



COMMONWEALTH OF PENNSYLVANIA

July 24, 2018

The Honorable Christopher P. Pell  
The Honorable F. Joseph Brady  
Pennsylvania Public Utility Commission  
801 Market Street  
Philadelphia, PA 19107

**Re: Pennsylvania Public Utility Commission v. PECO Energy Company – Electric  
Division / Docket No. R-2018-3000164**

Dear Judge Pell and Judge Brady:

Enclosed please find the Rebuttal Testimony and Exhibit of Brian Kalcic, labeled OSBA Statement No. 1-R, with Exhibit BK-1R, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari  
Deputy Small Business Advocate  
Attorney ID No. 306921

*Enclosures*

cc: Brian Kalcic  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION :**

**v.**

**: Docket No. R-2018-3000164**

**PECO ENERGY COMPANY – ELECTRIC DIVISION :**

**Rebuttal Testimony and Exhibit of**

**BRIAN KALCIC**

**On Behalf of the**

**Pennsylvania Office of Small Business Advocate**

**Date Served: July 24, 2018**

**Date Submitted for the Record: \_\_\_\_\_**

1 Rebuttal Testimony of Brian Kalcic

2  
3  
4 **Q. Please state your name and business address.**

5 **A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.**

6  
7 **Q. Have you previously submitted direct testimony in this proceeding?**

8 **A. Yes, I have.**

9  
10 **Q. What is the subject of your rebuttal testimony?**

11 **A. I will respond to the class cost of service and revenue allocation**  
12 **proposals sponsored in the direct testimony of Clarence L. Johnson on**  
13 **behalf of the OCA.**

14  
15 **Q. Do you have any preliminary comments?**

16 **A. Yes. In order to facilitate later discussion, I have prepared a summary**  
17 **of the class revenue allocation proposals sponsored by various parties**  
18 **to this proceeding in Schedule BK-1R.**

19  
20 **OCA Witness Johnson**

21  
22 **Q. Does Mr. Johnson agree with the Company's proposed cost-of-**  
23 **service study ("COSS") methodology?**

24 **A. No. Mr. Johnson sponsors certain changes to the Company's**  
25 **methodology. Specifically, Mr. Johnson proposes to: 1) classify all**  
26 **poles (Account 364), conductors (Accounts 365 & 367), and conduit**  
27 **(Account 366) (collectively, "Accounts 364-367") as demand related;**  
28 **2) allocate \$3.9 million of connection and returned check fees**  
29 **(revenue) on a customer basis; and 3) directly assign a portion of**  
30 **customer service costs to PECO's non-residential classes.**

31 **The cost-of-service results associated with Mr. Johnson's**  
32 **preferred COSS methodology are summarized in Schedule CJ-1.**

33

1 **Q. Has the Commission previously approved Mr. Johnson's preferred**  
2 **approach of classifying Accounts 364-367 as 100% demand related,**  
3 **in a litigated electric proceeding?**

4 A. Not to my knowledge. Moreover, counsel advises that the Commission  
5 specifically rejected Mr. Johnson's position that Accounts 364-367  
6 should be classified as 100% demand related in a 2012 PPL Electric  
7 Utilities Corporation ("PPL") rate proceeding at Docket No. R-2012-  
8 2290597.<sup>1</sup>

9  
10 **Q. What is your recommendation with respect to the OCA's COSS?**

11 A. Since Mr. Johnson's recommendation to classify the Company's  
12 distribution facilities in Accounts 364-367 as 100% demand related is  
13 not consistent with Commission precedent, I recommend that the  
14 Commission reject the OCA's COSS.

15  
16 **Q. Does Mr. Johnson sponsor an alternative class revenue allocation**  
17 **in this proceeding?**

18 A. Yes. Mr. Johnson's proposal is shown in columns 5-6 of Schedule BK-  
19 1R. Compared to PECO's proposal, the OCA proposes to shift \$23.4  
20 million of revenue responsibility *from* residential customers *to* Rates  
21 GS, PD, HT and EP.

22  
23 **Q. How did Mr. Johnson arrive at his alternative class revenue**  
24 **allocation proposal?**

25 A. Mr. Johnson used the results of the OCA's COSS, tempered by  
26 gradualism considerations, to derive his revenue allocation proposal.  
27 In general, Mr. Johnson proposes to (i) limit increases to under-  
28 performing classes to no more than 150% of the system average  
29 increase, and (ii) assign below system average increases to those  
30 classes that produce above average rates of return in the OCA's COSS.

31

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<sup>1</sup> See *Opinion and Order*, Pennsylvania Public Utility Commission v. PPL Electric Utilities Corporation, Docket No. R-2012-2290597, Order entered December 28, 2012 ("PPL Order"), at page 113.

1 **Q. Do you have any comment on Mr. Johnson's revenue allocation**  
2 **proposal?**

3 **A. Yes. I agree with Mr. Johnson's position to limit class increases to no**  
4 **more than 150% of the system average. However, since Mr. Johnson's**  
5 **proposed class increases are in large part driven by the results of the**  
6 **OCA's COSS, I recommend that the Commission also reject the OCA's**  
7 **proposed revenue allocation.**

8

9 **Q. Does this conclude your rebuttal testimony?**

10 **A. Yes.**

# **EXHIBIT**

**Schedule BK-1R**

PECO ENERGY COMPANY - ELECTRIC DIVISION

Comparison of the Parties'  
Proposed Base Revenue Increases  
at PECO's Full Revenue Request  
(Dollars in Thousands)

Line Classification	PECO		OSBA		OCA		PAIEUG 1/		PAIEUG 2/		I&E 3/		Walmart	
	Increase	Percent	Increase	Percent	Increase	Percent	Increase	Percent	Increase	Percent	Increase	Percent	Increase	Percent
	1	2	3	4	5	6	7	8	9	10	11	12		
1 Rate R	\$80,680	11.8%	\$80,619	11.8%			\$83,670	12.3%	\$88,985	13.1%				
2 Rate RH	\$20,076	14.7%	\$24,564	18.0%			\$21,284	15.6%	\$21,284	15.6%				
3 Tot Residential	\$100,756	12.3%	\$105,183	12.9%	\$77,404	9.5%	\$104,954	12.8%	\$110,269	13.5%				
4 Rate GS	\$23,143	10.3%	\$21,473	9.5%	\$40,369	18.0%	\$21,025	9.4%	\$21,975	9.8%				
5 Rate PD	\$810	9.9%	\$812	9.9%	\$1,218	14.9%	\$739	9.0%	\$786	9.6%				
6 Rate HT	\$19,971	13.6%	\$17,015	11.6%	\$26,109	17.8%	\$17,826	12.1%	\$11,551	7.9%				
7 Rate EP	\$1,161	16.1%	\$1,297	18.0%	\$1,291	17.9%	\$1,124	15.6%	\$1,124	15.6%				
8 Rate L	\$1,150	5.7%	\$1,211	6.0%	\$599	3.0%	\$1,323	6.6%	\$1,285	6.4%				
9 Total Company	\$146,991	12.0%	\$146,991	12.0%	\$146,991	12.0%	\$146,991	12.0%	\$146,991	12.0%				
	Source:	Schedule BK-1	Schedule BK-3	Schedule C-J-2	Schedule C-J-2	Exhibit_(JP-10) Page 1 of 2	Exhibit_(JP-10) Page 2 of 2	Exhibit_(JP-10) Page 2 of 2	IE St. No. 3, at p. 47	WM St. No. 1, at p. 18				

Does not oppose PECO's Proposal

Same as PECO's Proposal

Note:  
1/ Based on PECO's COSS.  
2/ Based on PAIEUG's preliminary COSS.  
3/ Does not reflect I&E's proposed scale-back steps.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION :**

**v.**

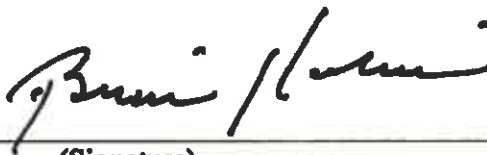
**: Docket No. R-2018-3000164**

**PECO ENERGY COMPANY – ELECTRIC DIVISION :**

**VERIFICATION**

I, Brian Kalcic, hereby state that the facts set forth in my rebuttal testimony labeled OSBA Statement No. 1-R 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).

Date: July 23, 2018



(Signature)

Brian Kalcic



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
<b>v.</b>	:	<b>Docket No. R-2018-3000164</b>
	:	<b>C-2018-3001043</b>
<b>PECO Energy Company – Electric Division</b>	:	
	:	

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email and/or First-Class mail (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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DATE: July 24, 2018



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