

**PECO ENERGY COMPANY
STATEMENT NO. 8-R**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PECO ENERGY COMPANY

DOCKET NO. R-2018-3000164

REBUTTAL TESTIMONY

WITNESS: RICHARD A. SCHLESINGER

SUBJECTS: RETURN OF TAX BENEFITS TO
CUSTOMERS UNDER THE TAX CUTS AND
JOBS ACT OF 2017; PILOT CAPACITY
RESERVATION RIDER; AND PILOT
ELECTRIC VEHICLE DIRECT CURRENT
FAST CHARGER RIDER

DATED: JULY 24, 2018

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**REBUTTAL TESTIMONY
OF
RICHARD A. SCHLESINGER**

1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **1. Q. Please state your name, professional position and business address.**

3 A. My name is Richard A. Schlesinger. I am employed by PECO Energy Company
4 (“PECO” or the “Company”) as Manager, Retail Rates. My business address is
5 PECO Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

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

7 A. Yes. I submitted direct testimony that is marked as PECO Statement No. 8 and
8 supplemental direct testimony that is marked as PECO Statement No. 8-S.

9 **3. Q. What is the purpose of your rebuttal testimony?**

10 A. My rebuttal testimony will address three separate areas:

11 **Federal Tax Adjustment Credit (“FTAC”):** I will respond to the direct testimony
12 of Mr. David J. Efron on behalf of the Office of Consumer Advocate (“OCA”), Ms.
13 Christine S. Wilson on behalf of the Bureau of Investigation and Enforcement
14 (“I&E”) and Mr. Jeffry Pollock on behalf of the Philadelphia Area Industrial Energy
15 Users Group (“PAIEUG”) concerning the Company’s proposal to return to customers
16 the tax benefits under the Tax Cuts and Jobs Act of 2017 (“TCJA”).

1 **Pilot Capacity Reservation Rider (“CRR”):** I will respond to the direct testimony
2 of Mr. Joseph Kubas on behalf of I&E proposing the collection of certain data
3 regarding the CRR.

4 **Pilot Electric Vehicle Direct Current Fast Charger (“EV-FC”) Rider:** I will
5 respond to the direct testimony of Mr. Patrick Bean and Ms. Katherine Bell on behalf
6 of Tesla, Inc. (“Tesla”), the direct testimony of Mr. Clarence L. Johnson on behalf of
7 the OCA and Mr. Brian Kalcic on behalf of the Office of Small Business Advocate
8 (“OSBA”) regarding the Company’s proposed EV-FC Rider which supports the
9 development of Direct Current Fast Chargers (“DCFCs”).

10 **4. Q. Have you prepared any exhibits to accompany your rebuttal testimony?**

11 A. Yes. I have prepared PECO Exhibit RAS-2.

12 **II. PECO’S PROPOSAL TO RETURN TAX BENEFITS UNDER THE TCJA**

13 **5. Q. Did any party oppose PECO’s proposed FTAC?**

14 A. No. Mr. Effron stated that the FTAC is a reasonable method to refund 2018 TCJA
15 savings to ratepayers, only recommending that the Company consider beginning the
16 refund in 2018 rather than waiting until 2019. Ms. Wilson also generally supported
17 PECO’s approach for refunding 2018 TCJA savings, but recommended that PECO:
18 (1) make the FTAC become effective on the effective date of new base rates; (2) limit
19 the FTAC to one year; (3) use the month following the one-year term to eliminate any
20 over/under balance and then file a final reconciliation statement with the
21 Pennsylvania Public Utility Commission (the “Commission”) within 30 days of that

1 reconciliation; and (4) use the residential mortgage lending rate to accrue interest.
2 Finally, Mr. Pollock recommended that PECO refund the entirety of the excess
3 unprotected accumulated deferred federal income taxes (“ADFIT”) through the
4 FTAC in one year. In the alternative, PAIEUG recommended that PECO utilize a 4-
5 year amortization period for ADFIT instead of PECO’s proposed 5-year amortization
6 period.

7 **6. Q. Please respond to the recommendations of OCA and I&E concerning the**
8 **effective date and term of the FTAC.**

9 A. PECO agrees with I&E that it is appropriate for the FTAC to become effective on the
10 effective date of the new base rates established in this proceeding. While the
11 Company understands OCA’s desire to begin the credit in 2018, PECO will require
12 Commission approval prior to FTAC implementation. The Company expects that
13 such approval will be granted along with approval of new base rates no earlier than
14 December of 2018 and therefore credit implementation will begin no earlier than
15 January of 2019.

16 PECO also agrees with I&E that, after the 12-month FTAC term, the Company will
17 return to customers any over collection or recover any under collection. The
18 elimination of any over/under balance may not be entirely achieved in the thirteenth
19 month, however, and PECO believes the FTAC should remain effective until any
20 over/under balance is eliminated. The Company will file a final reconciliation
21 statement with the Commission within 30 days of the elimination of any over/under
22 balance.

1 **7. Q. Do you agree with I&E’s recommendation to use the residential mortgage**
2 **lending rate to accrue interest?**

3 A. Yes. Since the Company’s initial filing in this case, the Commission has issued
4 directives to utilities that are not currently in a base rate proceeding or will not be
5 initiating a base rate proceeding in the near future concerning the refund of TCJA
6 benefits to customers.¹ The Commission is requiring those utilities, including
7 PECO’s gas distribution operations, to accrue interest at the residential mortgage
8 lending rate.² PECO agrees with I&E that it is appropriate for utilities to be
9 consistent, and further believes it is important for the Company to be consistent
10 across its gas and electric distribution operations. PECO Exhibit RAS-2 is a redline
11 of the FTAC tariff language proposed in the Company’s initial filing showing the use
12 of the residential mortgage lending rate.

13 **8. Q. Please respond to PAIEUG’s recommendations concerning the return of ADFIT**
14 **to customers.**

15 A. Mr. Yin addresses PAIEUG’s recommendation in his rebuttal testimony (PECO
16 Statement No. 3-R).

¹ *Tax Cuts and Jobs Act of 2017*, Docket No. M-2018-2641242 (Temporary Rates Order entered May 17, 2018).

² *Id.* at 18.

1 **III. CRR DATA RECOMMENDATIONS**

2 **9. Q. Please summarize the recommendations made by I&E witness Kubas concerning**
3 **the CRR.**

4 A. Mr. Kubas recommended that, in PECO’s next distribution base rate case: (1) for
5 each CRR customer added, the Company provide schedules showing usage and
6 billing details of that customer and a breakdown of the revenue received from that
7 customer; (2) the Company show the cost of the capacity being reserved and indicate
8 the basis for determining the cost as either a system average or specific costs to serve
9 each customer; and (3) the revenue from the CRR and the cost to provide CRR be
10 reflected separately in the cost of service study and an explanation for the
11 assumptions made in allocating the CRR revenue and costs be included. Mr. Kubas
12 also recommended that PECO’s proposed clarifying changes to the CRR be approved.

13 **10. Q. Do you agree with his recommendations?**

14 A. PECO has no objection to providing schedules showing the usage and billing details
15 of each CRR customer added and a breakdown of the revenue received from that
16 customer. PECO also has no objection to providing the cost of capacity being
17 reserved for each CRR customer added. Under the CRR, the cost of capacity is
18 deemed to be the class average rate for the prevailing tariff under which the customer
19 is being served. The Company believes that this information should be available
20 using PECO data only. If, however, customer data is needed, the Company’s ability
21 to provide the requested information will depend upon whether the customer tracks
22 such data and consents to PECO’s use of the data. Ms. Ding will address the cost of

1 service study recommendation made by Mr. Kubas in her rebuttal testimony (PECO
2 Statement No. 6-R).

3 **IV. PECO'S PROPOSED EV-FC RIDER**

4 **11. Q. Did any party oppose PECO's proposed EV-FC Rider?**

5 A. No. OCA witness Johnson, OSBA witness Kalcic and Tesla witnesses Bean and Bell
6 all supported the Rider as a means to encourage the development of EV charging
7 services. Both OCA and Tesla further recommended that PECO remove the Rider's
8 restrictions on use of proprietary technology and that Pilot data be collected.

9 **12. Q. Please discuss the recommendation of OCA and Tesla to include proprietary
10 technology in the Pilot.**

11 A. PECO purposefully limited the Pilot to open-access technologies to ensure support of
12 publicly-available EV charging stations that are not limited to a single proprietary
13 technology. OCA and Tesla both suggest that the Pilot include proprietary
14 technologies as well. OCA contended that a retailer's choice of charging technology
15 should be a business model decision and that tariffs should be non-discriminatory in
16 nature. OCA also noted concern about the different treatment that fleet charging
17 stations would receive under PECO's Rider because such stations may use
18 proprietary technology. Tesla argued that only a subset of the charging technology
19 available today would be eligible to take advantage of the Rider and that utilities in
20 other states have implemented "technology agnostic" DCFC tariff provisions.

1 13. Q. Does PECO continue to believe that the Rider’s restrictions on use of
2 proprietary technology are appropriate?

3 A. Yes. PECO’s Rider is intended to promote the development of publicly-available,
4 open-access EV charging stations. If PECO permitted proprietary technology to be
5 included in the Pilot, the objective of supporting open access would be diluted. While
6 the Company does not challenge Tesla’s position that including proprietary
7 technology in the Pilot could encourage additional private investment in proprietary
8 charging technologies, PECO believes that the Rider’s focus on open access is
9 reasonable. Finally, regarding fleet charging stations, PECO has provided an
10 exception to the proprietary technology restrictions because such stations are by their
11 nature not open to the public.

12 PECO understands, however, that the Commission may determine that encouraging
13 systems with less than open access is appropriate in the interest of EV market
14 development. If the Commission makes such a determination, then it would be
15 acceptable to PECO to eliminate the Rider’s restrictions on the use of proprietary
16 technology.

17 14. Q. Please describe the recommendations of OCA and Tesla concerning data
18 collection for the Pilot.

19 A. OCA states that the Pilot will permit PECO to track information regarding time-of-
20 day usage, diversity factors, and other information that can be reviewed and evaluated
21 at the conclusion of the Pilot. Tesla recommends that the Pilot be leveraged to collect
22 necessary load and billing data to design prospective EV charging rates in the future.

1 **15. Q. Does PECO intend to collect data as it implements the Pilot?**

2 A. Yes. PECO agrees that collection of Pilot data is reasonable and will develop
3 appropriate metrics to track data as part of the Pilot implementation process. The
4 Company notes that, in order to maximize infrastructure buildout, the Rider allows a
5 DCFC to be installed as either: (1) a stand-alone service with a separate meter; or (2)
6 part of an existing service with or without a separate meter. If a DCFC is installed as
7 part of an existing service, gathering certain DCFC-specific data may not be possible
8 unless individual customers elect to: (1) track such data; and (2) consent to provide
9 that data to PECO for analysis and potentially reporting purposes.

10 **16. Q. Please summarize the positions of OCA, OSBA and Tesla regarding PECO's**
11 **approach to the Pilot cost recovery.**

12 A. OCA, OSBA and Tesla all support PECO's position that customers should not bear
13 the Pilot costs. In particular, PECO has not projected any Pilot-related capital
14 additions, associated revenues, or associated expenses in this proceeding and is also
15 not proposing to defer lost revenues associated with the Pilot for future recovery.

16 **17. Q. How does PECO intend to address costs related to EV charging once the Pilot is**
17 **complete?**

18 A. In future base rate proceedings, PECO expects that its cost of service will include
19 additional investments made to support EV charging and that it may propose EV
20 charging rates based on learnings from this Pilot.

1

V. CONCLUSION

2 **18. Q. Does that complete your rebuttal testimony?**

3 A. Yes, it does.