July 24, 2018

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


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,

[Signature]

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 : Docket No. R-2018-3000164

v. 

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: ______________
Rebuttal Testimony of Brian Kalcic

Q. Please state your name and business address.
A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. Have you previously submitted direct testimony in this proceeding?
A. Yes, I have.

Q. What is the subject of your rebuttal testimony?
A. I will respond to the class cost of service and revenue allocation proposals sponsored in the direct testimony of Clarence L. Johnson on behalf of the OCA.

Q. Do you have any preliminary comments?
A. Yes. In order to facilitate later discussion, I have prepared a summary of the class revenue allocation proposals sponsored by various parties to this proceeding in Schedule BK-1R.

OCA Witness Johnson

Q. Does Mr. Johnson agree with the Company’s proposed cost-of-service study (“COSS”) methodology?
A. No. Mr. Johnson sponsors certain changes to the Company’s methodology. Specifically, Mr. Johnson proposes to: 1) classify all poles (Account 364), conductors (Accounts 365 & 367), and conduit (Account 366) (collectively, “Accounts 364-367”) as demand related; 2) allocate $3.9 million of connection and returned check fees (revenue) on a customer basis; and 3) directly assign a portion of customer service costs to PECO’s non-residential classes.

The cost-of-service results associated with Mr. Johnson’s preferred COSS methodology are summarized in Schedule CJ-1.
Q. Has the Commission previously approved Mr. Johnson’s preferred approach of classifying Accounts 364-367 as 100% demand related, in a litigated electric proceeding?

A. Not to my knowledge. Moreover, counsel advises that the Commission specifically rejected Mr. Johnson’s position that Accounts 364-367 should be classified as 100% demand related in a 2012 PPL Electric Utilities Corporation (“PPL”) rate proceeding at Docket No. R-2012-2290597.1

Q. What is your recommendation with respect to the OCA’s COSS?

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

Q. Does Mr. Johnson sponsor an alternative class revenue allocation in this proceeding?

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

Q. How did Mr. Johnson arrive at his alternative class revenue allocation proposal?

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

Q. Do you have any comment on Mr. Johnson's revenue allocation proposal?
A. Yes. I agree with Mr. Johnson's position to limit class increases to no more than 150% of the system average. However, since Mr. Johnson's proposed class increases are in large part driven by the results of the OCA's COSS, I recommend that the Commission also reject the OCA's proposed revenue allocation.

Q. Does this conclude your rebuttal testimony?
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)

<table>
<thead>
<tr>
<th>Line</th>
<th>Classification</th>
<th>PECO Increase</th>
<th>Percent</th>
<th>OSBA Increase</th>
<th>Percent</th>
<th>OCA Increase</th>
<th>Percent</th>
<th>PAIEUG 1/ Increase</th>
<th>Percent</th>
<th>PAIEUG 2/ Increase</th>
<th>Percent</th>
<th>I&amp;E 3/ Increase</th>
<th>Walmart Increase</th>
<th>Source</th>
<th>IE St. No.</th>
<th>WM St. No.</th>
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<tr>
<td>1</td>
<td>Rate R</td>
<td>$80,680</td>
<td>11.8%</td>
<td>$80,619</td>
<td>11.8%</td>
<td>$83,670</td>
<td>12.3%</td>
<td>$88,985</td>
<td>13.1%</td>
<td></td>
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<td></td>
<td></td>
<td>Schedule BK-1</td>
<td></td>
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<tr>
<td>2</td>
<td>Rate RH</td>
<td>$20,076</td>
<td>14.7%</td>
<td>$24,564</td>
<td>18.0%</td>
<td>$21,284</td>
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<td>$21,284</td>
<td>15.6%</td>
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<td></td>
<td></td>
<td></td>
<td>Schedule BK-3</td>
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<tr>
<td>3</td>
<td>Tot Residential</td>
<td>$100,756</td>
<td>12.3%</td>
<td>$105,183</td>
<td>12.9%</td>
<td>$77,404</td>
<td>9.5%</td>
<td>$104,954</td>
<td>12.8%</td>
<td>$110,269</td>
<td>13.5%</td>
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<td></td>
<td>Schedule CJ-2</td>
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<td>4</td>
<td>Rate GS</td>
<td>$23,143</td>
<td>10.3%</td>
<td>$21,473</td>
<td>9.5%</td>
<td>$40,369</td>
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<td>$21,025</td>
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<td>$21,975</td>
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<td>Page 1 of 2</td>
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<tr>
<td>5</td>
<td>Rate PD</td>
<td>$810</td>
<td>9.9%</td>
<td>$812</td>
<td>9.9%</td>
<td>$1,218</td>
<td>14.9%</td>
<td>$739</td>
<td>9.0%</td>
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<td>6</td>
<td>Rate HT</td>
<td>$19,971</td>
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<td>$17,015</td>
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<td>$26,109</td>
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<td>$11,551</td>
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<td></td>
<td>3, at p. 47</td>
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<td>Rate EP</td>
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<td></td>
<td>1, at p. 18</td>
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<tr>
<td>8</td>
<td>Rate L</td>
<td>$1,150</td>
<td>5.7%</td>
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<td>6.0%</td>
<td>$599</td>
<td>3.0%</td>
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<td>9</td>
<td>Total Company</td>
<td>$146,991</td>
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<td>$146,991</td>
<td>12.0%</td>
<td>$146,991</td>
<td>12.0%</td>
<td>$146,991</td>
<td>12.0%</td>
<td>$146,991</td>
<td>12.0%</td>
<td></td>
<td></td>
<td>Page 1 of 2</td>
<td></td>
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</tr>
</tbody>
</table>

**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

Pennsylvania Public Utility Commission

v.

Docket No. R-2018-3000164
C-2018-3001043

PECO Energy Company – Electric
Division

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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