

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

Responses of the Bureau of Investigation and Enforcement  
to PECO Energy Company- Electric Division – Set II  
Witness: Joseph Kubas

**PECO-I&E-II-20.** Refer to I&E Statement No. 3, page 12, lines 11-13. Does Mr. Kubas agree that in the following statement from the Commission’s Supplemental Implementation Order entered September 21, 2016 in *Implementation of Act 11 of 2012* at Docket No. M-2012-2293611 (“Supplemental Implementation Order”), the Commission provided guidance on the level of utility plant in service that may be included in a utility’s rate base when a fully projected future test year is employed:

The test year can consist of a future test year or a fully projected future test year (FPFTY) as its baseline for setting new base rates. *See* 66 Pa. C.S. § 315. As such, a utility requesting to establish new base rates pursuant to a filing under Section 1308(d) of the Code, is seeking to recover the costs of all DSIC-eligible plant in service, plus the DSIC-eligible plant that is *projected to be in service either within 9 to 21 months* depending on if the utility has used a future test year or a FPFTY to calculate its rates.

Supplemental Implementation Order, p. 13 (emphasis in original).

If Mr. Kubas’s answer is anything other than an unqualified “yes,” explain in detail why Mr. Kubas believes that the quoted passage does not provide guidance on how rate base may be determined if a fully projected future test year is employed in a base rate case.

Response: No. The purpose of this Section as noted in the Order was limited to addressing the “Stay-Out Period After the Effective Date of New Base Rates” describing when a utility is permitted to recover DSIC eligible property through a DSIC. This is apparent by reading the

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first sentence of the paragraph under the title “Resolution” which states:

“The Commission believes that the length of the “stay-out” period should be able to be determined based upon whether the applicable total aggregate costs, or gross plant, associated with the DSIC-eligible property that is used to set base rates has been exceeded.”

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**PECO-I&E-II-21. Refer to I&E Statement No. 3, page 11, lines 7-15. Does Mr. Kubas agree that the “earlier implementation of a distribution system improvement charge (‘DSIC’)” that he assumed as the basis for his recommendation to employ “average” rate base in this case is not consistent with the rule established by the Commission in the Supplemental Implementation Order defining the permissible manner for implementing a DSIC following the conclusion of a base rate case, where it stated as follows:**

**The Commission determines that if a utility has surpassed the prospective recovery amount associated with all of the DSIC-eligible plant placed in service and which was previously reflected in the utility’s base rates or projected to be in service as a result of using a future test year or FPFTY, it is then eligible to begin to recover again the fixed costs associated with any *new* repair, replacement or improvement of DSIC-eligible property reflected in that quarterly DSIC update.**

**Supplemental Implementation Order, p. 14 (emphasis in original).**

**If Mr. Kubas’s answer is anything other than an unqualified “yes,” explain in detail how Mr. Kubas interprets the foregoing Commission statement to permit the implementation of DSIC prior to the end of a fully projected future test year.**

Response: Mr. Kubas disagrees with the premise of the question. The “earlier implementation of a distribution system improvement charge (‘DSIC’)” was not the basis for his recommendation to employ “average” rate base. Rather, the “earlier implementation of a distribution system improvement charge (‘DSIC’) is a result of his

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recommendation. In other words, I&E's recommendation limiting the recovery of end of year plant balances in base rates, will enable the Company to recover the DSIC eligible plant sooner through a DSIC than it would be able to if the Commission allows the Company to improperly include all FPPTY DSIC eligible plant in base rates. The I&E recommendation to allow earlier recovery of DSIC eligible plant complies with the Commission Order addressing when DSIC eligible property can be recovered from customers. (See Response to I&E Set II-20 above)