

**PECO ENERGY COMPANY
STATEMENT NO. 8**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PECO ENERGY COMPANY – ELECTRIC DIVISION

DOCKET NO. R-2018-3000164

DIRECT TESTIMONY

WITNESS: RICHARD A. SCHLESINGER

SUBJECT: RETURN OF TAX BENEFITS TO CUSTOMERS
UNDER THE TAX CUTS AND JOBS ACT;
PROPOSED CHANGES TO PECO ENERGY
COMPANY – ELECTRIC DIVISION TARIFF;
2015 RATE CASE SETTLEMENT COMMITMENT
REGARDING INTERCONNECTION OF
CUSTOMER-OWNED GENERATION

DATED: MARCH 29, 2018

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**DIRECT TESTIMONY
OF
RICHARD A. SCHLESINGER**

4
I. INTRODUCTION AND PURPOSE OF TESTIMONY

5 **1. Q. Please state your name and business address.**

6 A. My name is Richard A. Schlesinger. My business address is PECO Energy
7 Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

8 **2. Q. By whom are you employed and in what capacity?**

9 A. I am employed by PECO Energy Company (“PECO” or the “Company”) as
10 Manager, Retail Rates. In that capacity, I am responsible for the management and
11 oversight of PECO’s electric and gas retail and supplier service tariffs, and
12 oversee numerous filings with the Pennsylvania Public Utility Commission (the
13 “Commission”).

14 **3. Q. Please describe your educational background.**

15 A. I have a Bachelor of Science Degree in Engineering from Widener University. In
16 addition, I have a Master’s Degree in Business Administration from Saint
17 Joseph’s University.

18 **4. Q. Please describe your professional experience.**

19 A. I was hired in 1986 by PECO as a System Engineer in the Plant Operations group
20 supporting the Limerick Nuclear Generating Station. From 1988 to 1991, I held
21 several positions of increasing responsibility supporting plant operations,
22 management, and quality assurance. In 1992, I transferred into the position of

1 Rate Engineer in the Rates and Regulatory Affairs Group. In 1997, I was
2 appointed to the position of Project Manager, Customer Choice Implementation,
3 and was responsible for many regulatory activities related to the phase-in of
4 electric and gas retail choice for all of PECO's two million electric and gas
5 distribution customers. In 2000, I transferred to the Company's Customer and
6 Marketing Services Department and served as e-Commerce Manager and then as
7 Project Manager, overseeing various Business/Information Technology system
8 implementations. In 2004, I returned to the Regulatory and External Affairs
9 Department, where I served as Principal Rate Administrator.

10 In 2009, I was promoted to my current position of Manager of Retail Rates. My
11 responsibilities as Manager of Retail Rates include oversight of PECO's gas and
12 electric tariffs as well as over one hundred filings annually with the Commission.
13 In addition, I address regulatory issues involving distributed generation, including
14 interconnection applications and associated reporting.

15 **5. Q. What is the purpose of your testimony?**

16 A. My testimony will address proposed changes to PECO's Tariff Electric-Pa.
17 P.U.C. No. 5 ("Tariff No. 5") that have been incorporated in the Company's
18 proposed Tariff Electric-Pa. P.U.C. No. 6 ("Tariff No. 6") filed in this case. My
19 testimony is divided into several parts. First, I will explain PECO's proposed
20 Federal Tax Adjustment Credit ("FTAC"), which will refund to customers the
21 amount of PECO's reduced tax expense in 2018 resulting from Tax Cuts and Jobs
22 Act (the "TCJA"). The amount of the refund is projected to be \$68 million under

1 PECO's existing rates. Second, I describe proposed changes to Tariff No. 5
2 consisting of revisions to: (1) terms and definitions; (2) tariff rules and
3 regulations; (3) rate schedules; (4) riders; (5) existing 1307 surcharge
4 mechanisms; and (6) various miscellaneous provisions. Finally, I will discuss the
5 processing times for certificates of completion under the Company's terms and
6 conditions for interconnection of customer-owned generation as revised in
7 accordance with the settlement of PECO's 2015 base rate case.

8 **6. Q. Mr. Schlesinger, have you submitted testimony previously before the**
9 **Commission?**

10 A. Yes. I submitted testimony in support of PECO's Phase I, Phase II and Phase III
11 Energy Efficiency and Conservation ("EE&C") Plans (P-2008-2062740, M-2009-
12 2093215, M-2015-2515691). In addition, I submitted testimony in support of the
13 Company's Market Rate Transition Energy Efficiency Package (P-2008-2062740)
14 and its Residential Real-Time Pricing Program (P-2008-2032333). I submitted
15 direct and rebuttal testimony in PECO's 2015 base rate case at Docket No. R-
16 2015-2468981.

17 **7. Q. Are you sponsoring any exhibits in this case?**

18 A. No. However, as explained by Mr. Kehl in PECO Statement No. 7, the various
19 tariff changes that I am identifying and explaining are reflected in blacklining of
20 the relevant pages of the Company's proposed Tariff No. 6 that Mr. Kehl is
21 sponsoring as PECO Exhibit MK-2. Accordingly, I will refer to PECO Exhibit
22 MK-2 in certain points in my testimony.

1 **II. PECO’S PROPOSAL TO RETURN TAX BENEFITS UNDER**
2 **THE TAX CUTS AND JOBS ACT TO CUSTOMERS**

3 **8. Q. How does PECO propose to respond to the TCJA, which became effective as**
4 **of January 1, 2018, and reduced PECO’s tax expense?**

5 A. PECO is proposing a reconcilable surcharge mechanism – the FTAC – to
6 expeditiously refund the amount of PECO’s 2018 federal tax expense resulting
7 from the TCJA to customers.

8 By way of background, the TCJA amended or repealed various provisions of the
9 Tax Reform Act of 1986 and resulted in a reduction of the current corporate
10 federal tax rate from 35% to 21%. By Secretarial Letter dated February 12, 2018
11 (“TCJA Secretarial Letter”), the Commission initiated a proceeding at Docket No.
12 M-2018-2641242 to “determine the effects of the TCJA on the tax liabilities of
13 the Commission-regulated public utilities for 2018 and future years and the
14 feasibility of reflecting such impacts in the rates charged to Pennsylvania utility
15 ratepayers.”

16 After completing its initial review of comments submitted in response to the
17 TCJA Secretarial Letter, the Commission entered an Order on March 15, 2018,
18 pursuant to Section 1310 (d) of the Public Utility Code, directing PECO and other
19 utilities to designate their existing rates and riders as temporary rates (the
20 “Temporary Rate Order”). In compliance with the Temporary Rate Order, PECO
21 filed a supplement to Tariff No. 5 establishing temporary rates on March 16,
22 2018.

1 Because the lower federal corporate income tax rate provided in the TCJA was
2 effective January 1, 2018, PECO is proposing to return the associated 2018 tax
3 benefits to customers through the FTAC. The Company's proposed methods to
4 incorporate the effects of the TCJA into PECO's base rates from 2019 forward are
5 described by Mr. Yin in PECO Statement No. 3.

6 **9. Q. Please describe PECO's proposed FTAC.**

7 A. The FTAC is a reconcilable Section 1307 adjustment clause that will function
8 similarly to PECO's existing State Tax Adjustment Surcharge ("STAS"). The
9 FTAC will be computed annually and will be available to address any future
10 changes in the federal income tax rate.

11 For 2018, the FTAC will be based on the difference in total annual revenue
12 requirement before and after implementing the TCJA, and the calculation will
13 reflect the reduction in required revenues (estimated to be approximately \$68
14 million). The reduction in required revenues will be divided by the estimated
15 annual applicable base revenues to develop the FTAC that will be applied to
16 customers' bills for service rendered during the applicable twelve-month period.
17 The difference between the actual reduction in required revenue and the reduction
18 in revenues produced by the FTAC as applied will be subject to refund or
19 recovery in an annual revision to the FTAC. For consistency with other
20 Commission-approved 1307 surcharge mechanisms, including PECO's
21 Generation Supply Adjustment (GSA) and Transmission Service Charge (TSC),
22 the interest rate on the over or under disbursement will be applied at the prime

1 rate of interest for commercial banking, not to exceed the legal rate of interest, in
2 effect on the last day of the month the over-disbursement or under-disbursement
3 occurs, as reported in the Wall Street Journal. For any over/under credit balance
4 that remains after the initial twelve-month refund period for the 2018 tax benefits,
5 the Company may propose additional FTAC adjustments to ensure that the
6 balance is eliminated.

7 An annual reconciliation statement will be submitted to the Commission each
8 year, and a final reconciliation statement will be filed within 30 days after the
9 final over/under balance has been eliminated. The FTAC revenues and
10 reconciliation will be subject to audit by the Commission's Bureau of Audits.
11 The FTAC has been included in the Company's proposed Tariff No. 6 (see
12 Exhibit MK-2) and references to the application of the FTAC have been included
13 in the rate schedules to which it is proposed to apply.

14 **III. PROPOSED CHANGES TO EXISTING**
15 **TERMS AND DEFINITIONS**

16 **10. Q. Please explain why PECO is proposing to add a definition for the term**
17 **“Interest Index”.**

18 A. Rule 5.6 – Interest On Deposit – consists of two parts (A) and (B) that specify the
19 interest the Company will pay on residential and commercial/industrial customer
20 deposits, respectively. Part (B) of Tariff Rule 5.6 provides that interest will be
21 paid “at the lower of the Interest Index or six percent” without defining the term
22 “Interest Index.” Therefore, PECO proposes to add the definition of “Interest
23 Index,” as follows: “An annual interest rate determined by the average of one-

1 year Treasury Bills for September, October and November of the previous year.”
2 The Interest Index is calculated based on data obtained from the Daily Treasury
3 Bill Rates page of the US Department of Treasury’s website. The Company’s
4 proposed definition is consistent with the defined term used in the Company’s
5 Electric Generation Supplier Tariff (Electric Pa P.U.C. No S 1, Supp. 27, p. 6)
6 and the Electric Generation Supplier Tariffs of other electric distribution
7 companies (“EDCs”).

8 **11. Q. Please describe the revisions PECO is proposing to subsection (c) of the**
9 **definition of “Standard Polyphase Secondary Service” regarding the**
10 **availability of this service to customers.**

11 The definition for service that is “nominally 120/208 volts, 3-phase, 4 wires”
12 currently limits service capacity to 750 kVA for transformers located inside or
13 outside the customer’s building. The definition further provides that, for the
14 capacity to exceed this limit, the only rate option available to the customer is
15 High-Tension Service, or Rate HT. PECO is expanding this provision to align
16 with its current business practices. Specifically, the definition is being revised to
17 permit customers with demands up to 1,500 kVA from transformers located
18 outside the building to request service at 277/480 volts, 3-phase, 4-wires as an
19 alternative to Rate HT. For consistency, PECO is proposing the same change to
20 the availability provision of General Service, or Rate GS, for service that is
21 “nominally 120/208 volts, 3-phase, 4 wires.”

1 following condition: “(5) Situations where extenuating
2 circumstances exist in the Company’s sole judgment
3 whereby the Company agrees to provide multiple services
4 to one customer located on a premises.”

5 **13. Q. Please describe the revision PECO is proposing to Rule 2.5 of its Rules and**
6 **Regulations dealing with single-phase service up to 150 kVA.**

7 A. This rule is being revised to reflect the fact that customers can have generation as
8 well as “loads.” Accordingly, PECO proposes to revise Rule 2.5 to clarify that
9 the rule applies to both demand and parallel-generation facilities. For
10 consistency, PECO is also adding new references to “parallel generating capacity”
11 in the definition of “Service” and Rate GS where references to “service capacity”
12 currently exist.

13 **14. Q. Please describe the revision PECO is proposing to Rule 4.2 of its Rules and**
14 **Regulations.**

15 Rule 4.2, which addresses service contracts, currently provides that an applicant
16 for service “shall abide by these Rules and Regulations and the standard
17 requirements of the Company.” PECO proposes to clarify Rule 4.2 by adding,
18 after “standard requirements of the Company,” the following: “including but not
19 limited to those in PECO’s Electric Service Requirements Manual (“Blue Book”),
20 Builder’s Handbook, Interconnection Guidelines (“Yellow Book” and “Gray
21 Book”), and other additional requirements that PECO will provide upon request.”

1 **15. Q. Please describe the revision PECO is proposing to Rule 6.3 of its Rules and**
2 **Regulations.**

3 A. In PECO's last base rate case proceeding, PECO made changes to several rules,
4 including Rule 6.3, to make sure that its tariff correctly described the allocation of
5 responsibility for Company-owned facilities and customer-owned facilities.

6 Under PECO's Tariff Rule 6.4, PECO owns the meters and transformers. Those
7 two Company facilities are sometimes installed on customer-owned facilities on
8 the customer side of the point of delivery. Meters are always installed on the
9 customer-owned meter board, and transformers are often installed on customer-
10 owned facilities; for example, a customer may own a private pole line that extends
11 private service some distance from the road, but because transformation
12 equipment works more efficiently if it is located in close physical proximity to the
13 customer load, PECO may install a Company-owned transformer on the last pole
14 of that private pole line.

15 The purpose of the changes to Rule 6.3 is to make clear that, notwithstanding such
16 an installation protocol, the customer remains responsible for the provision,
17 ownership, inspection, and maintenance of the customer-owned facilities, even if
18 PECO equipment is attached to those facilities.

19 **16. Q. Please describe the revisions PECO is proposing to Rule 7.2 of its Rules and**
20 **Regulations.**

21 A. Rule 7.2 sets forth the terms and conditions on which the Company will construct
22 line extensions. In particular, Rule 7.2 states the rules for determining when the

1 customer will have to make a payment toward construction of a line extension –
2 known as a contribution in aid of construction, or “CIAC.” Subparts (a) and (b)
3 of the Rule state that, when a CIAC is required, “A Customer who is not a
4 developer must pay the CIAC in full prior to the construction” of the Line
5 Extension.

6 PECO proposes to add a clarification to Rule 7.2 to correspond to existing
7 practice. Specifically, although Rule 7.2 states that a customer must pay their
8 CIAC in full before PECO will begin work on the project, for projects requiring
9 significant design work, PECO currently provides the customer with a
10 preliminary cost estimate and then begins work on the detailed design documents
11 upon payment by the customer of a non-refundable deposit equal to 10% of the
12 preliminary cost estimate. When the detailed design work is completed, PECO
13 prepares a final estimate, which is then used to calculate the total final CIAC.
14 Any amounts paid for the detailed design work are subtracted from the remaining
15 CIAC due from the customer.

16 This practice has several advantages. From the customers’ perspective, it allows
17 them to make a small payment up front, withholding the remainder of the full
18 CIAC payment until later in the process, which can improve customer cash flow.
19 The process also allows the final cost estimate to be based on more precise and
20 detailed design work, which benefits both PECO and the customer seeking a line
21 extension. Finally, the process ensures that detailed design work is only done for
22 those proposed line extensions for which the customer demonstrates serious intent

1 to proceed by making an early payment to fund the design work, thus avoiding
2 false starts and wasted design work.

3 **17. Q. Please explain the revision PECO is proposing to Rule 10.2 of its Rules and**
4 **Regulations.**

5 A. Rule 10.2 specifies the customer's responsibility for safekeeping of the
6 Company's property located on the customer's premises, including underground
7 electrical conductors. Customers with privately owned or operated underground
8 utility facilities on their premises, such as water, sewer, and gas lines, may have
9 obligations as facility owners under the Pennsylvania Underground Utility Line
10 Protection Law (Act 287) to participate in Pennsylvania One Call and provide
11 approximate locations of such facilities with temporary markings in response to
12 related One Call notifications. During the Company's repair or replacement work
13 on its underground conductors, PECO has discovered that some customers are
14 either unwilling or unable to comply with these obligations and locate these
15 privately-owned facilities themselves in accordance with Rule 10.2. As a result,
16 PECO incurs additional expense to locate and mark the privately owned or
17 operated facilities to ensure safe excavation and complete the required
18 underground conductor work. PECO is therefore proposing additions to Rule
19 10.2 that reinforce the Act 287 obligations and allow the Company to charge non-
20 compliant customers for any incremental costs incurred. The additions also
21 provide that the Company shall not be liable to customers or any other third
22 parties for any damages to private utility facilities if: (1) the facilities are
23 insufficiently marked prior to the lawful start date of any Company excavation or

1 construction work, or (2) the Company is unable to notify a facility owner of its
2 intent for excavation or similar work covered under Act 287 because the facility
3 owner is not a member of the Pennsylvania One Call system.

4 **18. Q. Please describe the change PECO is proposing with respect to Rule 14.10 of**
5 **its Rules and Regulations.**

6 A. Rule 14.10 is a provision that allows customers, under specified conditions, to
7 request the installation of a smart meter ahead of the planned installation schedule
8 for their property location and to pay the incremental cost associated with
9 installing a smart meter outside of the planned schedule. PECO has now installed
10 smart meters for all active residential accounts (other than approximately 20
11 accounts currently in litigation) and, therefore, this rule is unnecessary and is
12 being eliminated. The existing Rule 14.11 will be renumbered as Rule 14.10 in
13 Tariff No. 6.

14 **19. Q. Please refer to Rule 15.3 of the Company’s Rules and Regulations, which is**
15 **titled “Power Factor Adjustment.” Please explain “power factor” and why**
16 **adjustments are made for “power factor.”**

17 A. A customer’s power factor is a measure of how efficiently electricity is consumed
18 and is the ratio of working power (kW) to apparent power (kVA). A high power
19 factor (e.g., closer to 100%) indicates efficient utilization of electric power.
20 PECO must increase the total power delivered (apparent power) to make up for
21 the reactive power (kVARs) that is lost by customers with a low power factor. As

1 a result, PECO adjusts customer billing demands based on the measured power
2 factor in the manner set forth under Rule 15.3.

3 **20. Q. Please describe the revisions PECO is proposing to Rule 15.3.**

4 A. Rule 15.3 is being revised to clarify how power factor is measured and how
5 PECO adjusts measured demand for power factor.

6 **21. Q. Please describe the revision PECO is proposing to Rule 17.5 of its Rules and
7 Regulations.**

8 A. PECO proposes to revise Rule 17.5 to clarify that late fees apply to the unpaid
9 balance of final bills that are not paid within a payment period. Thus, if a
10 customer does not pay a final bill on time, the customer is liable for late fees that
11 accrue on the final bill's unpaid balance. This clarification is consistent with
12 PECO's current practice.

13 **22. Q. Please describe the revisions PECO is proposing to Rules 22.1 (f) and 22.1 (g)
14 of its Rules and Regulations.**

15 PECO is proposing revisions to Rules 22.1(f) and 22.1(g) to explain how the
16 proper default service procurement class is determined for a new customer.

17 PECO is restating both rules so that Rule 22.1(f) will apply only to a new
18 customer in a *new* facility and Rule 22.1(g) will apply only to a new customer in
19 an *existing* facility.

1 V. RATE SCHEDULES

2 23. Q. Is PECO proposing revisions to Rate R – Residence Service?

3 A. Yes, PECO is proposing revisions to the “Availability” provisions of Rate R
4 regarding detached garages and farms.

5 24. Q. Please describe the revisions PECO is proposing to that would apply to
6 detached garages.

7 A. Detached garages are currently treated as appurtenances under Rate R. In light of
8 recent customer communications on this issue, PECO is proposing revisions to
9 clarify requirements of service to detached garages based on tariff provisions of
10 other EDCs. Specifically, PECO will add tariff language clarifying that Rate R is
11 available to detached garages where the following conditions are met:

12 (a) The detached garage is located on the same premises as the
13 customer’s dwelling unit.

14 (b) The detached garage is used solely for the domestic
15 requirements of the dwelling unit, such as storage of a
16 residential customer’s vehicle.

17 (c) The detached garage is either served through the same
18 meter as the dwelling unit, or it requires separate metering
19 service because of wiring restrictions or legal requirements.

20 If a detached garage does not meet the above conditions, PECO will treat the
21 garage as commercial property under Rate GS. Because PECO does not have
22 data for all detached garages in its service territory, PECO will implement this

1 change on a prospective basis after receipt of a customer request if a customer has
2 a detached garage meeting the above conditions and is not currently served under
3 Rate R.

4 **25. Q. Please explain the availability provision of Rate R that currently classifies**
5 **some farm buildings as residential service and the circumstances under**
6 **which that classification is applied.**

7 A. Rate R currently applies to customers with both dwellings and farms on
8 their premises when single-phase service is adequate to serve their load
9 and the farm is not operated for commercial purposes. Customers who
10 meet these requirements can receive service at residential rates, which
11 may be lower than rates under Rate GS.

12 As PECO continues to work with customers on interconnecting increasing
13 amounts of distributed generation to its system, some Rate R customers with
14 farms have expressed concerns that PECO's rate class designation prevents them
15 from installing alternative energy systems with a nameplate capacity greater than
16 50 kW, in accordance with limitations in the Commission's Alternative Energy
17 Portfolio Standard ("AEPS") regulations at 52 Pa. Code § 75.13(3) for residential
18 service locations. By contrast, service under Rate GS would allow those
19 customers to install alternative energy systems of up to 3 MW under the
20 Commission's regulations at 52 Pa. Code § 75.13(4).

1 **26. Q. How does PECO propose to revise the availability provision to address this**
2 **customer issue?**

3 A. PECO is proposing to remove all references to farms and farm purposes in Rate R
4 except for the provision addressing single meter service for both farm and
5 domestic farmhouse requirements. These revisions will allow customers with
6 farms to choose Rate GS on a prospective basis and provide flexibility for those
7 customers who may be interested in deploying larger alternative energy systems
8 on their premises.

9 **27. Q. Is PECO proposing changes to Rate GS to coordinate the availability**
10 **provision of that rate with the revisions being proposed to Rate R?**

11 A. Yes, PECO will add “farms” to the Rate GS availability provisions to align with
12 the farm-related revisions that PECO is proposing to Rate R. No changes to Rate
13 GS availability are necessary to accommodate PECO’s changes to Rate R for
14 detached garages.

15 **28. Q. What is Rate RS-2 – Net Metering?**

16 A. Rate RS-2 sets forth the eligibility, terms and conditions that apply to customers
17 with customer-owned qualifying renewable generation that employ “net
18 metering.”

19 **29. Q. Is PECO proposing to revise Rate RS-2?**

20 A. Yes. PECO is proposing revisions to clarify Paragraph 3 within the “Billing
21 Provisions” section of Rate RS-2, with specific reference to how PECO applies

1 excess generation credits (in kWh) for customer-generators participating in virtual
2 meter aggregation. In accordance with the Commission’s regulations at 52 Pa.
3 Code § 75.12, Paragraph 3 of PECO’s RS-2 Billing Provisions provides that a
4 credit is first applied to the meter through which the customer’s generating facility
5 supplies electricity to the distribution system (also known as the “host account”)
6 and then “equally” through the remaining meters for the customer-generator’s
7 account or “satellite” accounts. PECO is proposing revisions to clarify how
8 excess credits are applied “equally” for customer-generators participating in
9 virtual meter aggregation.

10 Under the current provision, PECO applies a “waterfall” methodology in which
11 any net excess credits remaining after fully offsetting the host account’s usage is
12 divided equally between satellite accounts and applied in sequential order. This
13 process continues as PECO bills each subsequent satellite account, with any
14 additional excess credits from the prior account divided equally among the
15 remaining satellite accounts. If there is still excess generation after cascading
16 through the waterfall of accounts, the energy is returned to the host account to
17 offset future energy consumption. The revisions clarify but do not change this
18 methodology.

19 **30. Q. Please describe Rate BLI – Borderline Interchange Service.**

20 A. In certain locations near the borders (edges) of an electric distribution company’s
21 service territory, it may be more practical and economical if a utility’s customers
22 receive service from the distribution facilities of a neighboring electric utility.

1 Historically, the Commission has approved rates for various electric distribution
2 companies to permit this type of reciprocal arrangement. Rate BLI is a rate under
3 which PECO may provide electric service under reciprocal agreements to
4 neighboring electric utilities for resale by those utilities to customers in their
5 service territories. Under this rate, PECO provides such service only at delivery
6 points where, in its judgment, it has capacity to furnish service without
7 compromising service to its own customers.

8 **31. Q. Describe the revisions to Rate BLI that PECO is proposing.**

9 A. PECO's current rate structure under Rate BLI consists of two charges, the
10 Investment Charge and the Borderline Interchange Service Charge. The
11 Investment Charge is an amount equal to 1% of the additional investment by
12 PECO in facilities required to deliver and meter the service supplied to a
13 neighboring utility under Rate BLI. The Borderline Interchange Service Charge
14 is currently \$0.1486 per kWh. Charges under certain adjustment clauses as
15 specified in Rate BLI also apply.

16 PECO proposes to revise Rate BLI prospectively for new contracts entered after
17 January 1, 2019. The revision provides that the amount a contracting utility must
18 pay will be based on the applicable PECO retail service rate schedule for the
19 borderline customer, as if the customer was served directly by PECO, rather than
20 based on the Borderline Interchange Service Charge. This change will more
21 accurately reflect the costs PECO incurs by aligning a customer's borderline

1 service with the customer’s rate class rather than applying a common service
2 charge.

3 **32. Q. What are Rates POL (Private Outdoor Lighting), SL-S (Street Lighting –**
4 **Suburban Counties), and SL-E (Street Lighting – Customer Owned**
5 **Facilities)?**

6 A. All three rates are for lighting service. Rate POL applies to lighting service
7 provided by PECO to residential and commercial customers for private outdoor
8 lighting. Rate SL-S applies to street lighting service provided by PECO-owned
9 lighting facilities to municipal customers outside the City of Philadelphia. Rate
10 SL-E applies to street lighting service provided by lighting facilities owned by
11 municipal customers, including the City of Philadelphia.

12 **33. Q. Is PECO proposing revisions to Rate Schedules POL and SL-S?**

13 A. PECO is proposing several changes to the POL and SL-S rate schedules to use
14 more standardized terms and conditions across all three of these street lighting
15 rate schedules. PECO will revise both schedules by adapting existing language
16 from the SL-E rate schedule where appropriate and correcting inconsistencies
17 between POL and SL-S with regard to form, layout, phrasing, and terminology.
18 For example, PECO proposes to separate the SL-S “Lighting Installations”
19 provision into distinct “Standard Installations” and “Non-Standard Installations”
20 provisions, similar to the current provisions in Rate POL, as well as to modify the
21 Energy Supply Charge language in Rate POL to match the Energy Supply Charge
22 language currently in Rate SL-S.

1 **34. Q. Please describe any additional revisions to Rate SL-S that PECO is**
2 **proposing for purposes other than standardization.**

3 A. PECO is proposing to apply the same revenue test to standard installations for
4 both rates POL and SL-S. PECO’s SL-S rate currently limits Company
5 investment in standard installations “to the extent warranted by the revenue in
6 prospect.” This provision is less specific than the provision applied under
7 PECO’s POL rate, which limits Company investment “to that warranted by three
8 times the prospective revenue recovered through the Tariff’s Variable
9 Distribution Charge.” PECO is proposing to include this more specific revenue
10 test provision in Rate SL-S. Both rates pertain to Company-owned lights, and
11 PECO is unaware of any significant differences in standard installation practices
12 between the two offerings that would require the Company to apply this test
13 differently.

14 **35. Q. Is PECO proposing any other tariff changes related to street lighting?**

15 A. Yes. PECO is also proposing a new rate for customer-owned street lighting
16 facilities with smart control technology and changes to Rate SL-E to reduce the
17 Service Location Distribution Charge and increase the Variable Distribution
18 Charge Rate. I will discuss these changes in more detail below. Additionally,
19 PECO is proposing to remove the “Determination of Billing Demand” paragraph
20 in Rate SL-E to remove language related to a billing practice that PECO
21 discontinued as of January 1, 2011 of charging SL-E customers for capacity and is
22 no longer applicable. The first sentence of this section, pertaining to the
23 composition of wattage, will be moved to the “Determination of Energy Billed”

1 paragraph. Finally, for consistency with the POL and SL-S changes above, PECO
2 is proposing to renumber the “Service” paragraph under “Terms and Conditions”
3 from Paragraph 6 to Paragraph 1.

4 **36. Q. Why is PECO proposing a new Rate SL-C (Smart Lighting Control) for**
5 **“smart” street lighting?**

6 A. PECO has received input from municipalities seeking tariff changes to improve
7 the economics of converting to light-emitting diode (“LED”) lighting. Smart
8 street lighting technology allows municipalities to dim their street lights at certain
9 times and to alter the hours of operations in ways that further reduce the energy
10 used by LED street lights. In order to give both municipalities and community
11 associations the opportunity to realize the savings achievable from innovative use
12 of smart street lighting technology, Rate SL-C builds flexibility into the
13 determination of a customer’s billed energy to recognize how a customer will
14 actually operate its smart street lights.

15 **37. Q. How will Rate SL-C differ from the existing Rate SL-E, which is available to**
16 **street lighting customers that own their own facilities?**

17 A. Rate SL-C will differ from Rate SL-E in three respects. First, Rate SL-C will be
18 available only to customer-owned street lighting facilities with Company-
19 approved smart control technology. Second, the Service Location Distribution
20 Charge and the Variable Distribution Charge will differ from the comparable
21 charges under Rate SL-E. Specifically, the Service Location Distribution Charge
22 will be lower and the Variable Distribution Charge will be higher than the

1 comparable charges in Rate SL-E. Third, Rate SL-C will provide customers the
2 opportunity to alter how billed energy is determined in order to recognize the
3 benefits of smart street lighting, which typically employs LED lamps.

4 **38. Q. How will Rate SL-C allow customers to recognize additional savings from**
5 **“smart” LED street lighting?**

6 A. First, let me provide some context by explaining how billed energy (kWh) is
7 determined under PECO’s existing Rate SL-E. Street lights are not metered. The
8 energy used by a street light and its associated components – for example, a
9 photocell – can, however, be determined based on the “manufacturer’s rating” in
10 watts of the street light, its components, and its hours of operations. Multiplying
11 the watts by the hours of operation yields the street light’s energy use. The
12 effective hours of use are based on street lighting that operates “on all-night,
13 every-night schedules” such that lights are “turned on after sunset and off before
14 sunrise,” which results in approximately 4,100 annual operating hours (Rate SL-
15 E, Terms and Conditions, Service). Accordingly, under Rate SL-E, 4,100 hours –
16 or 341.11 average monthly hours – is employed to calculate the monthly amount
17 of energy billed under the Variable Distribution Charge.

18 As I previously explained, “smart” street lighting can be controlled in ways that
19 impact both the wattage and the effective hours of operation (“burning hours”).
20 Wattage can be altered because smart street lighting provides the opportunity to
21 dim a light’s output during certain hours or on certain days. The effective hours
22 of operation of smart street lights are also subject to control, which can alter the

1 operating schedule based on local circumstances by, for example, choosing to turn
2 lights on later and off sooner in certain locations.

3 A customer that wants to avail itself of this opportunity for savings will need to
4 provide the Company its calculation of energy use based on the street lighting
5 facilities it has installed. The required information must include the
6 manufacturer-rated wattage, monthly burning hours, and dimming percentage or
7 factor for each light. The Company will also require Global Positioning System
8 coordinates for each light.

9 In addition, the Company reserves the right, at any time and without prior notice,
10 to require that the customer provide PECO data showing the energy actually used
11 by its street lights during a prior billing period in order to confirm customer
12 adherence to the operating parameters used to establish its billed energy. If actual
13 energy usage provided by the customer differs from the billing energy previously
14 submitted by the customer and accepted by PECO, PECO will require the
15 customer to submit updated information for use in revising how the energy usage
16 of the customer will be calculated for prospective billing periods.

17 **39. Q. Why is PECO proposing a Service Location Distribution Charge that is**
18 **lower and a higher Variable Distribution Charge under Rate SL-C than**
19 **under the comparable charges under Rate SL-E?**

20 A. PECO is changing the relationship of the fixed (Service Location) and variable
21 charges so that a larger proportion of a Rate SL-C customer's bill is based on a
22 variable charge to provide an incentive for street lighting customers to migrate to

1 LED lamps. LED lighting uses less electricity to provide the same number of
2 lumens as older lighting technology. However, converting to LED fixtures and
3 lamps requires an up-front capital investment in order to realize the energy
4 savings that LED lighting provides. The up-front capital costs can be a
5 disincentive to converting to LED lighting. Increasing the variable charge relative
6 to the fixed charge, as PECO proposes for Rate SL-C, increases the bill savings a
7 customer can achieve from converting to more efficient LED lighting. Increasing
8 the savings from converting to LED lighting will offset the disincentive created
9 by the need for an up-front capital investment by shortening the pay-back period –
10 the length of time required for the savings in the customer’s electric bills to
11 recoup the capital investment.

12 PECO believes the changes incorporated in Rate SL-C address the interests
13 expressed by municipal lighting customers and are a reasonable means to achieve
14 the energy savings that LED lighting will enable.

15 PECO is also proposing a revision to the Service Location Distribution Charge
16 and Variable Distribution Charge for customers under Rate SL-E where a larger
17 proportion of the customer’s bill will be based on the variable charge.

18 VI. REVISIONS TO TARIFF RIDERS

19 **40. Q. Is PECO proposing revisions to any existing tariff riders that you will**
20 **address?**

21 A. Yes. I will address proposed revisions to PECO’s Construction Rider, Economic
22 Development Rider, and Night Service GS Rider, Night Service HT Rider and

1 Night Service PD Rider (“NSRs”). PECO is also proposing revisions to its Pilot
2 Capacity Reservation Rider (“Pilot CRR”).

3 **41. Q. Please describe PECO’s proposed revisions to its Construction Rider.**

4 A. PECO is proposing to revise its Construction Rider when applied in conjunction
5 with its Pilot CRR for customers anticipating business growth and expansion.
6 PECO’s Construction Rider is designed to waive the following guarantees of
7 revenue – power factor adjustment, minimum billing demand, and contract
8 minimum – during or immediately following a customer’s major construction or
9 expansion period that will require an upward modification of that customer’s
10 contract limits or during a receding load period. However, the Construction Rider
11 is not intended to waive the reservations for distribution capacity under the Pilot
12 CRR because such reserved capacity does not necessarily represent actual
13 demand.

14 To clarify the applicability of these riders for customers expecting to increase
15 demand, PECO is proposing to add the following statement to the “Other Riders”
16 section of the Construction Rider: “For customers taking service under PECO’s
17 Capacity Reservation Rider (CRR), the terms of the Construction Rider shall only
18 apply to demand that is not covered by the CRR Level as defined within the terms
19 and conditions of the CRR.”

20 **42. Q. What is PECO’s Economic Development Rider (“EDR”)?**

21 A. The EDR provides for discounts in the Variable Distribution Service Charge of up
22 to 15% to eligible customers served on Rates GS, PD or HT. Eligible customers

1 must demonstrate employment and load growth or a competitive alternative to
2 PECO electric service and a sustained increase in load and an increase in
3 employment as detailed in the terms of the EDR.

4 **43. Q. Please describe the revisions PECO is proposing to the EDR.**

5 A. PECO is proposing to add additional tariff language to the EDR under Section
6 “Competitive Alternative” Rule II.B.2. as follows: “The rate reduction and
7 payment terms for service may be negotiated and specified in the applicable
8 service agreement. Unless the service agreement provides specific terms
9 governing the billing of charges, Section 17. Billing and Standard Payment
10 Options of the Rules and Regulations of the Tariff shall apply.”

11 The purpose of this revision is to provide a mechanism allowing a customer more
12 flexibility when negotiating agreement terms for new or expanded electric service
13 (for example, by allowing customers to pay Contributions In Aid of Construction,
14 or CIAC, over time).

15 Additionally, in PECO’s last base rate case, the Company expanded the scope of
16 the EDR to non-manufacturing customers even if those customers do not retrofit
17 their buildings to Leadership in Energy and Environmental Design standards. In
18 this proceeding, PECO is proposing under Rule II.B.1 to further clarify that the
19 EDR is available to both manufacturing and non-manufacturing customers as long
20 as the customers have a viable economic alternative to conducting their operations
21 in the PECO service territory.

1 **44. Q. Please describe the revisions PECO is proposing to its NSRs.**

2 A. The nature and purpose of the NSRs are described in Mr. Kehl’s testimony, and I
3 will address only the specific tariff revisions. I explained earlier how PECO
4 adjusts customer billing demands based on the measured power factor under Rule
5 15.3. However, PECO’s tariff does not clearly address how power factor impacts
6 the billing of customers served under the terms of the NSRs.

7 PECO is therefore proposing to add the following statement to the Rate Impact
8 provisions within each NSR: “The measured power factor used for power factor
9 adjustment in accordance with Rule 15.3 shall be the power factor coincident with
10 the customer’s maximum measured demand during On-Peak hours.” This
11 clarification is consistent with PECO’s current practice and provides an incentive
12 to customers served under the NSRs to shift peak demands from on-peak hours to
13 off-peak hours, which by extension may shift the customer’s lowest power factor
14 measurement into off-peak hours.

15 **45. Q. What is the Pilot CRR?**

16 A. The Pilot CRR is a rider setting forth the terms and conditions of service that
17 apply to customers who operate their own generation in parallel with the
18 Company’s distribution system and, therefore, need to reserve capacity on
19 PECO’s distribution system to serve their load when their generators are off-line.
20 The Pilot CRR also applies to customers who want to reserve capacity in excess
21 of their present demand from the PECO distribution system for new business

1 growth or expansion. The Pilot CRR currently set forth in the Company's tariff
2 was the product of the settlement of the Company's 2015 base rate case.

3 **46. Q. Is the Company proposing any changes to the Pilot CRR?**

4 A. Yes, the Company is proposing some minor wording changes for clarification.
5 However, at this time, the Company is not proposing substantive changes to the
6 Pilot CRR, permanently instituting the pilot, or applying the CRR to generators
7 that were online prior to January 1, 2016.

8 One of the key purposes of the Pilot CRR was to allow PECO the opportunity to
9 apply the CRR rules to customers and collect data on the application of the CRR.

10 However, by its terms the CRR was "grandfathered" so that it did not apply to
11 customers whose generating facilities were online prior to January 1, 2016.

12 PECO has had only eight customers whose generator came online after January 1,
13 2016 – and because those customers initially submitted requests to PECO to

14 operate generation in parallel with the Company's distribution system in 2015 and
15 thus had made all of their financial decisions regarding its generator prior to the

16 grandfathering date, PECO extended the grandfathering clause to those
17 customers. No additional generators have come online since that date.

18 Consequently, at this time, PECO has no customers on the CRR.

19 At this time, PECO is aware of about ten customers who are actively considering
20 the installation of parallel generation. Those customers will not be grandfathered,
21 and will be subject to the CRR. PECO expects to gather data from that population

1 of customers and present that data in its next base rate proceeding, along with any
2 Pilot CRR changes that might be warranted by such data.

3 **47. Q. Would you like to address any other issues related to the Pilot CRR?**

4 A. Yes. In the Joint Petition for Settlement from PECO's last base rate case
5 proceeding at Docket R-2015-2468981 ("2015 Settlement"), the Company agreed
6 to collect data regarding the coincident peaks for customers with distributed
7 generation deployed on its system. Specifically, PECO analyzed hourly data for a
8 sample containing approximately 400 solar customers and 40 customers with
9 larger generation (e.g., CHP systems) operating in parallel with the Company's
10 distribution system. The data, which are broken down by combined heat and
11 power ("CHP") customers, intermittent renewable commercial customers and
12 intermittent renewable residential customers, was previously provided to the
13 parties to the 2015 Settlement.

14 **48. Q. Is PECO proposing any new Riders?**

15 A. Yes, PECO is proposing a new Pilot Electric Vehicle Direct Current Fast Charger
16 ("EV DCFC") Rider, or "Pilot EV-FC", to support transportation electrification
17 by encouraging the buildout of publicly available (or workplace fleet) fast
18 charging stations through reduced demand charges. PECO is proposing this five-
19 year pilot, effective July 1, 2019, in order to better understand the potential
20 benefits and challenges associated with offering and serving public EV DCFC
21 installations. Since this will be a pilot, PECO is not speculating on the projected
22 number of customers that might qualify for and enroll on the EV-FC Rider. As a

1 result, PECO is not projecting related capital additions, associated revenues, or
2 associated expenses in this proceeding.

3 **49. Q. Please describe the terms and conditions of the Pilot EV-FC Rider.**

4 A. PECO will apply a demand (kW) credit initially equal to 50% of a DCFC's
5 nameplate capacity rating for customers installing a publicly available DCFC
6 served under base rates GS, PD, or HT. The Company will determine whether an
7 EV DCFC is considered to be eligible based on two factors: (1) Its location, and
8 (2) the utilization of any proprietary charging network or technology that limits its
9 compatibility to an exclusive subset of Electric Vehicles. (Exceptions will be
10 made for DCFCs dedicated solely to workplace fleet charging.) The demand
11 credit will be available for a 30-month term or until the pilot concludes,
12 whichever comes first. The Company reserves the right to reduce the demand
13 credit based on a comparison of the customer's peak demands before and after
14 installation of the DCFC. PECO will consider a DCFC to be exempt from the
15 resale provisions outlined in Tariff Rule 13.1, pending issuance of a Final Order
16 on Commission Docket # M-2017-2604382. The Pilot EV-FC rider has been
17 included as a tariff page in the Company's proposed Tariff No. 6; see Exhibit
18 MK-2.

19 **VII. SECTION 1307 SURCHARGE MECHANISMS**

20 **50. Q. What is a Section 1307 surcharge mechanism?**

21 A. Section 1307 of the Public Utility Code, 66 Pa. C.S. § 1307, authorizes utilities to
22 establish automatic adjustment clauses that allow them to recover, outside of a

1 base rate proceeding, specific, designated categories of costs. Cost recovery is
2 subject to annual review and reconciliation, such that over or under-recoveries of
3 actual costs are refunded to customers or recouped, as applicable. The operation
4 of Section 1307 clauses is also subject to annual public hearings and periodic
5 audits by the Commission.

6 **51. Q. Is PECO proposing changes to any Section 1307 surcharge mechanisms?**

7 A. Yes, the Company is proposing to revise its Universal Service Fund Charge
8 (“USFC”) and to eliminate its Smart Meter Cost Recovery Surcharge
9 (“SMCRS”). The Company also proposes to clarify its billing practices under the
10 Generation Supply Adjustment (“GSA”).

11 **52. Q. Please describe the change PECO is proposing to its USFC.**

12 A. PECO is removing selected phase-out language from the C-Factor that was only
13 applicable to 2017. PECO is also removing selected Correction Factor language
14 from the F-Factor that was only applicable to 2016 and 2017. The other terms
15 and conditions of the USFC are not changing.

16 **53. Q. Why is PECO eliminating the SMCRS?**

17 A. PECO rolled its smart meter costs into its base rates in its last base rate case but
18 retained the SMCRS to refund or recoup any over or under collection balance on
19 the effective date of the new base rates. That reconciliation has been completed
20 and there is no need to retain the SMCRS in PECO’s tariff.

1 billing options to the Company. PECO proposes to add similar language to Rule
2 17.2 of its Electric Service Tariff, clarifying that the EGS is responsible for
3 communicating the customer's billing option to PECO.

4 **57. Q. Please describe the revisions in the second category you identified above.**

5 A. These are minor revisions that consist of the following:

- 6 (1) References in Tariff No. 6 to the Auxiliary Service Rider and
7 the Off-Peak Rider will be removed because those Riders are
8 no longer part of PECO's tariff.
- 9 (2) The sentence in the Night Service GS Rider that references
10 "blocking of the energy charges contained in the Variable
11 Distribution Charges CTC" will be removed because PECO
12 no longer charges a Competitive Transition Charge or
13 "CTC."
- 14 (3) The acronym "kVa" will be corrected to "kVA" throughout
15 PECO's tariff for technical accuracy.
- 16 (4) The explanation of "Standard High-Tension" within the
17 definition of "Service" will be updated to include nominal
18 voltage information and modified from "3 wires" to "3 or 4
19 wires," consistent with PECO's current practices and
20 consistent with the current explanation of "Standard Primary"
21 service immediately preceding it.
- 22 (5) A citation of 52 Pa. Code § 57.81 will be added to Tariff
23 Rule 7.3 to capture the relationship between PECO's terms

1 and conditions for underground service in new residential
2 developments and Chapter 57 of the Commission's
3 regulations.

4 (6) The reference to Procurement Class 3 will be removed from
5 the Auction Revenue Rights paragraph on the GSA tariff
6 page for Procurement Classes 1 and 2.

7 (7) The reference to Tariff Rule 22 will be removed from
8 Paragraph (b) under "Determination of Demand" on the Rate
9 GS General Service page.

10 (8) The phrase "(Purchased Generation Adj.)" will be added to
11 the GSA tariff page for Procurement Class 3/4 in the "E-
12 Factor" of the GSA formula to correspond to the name used
13 to explain this term in the glossary of terms provided on the
14 reverse side of the first page of a customer's bill for
15 clarification based on the customer's feedback.

1 **IX. INTERCONNECTION OF**
2 **CUSTOMER-OWNED GENERATION**

3 **58. Q. In the Joint Petition for Settlement of Rate Investigation which the**
4 **Commission approved in PECO’s last base rate proceeding at Docket No. R-**
5 **2015-2468981, the Company agreed to revise its terms and conditions for**
6 **interconnection of customer-owned generation and committed to use best**
7 **efforts to provide certificates of completion (“COCs”) within specific time**
8 **periods. Has the Company satisfied this commitment?**

9 A. Yes. In 2016 and 2017, approximately 85% of the 1,452 COCs for which PECO
10 has adequate data were returned within 10 business days of the date of either (1) a
11 successful witness test or inspection; or (2) a waiver of the witness test/inspection
12 requirement by the Company. I am not aware of any formal or informal
13 complaints from customers during that period regarding the processing time for
14 COCs.

15 As discussed by Mr. Innocenzo, PECO launched a distributed generation
16 interconnection portal in November of 2017 that allows developers and customers
17 to submit their applications online and track the progress and status of
18 applications. In addition to streamlining the interconnection process, developers
19 and customers can electronically sign and submit COCs to PECO for final
20 approval. PECO confirms receipt of the signed COCs and tracks the COC final
21 approval processing time for each application.

X. CONCLUSION

1

2 **59. Q. Does this complete your direct testimony at this time?**

3 A. Yes, it does.