and types of  
18 meters used by each rate class) and related assets.

19 The total Meter cost in Account 370 reflects the installed costs of meters,  
20 which include the costs of Automated Metering Infrastructure (“AMI”). The  
21 installed costs of meters was allocated based on whether the class uses  
22 predominantly single-phase meters (residential classes and GS), both single phase  
23 and poly-phase meters (GM<25 and GMH<25) or predominantly poly-phase

1 meters (all other classes except Lighting and unmetered). A separate allocator was  
2 developed for AMI costs, which are included in Intangible Assets. This is  
3 consistent with the methodology used for the current Smart Meter surcharge  
4 pursuant to the Commission's Order in Docket M-2009-2123948.

5 General plant was allocated based on the labor content of O&M accounts.  
6 Depreciation reserve and Accumulated deferred income tax followed the plant  
7 and asset accounts to which they related.

8 Cash Working Capital, Materials & supplies and Capitalized pension were  
9 allocated using internal allocators, and Customer deposits was directly assigned

10 Each of Exhibits 6-7A through 6-7D shows the allocator used for each  
11 component of the rate base functionally classified as Primary Demand, Secondary  
12 Demand, Secondary Customer and Billing Customer, respectively.

13

14 **Q. How were costs in the Distribution revenue requirement allocated among the**  
15 **rate classes in the ACOS?**

16 A. The demand-related and customer-related components of O&M costs followed the  
17 allocation of the particular assets to which they related. For example, Maintenance  
18 of Overhead Lines (Account 593) was allocated using the same allocators as the  
19 plant asset Overhead Conductors, (Account 365) and Maintenance of Underground  
20 Lines (Account 594) was allocated in proportion to the total of the plant assets  
21 Underground Lines- Radial, Network and URD (Account 367). A special study  
22 was used to develop the allocator for Meter Expenses (Account 586) and  
23 Maintenance of Meters (Account 597).

1           Miscellaneous Distribution Expenses (Account 588) and Maintenance of  
2           Miscellaneous Plant (Account 599) were functionalized, classified and allocated in  
3           proportion to distribution plant.

4           Customer accounts and services (Accounts 901-908) were analyzed to  
5           determine the activities charged to each account. Each activity was allocated based  
6           on the appropriate causal relationship. The analysis is on Exhibit 6-9I.

7           Administrative and general expenses (Accounts 920-935) were allocated  
8           primarily based on the labor content of OM accounts.

9           Depreciation expense followed the plant accounts to which it related.

10          Payroll taxes were allocated based on labor; PURPA tax was allocated  
11          based on plant cost, Pennsylvania gross receipts tax was allocated based on revenue  
12          subject to the tax; and income tax expense was allocated based on pretax income.

13          Each of Exhibits 6-7A through 6-7D show the allocator used for each  
14          component of costs functionally classified as Primary Demand, Secondary  
15          Demand, Secondary Customer and Billing Customer, respectively.

16

17       **Q. How was revenue at present rates applicable to the Distribution revenue**  
18       **requirement allocated among the rate classes in the ACOS?**

19       A. Distribution delivery revenue was directly assigned based on Attachment DFR IV-  
20       A Fully Projected Future (page 2, columns E through H, which includes the DSIC  
21       and STAS charges that are being rolled into base rates, and the adjustments for  
22       Energy Efficiency and revenue annualization). Forfeited discounts revenue was  
23       allocated based on historical net write-offs. Rent from Electric Property was

1 allocated in the same manner as Overhead Conductors. Miscellaneous Service  
2 revenue was allocated based on Distribution delivery revenue.

3

4 **Q. How did you develop the revenue requirement for each class?**

5 A. The revenue requirements for each class are computed in the same manner as that  
6 used by witness Mr. O'Brien to compute the overall revenue requirement for the  
7 FPFTY, and that I used to calculate the Pennsylvania jurisdictional (i.e.,  
8 Distribution) revenue requirement. Class revenue requirements are the sum of each  
9 class' allocated operating expenses, depreciation expense, general taxes, required  
10 return and the income tax and gross receipts tax. The Distribution service revenue  
11 requirement for each rate class is shown on Exhibit 6-7, line 230, and also on  
12 Exhibit 6-2, line 13.

13

14 **Q. How did you determine the revenue deficiency for each rate class?**

15 A. The class revenue deficiency is computed by comparing the revenue requirements  
16 for each class to the revenue that is forecast at present rates for that class.

17

18 **SECTION VI- DEVELOPMENT OF ALLOCATORS FOR ACOS**

19 **Q. How were the allocators used in the ACOS developed?**

20 A. Exhibit 6-9 shows the development of the external allocators used in the ACOS.  
21 Exhibit 6-9 includes Exhibits 6-9A through 6-9K.

22

1 **Q. Please describe Exhibit 6-9.**

2 A. Exhibit 6-9A shows the allocator values for each external class allocator. The  
3 allocator values are developed in the remaining pages of Exhibit 6-9.

4

5 **Q. Please describe Exhibit 6-9B and Exhibit 6-9C.**

6 A. Exhibit 6-9B summarizes the results of the functionalization of distribution assets  
7 (accounts 360-373 in the FERC USA) between Primary Distribution and Secondary  
8 Distribution and the Minimum System Study.

9 Exhibit 6-9C shows the calculations for the functionalization of distribution  
10 assets between Primary Distribution and Secondary Distribution and the Minimum  
11 System Study.

12

13 **Q. Please describe Exhibit 6-9D, Exhibit 6-9E and Exhibit 6-9E-1.**

14 A. Exhibit 6-9D identifies the demand allocator selected for the demand component  
15 of each type of asset (Distribution Substations; Poles, Tower and Fixtures and  
16 Overhead Conductors; Underground Conduits and Underground Conductors; and  
17 Line Transformers). Separate allocators were developed for the Radial, Network  
18 and URD components of Underground Conduits and Underground Conductors and  
19 Line Transformers. Exhibit 6-9D also discusses how each demand allocator was  
20 developed.

21 Exhibit 6-9E presents the computation of the demand allocators, by  
22 applying the approach discussed in Exhibit 6-9D. Exhibit 6-9E-1 presents the  
23 PLCC adjustment.

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**Q. Please discuss the PLCC adjustment.**

A. The minimum size components developed for the Secondary Distribution system have the ability to carry a portion of peak load (Peak Load Carrying Capacity, or “PLCC”). The PLCC of certain of these assets was removed in computing the allocator for the Secondary-Demand classified portion of those assets.

For example, the minimum system for OH Transformers (based on the 25 kVA minimum size component) have capacity equal to 3.2 kW per customer; therefore in computing the allocator NCP-Secondary-Xfmr which is used for the demand component of OH Transformers, peak demands above 3.2 kW per customer is deducted from the demands for each class.

The PLCC adjustment was made for OH Transformers and Radial Transformers, comprising approximately 57% of Secondary Demand plant; the effect on the results of the ACOS was insignificant. The PLCC adjustment was not made for other Secondary Demand plant because the detailed information needed was not readily available and effect on the results of the ACOS would not be justified.

**Q. Please describe Exhibit 6-9F.**

A. Exhibit 6-9F presents the values for revenue and physical (MWh) allocators, and number of customers, as shown on Attachment DFR IV-A Fully Projected Future (page 1, columns C and D).

1 **Q. Please describe Exhibit 6-9G.**

2 A. Exhibit 6-9G presents the calculation of service costs based on current installed  
3 costs for typical residential and commercial services.

4

5 **Q. Please describe Exhibit 6-9H.**

6 A. Exhibit 6-9H presents the calculation of the meter cost allocator, the AMI cost  
7 allocator and related allocators, based on the types of meters installed, meter costs  
8 and other information.

9

10 **Q. Please describe Exhibit 6-9I.**

11 A. Exhibit 6-9I presents the allocation of Customer Accounts Supervision (account  
12 901) and Customer Records and Collections (account 903), based on analyses of  
13 activities charged to each account. It includes a supporting analysis of Call Center  
14 activity.

15

16 **Q. Please describe Exhibit 6-9J.**

17 A. Exhibit 6-9J allocates among the rate classes Write-off Dollars, based on historical  
18 information.

19 **Q. Please describe Exhibit 6-9K.**

20 A. Exhibit 6-9K presents Customer deposits by rate class.

1 **SECTION VII- RATES OF RETURN AT PROPOSED REVENUE ALLOCATION**

2 **Q. Please describe Exhibit 6-10.**

3 A. Exhibit 6-10 computes the Distribution Rates of Return for each rate class based on  
4 the revenue allocation proposed by Mr. Ogden, as well as the progress towards  
5 unity for each rate class. The revenue that would be produced under proposed rates  
6 for the FPFTY was computed by Mr. Ogden, as shown on Attachment DFR IV-A  
7 Fully Projected Future (page 6).

8

9 **Q. Please describe Exhibit 6-11.**

10 A. Exhibit 6-11 computes the Distribution component of the cost of providing Street  
11 Light service. The right-most column, labelled “Distribution to Support SL, No SL  
12 O&M”, is the revenue requirement allocated to Street Lighting excluding Street  
13 Lighting assets in account 373, related depreciation reserve and depreciation  
14 expense, Street Lighting maintenance in account 596, and allocated costs that  
15 follow; this is the distribution revenue requirement for customers that own and  
16 maintain their Street Lighting assets.

17 The column to the left, labelled “Additional for SL O&M”, reflects Street  
18 Lighting maintenance in account 596 and allocated costs that follow; this is the  
19 distribution revenue requirement to O&M on Street Lighting. The column labelled  
20 “Total Distribution” is the total revenue requirement for customers that own their  
21 Street Lighting assets and maintenance is performed by the Company.

1 **SECTION VII- HEATING CLASS ANALYSIS**

2 **Q. Please describe the Heating Class Analysis that you performed.**

3 A. As set forth in the Commission's Order in Docket R-2021-3024750 at page 28, the  
4 Company has prepared an evaluation of the GMH and GLH rate classes as  
5 described in DLC Statement 16-R, specifically:

- 6 1. Whether the Company should retain the separate heating classes GMH<25,  
7 GMH>25 and GLH ("Heating Classes"), or should combine these customers  
8 into the respective classes GM<25, GM>25 and GL
- 9 2. Whether the heating classes sold bb closed to new customers.
- 10 3. Whether the heating classes should have a winter demand charge.

11 **Q. What were the results of the analysis regarding combining the heating classes  
12 into the general classes.**

13 A. The analysis confirmed what Mr. Ogden stated in his Statement 16-R- it is  
14 appropriate to maintain separate heating classes and merging the classes would be  
15 inappropriate and not cost-related.

16 To evaluate if the heating classes should eb merged into the general classes,  
17 we examined whether their load profiles are similar. They are not similar.

18 First, the class peaks occur at different times of the year. GMH<25 and  
19 GMH>25 have had winter peaks every year since 2005 and GLH has had winter  
20 peaks very year since 2013 and every year except two (2012 and 2006) since 2005.  
21 GM>25 and GL have had summer peaks (including late spring/ early fall) every  
22 year since 2005; GM>25 has had summer peaks every year since 2010.

1           Second, for customers in the Heating Classes, their individual peaks much  
2 align better with their respective Heating Class peaks, than with the general class  
3 peaks. For this analysis, we compared individual customer peaks to their load at  
4 the time of the class peak. For GLH, 68% of customers had loads at the time of the  
5 GLH class peak equal to at least 75% of their individual customer peak; only 17%  
6 of customers had loads at the time of the GL peak equal to 75% of their individual  
7 customer peak. For GMH>25, 50% of customers had loads at the time of the  
8 GMH>25 class peak equal to at least 75% of their individual customer peak; only  
9 9% of customers had loads at the time of the GM>25 peak equal to 75% of their  
10 individual customer peak. For GMH<25, 19% of customers had loads at the time  
11 of the GMH<25 class peak equal to at least 75% of their individual customer peak;  
12 only 5% of customers had loads at the time of the GM>25 peak equal to 75% of  
13 their individual customer peak.

14           Third, the Load Factors for the Heating Classes are each lower than for the  
15 respective general class, and the variability in Load Factors is somewhat greater  
16 especially for GMH<25.

17           Based on this information, combining the Heating Classes into their  
18 respective general classes would be counter to cost causality principles.

19 **Q. Did you examine the effects of combining the classes on results of the ACOS?**

20 A. Yes. Combining the classes would increase the relative returns of the combined  
21 classes for two of the three groups, as shown below.

- 22 • GM<25 relative return 1.29, GMH<25 1.03, Combined 1.39
- 23 • GM>25 relative return 0.87, GMH>25 0.60, Combined 0.92

- 1           • GL relative return 1.15, GLH5 0.50, Combined 1.07

2                       These changes occur because the Heating Class load that would be in the  
3 combined NCP is much smaller than the Heating Class NCPs that would be  
4 eliminated if the classes were combined. Thus the incremental effect on rate base  
5 and costs are very small, while the incremental revenue is the actual Heating Class  
6 revenue. This drives up returns artificially.

7 **Q. Did you examine what the effect on customers would be if the classes were**  
8 **combined?**

9 A. Yes. Customers in the Heating Classes would see changes in their bills of 20%, and  
10 some, especially in the GMH<35 class, would see much greater effects. The higher  
11 a customer's load factor, the more benefit that customer would realize from this  
12 change.

13 **Q. What is your conclusion regarding combining Heating Classes into the general**  
14 **classes?**

15 A. I recommend that the Heating Classes remain separate and not be combined with  
16 the general classes. Combining the classes would not reflect cost causation and  
17 would incorrectly affect the results of the ACOS. Also, it would cause significant  
18 cost shifts among heating customers. Keeping separate Heating Classes allows the  
19 Company to tailor rate design to these customers' load profiles. Similarly, I  
20 recommend these classes be kept open to new customers, so these customers can  
21 be on a rate that appropriately reflects their costs.

1 **Q. Please discuss the appropriateness of a winter demand charge for the Heating**  
2 **Classes.**

3 A. As discussed by Mr. Ogden in the prior rate case, winter weather can vary  
4 significantly, which means peak demands can fluctuate significantly. To promote  
5 stability of revenue for the Company and of costs for customers, I recommend  
6 continuing the kWh charge for Heating Classes.

7

8 **Q. Does this conclude your direct testimony today?**

9 A. Yes. I reserve the right to supplement my testimony through the course of this  
10 proceeding.

11

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**RESUME OF  
HOWARD S. GORMAN  
PRESIDENT – HSG GROUP, INC.**

Mr. Gorman has more than 30 years of experience in the energy industry, including 20 years in rate and regulatory proceedings. His areas of expertise include embedded class cost of service studies, marginal cost studies, revenue allocation, rate design and revenue requirements, for both electric and gas utilities. He has testified as an expert witness before the Massachusetts Department of Public Utilities, New Jersey Board of Public Utilities, New Hampshire Public Utilities Commission, New York State Public Service Commission, Ontario Energy Board, Pennsylvania Public Utility Commission and Rhode Island Public Utilities Commission. Mr. Gorman also has experience in financial modeling, financial analysis and forecasting, developing accounting systems, and treasury and financial management.

**PROFESSIONAL EMPLOYMENT**

2010 - Present	HSG Group, Inc. <i>President</i>
1997 - 2010	Black & Veatch Corporation (R.J. Rudden Associates, Inc. before 2005) <i>Principal Consultant</i>
1995 - 1997	<i>Independent Consultant</i>
1987 – 1995	Trigen Energy Corporation 1987-1993 <i>Corporate Controller</i> ; Trigen was formed in 1987 1993-1995 <i>Treasurer</i> ; IPO with NYSE listing in 1994
1982 - 1987	Coleco Industries, Inc. <i>Director, Treasury</i>
1976 - 1979	Touche Ross & Co. <i>Staff Accountant</i>

**PROFESSIONAL EXPERIENCE**

**Utility Accounting and Costing**

Mr. Gorman has performed numerous class cost of service studies, and has developed and supported revenue requirements, revenue allocation, rate designs and marginal cost studies, in rate cases before regulatory commissions in several jurisdictions, for electric and gas utilities. These assignments included development of test year data, forecasts for the rate year, establishment of cost causality, selection of allocation bases, development of allocators, and analysis of customer impacts and policy considerations.

**Energy Project Financing and Analysis**

Mr. Gorman has negotiated and completed transactions including construction and term loans, tax-exempt bonds, taxable bonds, subordinated debt and asset-backed (receivables and inventory) revolving credit facilities. He has worked successfully with lenders and borrowers to source and structure transactions, and was instrumental in

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negotiating loan documents and in designing power sale and supply procurement contracts to be financed. Mr. Gorman has performed financial analyses of energy-related assets, including electric and gas distribution companies, power plants and transmission operators. These analyses included development of cash flows and financial statements based on both regulatory and accounting presentations, and included review of assumptions, analysis of data, modeling and forecasting, sensitivity testing and stress testing.

### **Accounting and Financial Management**

Mr. Gorman has extensive experience in financial accounting. As controller of Trigen Energy Corporation, he founded and built the finance and accounting function; developed reports, procedures and management tools; and managed subsidiary controllers across North America, including an IPO with NYSE listing. He managed the corporate insurance portfolios and the benefit plans for Trigen Energy Corporation and for Coleco Industries, and has bought and sold interest rate and currency forward contracts for the purpose of managing risk.

### **PUBLICATIONS AND PRESENTATIONS**

“What Wall Street Needs From FERC,” published in R. J. Rudden Financial, LLC’s *Energy Capital Markets Report*, September 2002

“A Balanced Look at Balance Sheets,” published in R.J. Rudden Financial, LLC’s *Energy Capital Markets Report*, June 2002

“From Wires To Riches: Shareholder Value Creation In The T&D Business,” April 2002 (co-authored).

“Assessment of Retail Choice Programs,” presented at the American Gas Association Rate and Strategic Issues Committee Conference, March 2002

“Value Creation With Transmission Assets,” quoted in *Electrical World’s Special Edition Quarter 1, 2002*, March 2002

“The Remarkable Story on Enron,” published in Scudder’s *Annual End of Year Issue*, December 2001

### **EDUCATION**

New York University, B.S., Accounting, 1976

Harvard Business School, MBA, 1981

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Relevant Projects			
Utility	Jurisdiction	Docket	Subject Matter
Niagara Mohawk (Gas)	New York 2020	20-G-0381	Gas class cost of service; revenue allocation; rate design; marginal cost
Niagara Mohawk (Electric)	New York 2020	20-E-0380	Electric class cost of service; revenue allocation; rate design; marginal cost
Citizens' Electric of Lewisburg, PA	Pennsylvania 2019	R-2019-3008212	Electric revenue requirements, class cost of service, revenue allocation, rate design
Wellsboro Electric Company	Pennsylvania 2019	R-2019-3008208	Electric revenue requirements, class cost of service, revenue allocation, rate design
Valley Energy, Inc.	Pennsylvania 2019	R-2019-3008209	Gas revenue requirements, rate design
Brooklyn Union Gas / KeySpan Gas East	New York 2019	19-G-0309 /0310	Gas class cost of service; revenue allocation; rate design; marginal cost
Massachusetts / Nantucket Electric	Massachusetts 2018	DPU 18-150	Electric class cost of service; revenue allocation; rate design; marginal cost Monthly Minimum Reliability Contribution
Duquesne Light	Pennsylvania 2018	R-2018-30000124	Electric class cost of service; revenue allocation; rate design
Narragansett Electric	Rhode Island 2017	RIPUC 4770	Electric class cost of service; revenue allocation; rate design
Veolia Energy Philadelphia	Pennsylvania 2017	R-2017-2593142	Steam system revenue requirements; sales forecast
Niagara Mohawk (Gas)	New York 2017	17-G-0239	Gas class cost of service; revenue allocation; rate design; marginal cost
Niagara Mohawk (Electric)	New York 2017	17-E-0238	Electric class cost of service; revenue allocation; rate design; marginal cost
Citizens' Electric of Lewisburg, PA	Pennsylvania 2016	R-2016-2531550	Electric revenue requirements, class cost of service, revenue allocation, rate design
Wellsboro Electric Company	Pennsylvania 2016	R-2016-2531551	Electric revenue requirements, class cost of service, revenue allocation, rate design
Granite State Electric	New Hampshire 2016	DE 16-383	Electric revenue requirement
Brooklyn Union Gas / KeySpan Gas East	New York 2016	16-G-0058 /0059	Gas class cost of service; revenue allocation; rate design; marginal cost
Massachusetts / Nantucket Electric	Massachusetts 2015	DPU 15-155	Marginal cost
Jamestown Board of Public Utilities	New York 2015	15-E-0184	Electric revenue requirements
Energy North Natural Gas	New Hampshire 2015	DE14-180	Gas revenue requirements
Village of Freeport	New York 2014	14-E-0035	Electric revenue requirements; sales forecast; rate design
Veolia Energy Philadelphia	Pennsylvania 2014	R-2013-2386293	Steam system revenue requirements and sales forecast

Relevant Projects			
Utility	Jurisdiction	Docket	Subject Matter
Duquesne Light	Pennsylvania 2014	R-2013- 2372129	Electric class cost of service; revenue allocation; rate design
Granite State Electric	New Hampshire 2013	DE13-063	Electric class cost of service (marginal cost); revenue allocation; rate design
Hydro One Networks Inc.	Ontario 2005-2013	EB-2005- 0378 et al	Electric Transmission and Distribution cost allocation; OH capitalization rates (2013, 2012, 2010, 2009, 2008, 2006, 2005)
Ontario Power Generation	Ontario 2006-2013	EB-2007- 0905 et al	Electric cost allocation methodology (2013, 2010, 2006)
Niagara Mohawk (Electric)	New York 2012	12-E-0201	Electric class cost of service; revenue allocation
Narragansett Electric	Rhode Island 2012	RIPUC 4323	Electric class cost of service
Village of Rockville Centre	New York 2011	11-E-0590	Electric revenue requirements; rate design; sales forecast
Chautauqua Utilities, Inc.	New York 2011	11-G-0142	Gas revenue requirements, rate design
Kellogg (intervenor)	Pennsylvania 2010	R-2010- 2179103	Water class cost of service; revenue allocation
Duquesne Light	Pennsylvania 2010	R-2010- 2179522	Electric class cost of service; revenue allocation; rate design
Wellsboro Electric	Pennsylvania 2010	R-2010- 2172662	Electric revenue requirements, class cost of service, revenue allocation, rate design
Citizens' Electric of Lewisburg, PA	Pennsylvania 2010	R-2010- 2172665	Electric revenue requirements, class cost of service, revenue allocation, rate design
Valley Energy, Inc.	Pennsylvania 2010	R-2010- 2174470	Gas revenue requirements, rate design
PECO Energy (Gas)	Pennsylvania 2010	R-2010- 2161592	Gas class cost of service; revenue allocation; rate design
PECO Energy (Electric)	Pennsylvania 2010	R-2010- 2161575	Electric class cost of service; revenue allocation; rate design
Niagara Mohawk (Electric)	New York 2010	10-E-0050	Electric class cost of service
Jamestown Board of Public Utilities	New York 2009	09-E-0862	Electric revenue requirements
Philadelphia Gas Works	Pennsylvania 2001-2009	R-2139884 R-00061931 M-00021612 R- 00017034 R- 00006042	Gas class cost of service; revenue allocation; rate design; rate unbundling; recovery of fixed costs (2006, 2002, 2001)
Narragansett Electric	Rhode Island 2009	RIPUC 4065	Electric class cost of service; revenue allocation; rate design

Relevant Projects			
Utility	Jurisdiction	Docket	Subject Matter
Massachusetts / Nantucket Electric	Massachusetts 2009	DPU 09-39	Electric revenue requirements; adjustment mechanisms; class cost of service; revenue allocation; rate design
PECO Energy (Gas)	Pennsylvania 2008	R-2008- 2028394	Gas class cost of service; revenue allocation; rate design
Wellsboro Electric	Pennsylvania 2007	R-00072350	Electric revenue requirements; rate design
Citizens' Electric of Lewisburg, PA	Pennsylvania 2007	R-00072348	Electric revenue requirements; rate design
Valley Energy, Inc.	Pennsylvania 2007	R-00072349	Gas revenue requirements; rate design
Village of Freeport	New York 2006	06-E-0911	Electric revenue requirements; rate design
Duquesne Light	Pennsylvania 2006	R-00061346	Electric class cost of service; revenue allocation; rate design
Village of Rockville Centre	New York 2003	03-E-1568	Electric revenue requirements; rate design; sales forecast
AmeriSteel aka Co-Steel (intervenor)	New Jersey 2002	ER02080506, ER02050303 et al	Electric cost allocation and rate design; industrial rates