

**Met-Ed/Penelec/Penn Power/West Penn Statement No. 3**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**METROPOLITAN EDISON COMPANY  
Docket No. \_\_\_\_\_**

**PENNSYLVANIA ELECTRIC COMPANY  
Docket No. \_\_\_\_\_**

**PENNSYLVANIA POWER COMPANY  
Docket No. \_\_\_\_\_**

**WEST PENN POWER COMPANY  
Docket No. \_\_\_\_\_**

**ENERGY EFFICIENCY AND CONSERVATION PLANS**

**Prepared  
Direct  
Testimony  
of  
Kevin M. Siedt**

**List of Topics Addressed**

**Cost Recovery and Reconciliation of Program Costs**

1 **I. INTRODUCTION AND BACKGROUND**

2

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Kevin M. Siedt. My business address is 2800 Pottsville Pike, Reading,  
5 Pennsylvania 19612.

6

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am employed by FirstEnergy Service Company as a State Regulatory Analyst in the  
9 Rates and Regulatory Affairs Department – Pennsylvania.

10

11 **Q. WHAT ARE YOUR RESPONSIBILITIES AS STATE REGULATORY**  
12 **ANALYST?**

13 A. Generally, the Rates and Regulatory Affairs Department provides regulatory support for  
14 Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”),  
15 Pennsylvania Power Company (“Penn Power”), and West Penn Power Company (“West  
16 Penn”) (collectively the “Companies”). I support the development, preparation, and  
17 presentation of the Companies’ retail electric rates and related rules and regulations,  
18 ensuring uniform administration and interpretation in all their rate-related matters before  
19 the Pennsylvania Public Utility Commission (“Commission”). I also address, among  
20 other things, non-utility generation costs, regulatory program cost recovery and other  
21 financial matters.

22

23

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

2 A. I obtained a Masters Degree in Business Administration from Moravian College in 1994.  
3 I am also a graduate of Rowan University where I received a Bachelor of Science Degree  
4 with a major in Accounting and Finance in 1984. My work experience is more fully  
5 described in Appendix A.  
6

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

8 A. I am testifying on behalf of Met-Ed, Penelec, Penn Power and West Penn. My testimony  
9 equally applies to all of the Companies, unless otherwise stated.  
10

11 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

12 A. The purpose of my testimony is to introduce and explain the Companies' proposed cost  
13 recovery mechanism that will be used to recover the costs incurred by the Companies  
14 during the planning and implementation of their respective Phase II Energy Efficiency  
15 and Conservation Plans ("Proposed Plans") which are required by Act 129 of 2008, 66 Pa  
16 C.S. § 2806.1 ("Act 129") and the Commission's decision in *Energy Efficiency and*  
17 *Conservation Programs*, Docket Nos. M-2012-2289411 and M-2008-2069887  
18 (Implementation Order entered August 3, 2012) ("2012 Implementation Order").  
19

20 I will also be addressing proposed changes to Met-Ed, Penelec, and Penn Power's  
21 existing Energy Efficiency and Conservation Charge Rider ("EE&C-C Rider"), which is  
22 used to recover Met-Ed, Penelec, and Penn Power's Phase I EE&C Plan costs. Phase I  
23 EE&C Plans were required by Act 129 and the Commission's decision in *Energy*

1           *Efficiency and Conservation Programs*, Docket No. M-2008-2069887 (Implementation  
2           Order entered January 26, 2009) (“2009 Implementation Order”). Met-Ed, Penelec, and  
3           Penn Power’s Phase I EE&C costs and corresponding riders were approved by the  
4           Commission at Docket Nos. M-2009-2092222, M-20009-2112952 and M-2009-2112956,  
5           respectively.  
6

7   **Q.    HAVE YOU PREPARED EXHIBITS TO ACCOMPANY YOUR TESTIMONY?**

8    A.    Yes. Met-Ed/Penelec/Penn Power/West Penn Exhibits KMS-1 through KMS-9 were  
9           prepared by me or under my supervision and are described in detail later in my testimony.  
10

11   **II.   RIDER COST RECOVERY AND RECONCILIATION**

12  
13   **Q.    DO THE COMPANIES’ CURRENT TARIFFS HAVE IN PLACE RATES THAT**  
14           **WILL RECOVER THE COSTS ASSOCIATED WITH THE DEVELOPMENT**  
15           **AND IMPLEMENTATION OF THE PHASE I EE&C PLANS AND RELATED**  
16           **PROGRAMS?**

17   A.    Yes, they do. The costs associated with the development and implementation of the  
18           Companies’ EE&C Plans and programs for Phase I (“Existing Plans”) were approved by  
19           the Commission in Docket Nos. M-2009-2092222 (Met-Ed), M-2009-2112952 (Penelec),  
20           M-2009-2112956 (Penn Power), and M-2009-2093218 (West Penn) and are currently  
21           being recovered through each Company’s respective EE&C-C Rider.  
22  
23

1 **Q. DO MET-ED, PENELEC, AND PENN POWER PLAN TO MAINTAIN THE**  
2 **EXISTING EE&C-C RIDER?**

3 A. Yes, Met-Ed, Penelec and Penn Power plan to maintain the existing EE&C-C Riders.  
4 However, certain changes must be made to the existing EE&C-C Riders to ensure that all  
5 of the approved Phase I costs incurred through May 31, 2013 are fully recovered. Since  
6 Phase I costs will continue to accrue up to and through December 31, 2013, the EE&C-C  
7 Rider must be modified for Met-Ed, Penelec, and Penn Power to provide for the ability to  
8 recover those costs. Instead of a May 31, 2013 termination date for the existing EE&C-C  
9 Rider, the EE&C-C Computation Period, which is currently the 39-month period from  
10 March 1, 2010 through May 31, 2013, will be amended to allow the EE&C-C Rider Rate  
11 to remain in effect until all allowable costs approved for collection under the EE&C-C  
12 Rider have been recovered from each customer class. Copies of the Phase I EE&C-C  
13 Rider for Met-Ed, Penelec, and Penn Power with the proposed changes (redlined) are  
14 included as Met-Ed/Penelec/Penn Power/West Penn Power Exhibits KMS-1 through  
15 KMS-3 respectively.

16  
17 **Q. HOW WILL THIS MODIFICATION BE IMPLEMENTED?**

18 A. The Phase I EE&C-C Rider rate will be set to zero as of June 1, 2013. Program costs,  
19 including saving measurement, administration, and consulting costs, will continue to  
20 accrue by rate class through December 31, 2013. As of December 31, 2013, a final  
21 reconciliation of all actual costs incurred and revenue collected will be performed,  
22 resulting in a refund of any over-collection by class or recovery of any under-collection  
23 by class for an estimated recovery period of six months beginning on February 1, 2014.

1           However, the EE&C-C rate will stay in place until all over- or under-collection has been  
2           fully recovered or refunded. Upon Commission approval, the Companies request that the  
3           change to the Phase I EE&C Rider rate become effective on ten days notice.

4  
5   **Q.    IS THE EXISTING WEST PENN POWER EE&C RIDER GOING TO BE**  
6   **MODIFIED AS WELL?**

7   A.    No, the provisions within the West Penn EE&C Rider requires West Penn to perform a  
8           final reconciliation of Plan amounts to be collected or refunded after May 31, 2013,  
9           thereby allowing West Penn to fully recover its Phase I EE&C program costs.

10  
11   **Q.    WHAT TYPE OF RECOVERY MECHANISM ARE THE COMPANIES**  
12   **PROPOSING TO USE TO RECOVER THE PHASE II EE&C PROGRAM**  
13   **COSTS?**

14   A.    As permitted by Act 129 and 66 Pa.C.S. § 1307, all four Companies are proposing to  
15           implement EE&C-C Riders to recover Phase II costs. Copies of the Phase II EE&C-C  
16           Rider for Met-Ed, Penelec, Penn Power, and West Penn are included as Met-  
17           Ed/Penelec/Penn Power/West Penn Exhibits KMS-4 through KMS-8 respectively.<sup>1</sup> Met-  
18           Ed/Penelec/Penn Power/West Penn Exhibit KMS-9, which is also included with my  
19           testimony, sets forth the specific calculation of the rates included in each Phase II EE&C-  
20           C Rider, effective June 1, 2013.

21  

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<sup>1</sup> In addition to its standard rider, West Penn also has a separate tariff, Tariff 37, specific to Pennsylvania State University (“PSU”).

1 **Q. WHY ARE YOU PROPOSING A SECOND COST RECOVERY RIDER FOR**  
2 **EE&C PROGRAM COSTS ASSOCIATED WITH PHASE II?**

3 A. The Commission’s 2012 Implementation Order requires that “[t]he Phase II cost recovery  
4 mechanism is to be a separate cost recovery mechanism from that used for Phase I.”<sup>2</sup>  
5 Therefore, the Companies will complete its EE&C cost recovery for Phase I under its  
6 currently effective riders while proposing new EE&C-C cost recovery riders for Phase II  
7 in compliance with the above-referenced Commission Order.

8  
9 **Q. WILL THE PHASE II EE&C-C RIDERS DIFFER FROM THE EXISTING**  
10 **PHASE I EE&C-C RIDERS?**

11 A. The existing EE&C-C Riders for Met-Ed, Penelec, and Penn Power calculate rates by  
12 utilizing the entire Phase I plan period budget, plus administrative expenses and  
13 Statewide Evaluator expenses divided by the forecasted billing units (kilowatt-hours  
14 (“kWh”) for the residential, non-profit, commercial and street lighting class, and Peak  
15 Load Contribution kilowatts (“PLC kW”) for the industrial class) to arrive at the rate for  
16 each respective class. The rate is updated periodically by reviewing the actual revenues  
17 and costs as compared to the budget assumptions for the same time period. In the Phase  
18 II Plan, all four Companies will calculate the rate based on the budget for the specific  
19 Annual Computational Period (initial period June 1, 2013 through May 31, 2014). In  
20 subsequent Annual Computational Periods, the same calculation will be done based on  
21 that specific period, with the addition of a reconciliation factor based on the actual  
22 experience from the prior period.

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<sup>2</sup> 2012 Implementation Order at 118.

1 **Q. PLEASE DESCRIBE THE EE&C-C RIDERS FOR PHASE II.**

2 A. As previously indicated, Met-Ed/Penelec/Penn Power/West Penn Exhibits KMS-4  
3 through KMS-8 are copies of the Met-Ed, Penelec, Penn Power, and West Penn Phase II  
4 EE&C-C Riders, respectively, that are being proposed for approval by the Commission.  
5 The tariff supplement number, tariff page revisions, issued date and effective date are  
6 omitted from the exhibits, but will be included in a Company compliance filing upon  
7 Commission approval of the Phase II EE&C-C rates.

8  
9 The first page of each rider sets forth the Phase II EE&C-C rates, while the remaining  
10 pages of each rider set forth the formula and description for developing the Phase II  
11 EE&C-C rates and the reconciliation of revenues billed under the Phase II EE&C-C  
12 Riders to actual costs as they are incurred.

13  
14 The Phase II EE&C-C rates are expressed as a price per kWh for the residential, non-  
15 profit, commercial and street lighting classes. The industrial class will be billed based  
16 upon the individual customer's PLC kW. The Phase II EE&C-C rates will be calculated  
17 separately for the residential, non-profit, commercial, street lighting and industrial  
18 customer classes. The rate schedules that comprise the residential, non-profit,  
19 commercial, street lighting and industrial customer classes are identified on the first page  
20 of each rider.

21

22



1 The residential customer class for the Companies is comprised of rate schedules as  
2 follows:

3 **Met-Ed and Penelec** – RS and RT

4 **Penn Power** – RS; RS Optional Controlled Service Rider; RH; RH Water  
5 Heating Option; and WH

6 **West Penn** – 10.

7 The commercial customer class for the Companies is comprised of Rate Schedules as  
8 follows:

9 **Met-Ed** – GS-Small, GS-Medium, and Outdoor Lighting Service

10 **Penelec** – GS-Small, GS-Medium, and Outdoor Lighting Service

11 **Penn Power** – GS, GS Special Rule GSDS, GS Optional Controlled Service  
12 Rider, GM, GM Optional Controlled Service Rider, PLS, OH With Cooling  
13 Capabilities, OH Without Cooling Capabilities, and WH Non-Residential

14 **West Penn** – 20 and 30 (small).

15

16 The non-profit customer class for the Companies is comprised of Rate Schedules as  
17 follows:

18 **Met-Ed** – GS – Volunteer Fire Company and Non-Profit Ambulance Service,  
19 Rescue Squad and Senior Center Service Rate and MS

20 **Penelec** – GS – Volunteer Fire Company and Non-Profit Ambulance Service,  
21 Rescue Squad and Senior Center Service Rate and H

1           **Penn Power** – GS Special Provision for Volunteer Fire Companies, Non-Profit  
2           Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance  
3           Services; and PNP

4           **West Penn** – 20 (special provision for volunteer fire companies, non-profit senior  
5           citizen centers, non-profit rescue squads, and non-profit ambulance services) and  
6           22

7  
8           The industrial customer class for the Companies is comprised of Rate Schedules as  
9           follows:

10           **Met-Ed** – GS-Large, GP, and TP

11           **Penelec** – GS-Large, GP, and LP

12           **Penn Power** – GP and GT

13           **West Penn** – 30 (large), 40, 41, 44, 46 in Tariff No. 39 and Tariff No. 37  
14           (Pennsylvania State University).

15  
16           The street lighting customer class for the Companies is comprised of Rate Schedules as  
17           follows:

18           **Met-Ed** – Street Lighting Service and Ornamental Street Lighting Service.

19           **Penelec** – High Pressure Sodium Vapor Street Lighting Service, and Municipal  
20           Street Lighting Service

21           **Penn Power** – SV, SVD, and SM

22           **West Penn** – 51 through 58, 71

1 Because Met-Ed's and Penelec's Borderline Service rate schedules are both only  
2 available to public utility companies for resale in adjacent service territories under  
3 reciprocal agreements between Met-Ed or Penelec and other public utilities, these public  
4 utilities are not eligible for any of the programs being proposed in the Companies' Phase  
5 II EE&C Plans. Therefore, no EE&C-C rate will be applied to these Companies'  
6 Borderline Service customers.

7  
8 Additionally, West Penn's Rate Schedule 23 is a closed rate schedule for athletic field  
9 lighting and Rate Schedule 24 is a short-term rate schedule for fairs and carnivals. Since  
10 there are no EE&C programs available for customers receiving service under these two  
11 rate schedules, there will be no EE&C-C rate applied to West Penn's Rate Schedules 23  
12 and 24.

13  
14 **Q. WHAT WAS THE BASIS FOR DETERMINING THE COMPANIES'**  
15 **CUSTOMER CLASSES FOR THE COMPANIES FOR WHICH EACH**  
16 **RESPECTIVE RATE SCHEDULE WAS GROUPED?**

17 A. For Met-Ed, Penelec, and Penn Power, the Phase II EE&C-C Rate Schedule groupings by  
18 residential, non-profit, commercial, street lighting and industrial customer classes are the  
19 same as the customer class groupings that are currently in place in Met-Ed, Penelec, and  
20 Penn Power's Phase I EE&C-C Riders in their respective Commission-approved tariffs.  
21 The Phase II rate schedule groupings for West Penn remained the same as they were in  
22 West Penn's Phase I EE&C Rider, except that Rate Schedule 30 (small) will be included  
23 with Rate Schedule 20 (general service) in the commercial class, and Rate Schedule 22

1 (church and school service) along with the volunteer/non-profit special provision of Rate  
2 Schedule 20, will be classified as the non-profit class in order to better align these  
3 schedules with the customer class groupings.  
4

5 **Q. WHEN WOULD THE PHASE II EE&C-C RIDERS FOR EACH COMPANY**  
6 **BECOME EFFECTIVE?**

7 A. The Companies are proposing that their respective Phase II EE&C-C Riders become  
8 effective for service rendered on or after June 1, 2013.  
9

10 **Q. ARE THE COMPANIES PROPOSING SPECIFIC EE&C-C RATES AT THIS**  
11 **TIME?**

12 A. Yes. The first page of Met-Ed/Penelec/Penn Power/West Penn Exhibits KMS-4, KMS-5,  
13 KMS-6, KMS-7, and KMS-8 have the applicable residential, non-profit, commercial,  
14 street lighting and industrial Phase II EE&C-C rates that would become effective June 1,  
15 2013. The specific calculation of the Phase II EE&C-C rates is contained in Met-  
16 Ed/Penelec/Penn Power/West Penn Exhibit KMS-9. The initial Phase II EE&C-C Rates  
17 will be based on the Commission approved budgeted costs by customer class for the  
18 period June 1, 2013 through May 31, 2014. The costs associated with each Company's  
19 respective Phase II EE&C programs, as well as the costs incurred during the planning and  
20 development of the Proposed Plans, are being reviewed and approved by the Commission  
21 in this proceeding.  
22  
23

1 **Q. WILL THE EE&C-C RIDERS OR THE COSTS COLLECTED PURSUANT TO**  
2 **THE PHASE II RIDERS BE AFFECTED IF THE COMMISSION REVISES THE**  
3 **ENERGY REDUCTION GOALS FOR THE COMPANIES AS REQUESTED IN**  
4 **DOCKET NOS. P-2012-2320450, P-2012-2320468, P-2012-2320480 AND P-2012-**  
5 **2320484?**

6 A. No. The budgets provided for Phase II will continue without modification and the  
7 Companies expect to fully expend those budgets even if the goals are revised downward.  
8 The costs incurred in any given month could change however, since new goals could  
9 require modifications of program incentives and other budgeting changes that would be  
10 appropriate. In any event, any changes to the budget and expense will be addressed  
11 during annual reconciliation.

12  
13 **Q. WILL THE PHASE II EE&C-C RIDERS AND THE ASSOCIATED PHASE II**  
14 **EE&C-C RATES BE BY-PASSABLE FOR CUSTOMERS SERVED UNDER THE**  
15 **RATE SCHEDULES IDENTIFIED IN THE PHASE II EE&C-C RIDERS?**

16 A. The Rider will only be by-passable for the Borderline Service customers previously  
17 discussed for Met-Ed and Penelec and Rate Schedules 23 and 24 previously discussed for  
18 West Penn. Otherwise, the Phase II EE&C-C Riders and applicable EE&C-C rates will  
19 be applied to each kWh (or PLC kW for the industrial customer class) delivered during a  
20 billing month to customers served under the Rates Schedules identified as part of either  
21 the residential, non-profit, commercial, street lighting or industrial classes.

22

23

1 **Q. HOW ARE THE PHASE II EE&C-C RIDER RATES STRUCTURED?**

2 A. The EE&C-C Phase II rates to be billed to the residential, non-profit, commercial, street  
3 lighting and industrial classes consist of two principal components. The first is the  $EEC_C$ ,  
4 or “current cost” component; the second is the reconciliation component, or “E” factor.

5  
6 **Q. PLEASE DESCRIBE THE  $EEC_C$  COMPONENT.**

7 A. The  $EEC_C$  component represents the recovery of costs incurred during the Annual  
8 Computation period (initial period - June 1, 2013 through May 31, 2014) or  
9 “Computational Period” during which the Phase II EE&C-C rates will be in effect for  
10 each customer class. As shown on the second and third pages of Met-Ed/Penelec/Penn  
11 Power/West Penn Exhibits KMS-4(Met-Ed Phase II EE&C-C Rider), KMS-5 (Penelec  
12 Phase II EE&C-C Rider), KMS-6 (Penn Power Phase II EE&C-C Rider), KMS-7 (West  
13 Penn Tariff 39 Phase II EE&C-C Rider), and KMS-8 (West Penn Tariff 37 (PSUP) Phase  
14 II EE&C-C Rider) the  $EEC_C$  component is customer class specific. The costs included in  
15 each customer class’  $EEC_C$  rate are identified as  $EEC_{Exp1}$ ,  $EEC_{Exp2}$ ,  $EEC_{Exp3}$ , and  
16  $EEC_{Exp4}$ .

17  
18 The usage of an Annual Computational Period is a change from what is currently being  
19 employed in Met-Ed, Penelec, Penn Power, and West Penn’s existing EE&C-C Rider.  
20 The current rider utilizes the budget for the entire Phase I plan period (39 months), based  
21 on a usage forecast for the entire period. The rider calculates Phase II EE&C-C rates for  
22 a one year period using a consumption forecast for only a one year period.

23

1 EEC<sub>Exp1</sub> represents customer class specific costs that will be associated with the customer  
2 class specific EE&C programs as approved by the Commission. These costs will also  
3 include an allocated portion of any indirect costs, such as marketing costs, that will be  
4 incurred by the Companies.

5  
6 EEC<sub>Exp2</sub> represents an allocated portion of administrative start-up costs incurred by the  
7 Companies in connection with the development of each Company's Phase II EE&C Plans  
8 and related programs in response to the Commission's orders and guidance in its 2012  
9 Implementation Order. These costs are incurred to design, create, and obtain  
10 Commission approval of the Companies' respective Phase II EE&C Plans, and include,  
11 but are not limited to, consultant costs, legal fees, and other direct and indirect costs  
12 associated with the development and implementation of the Proposed Plans in  
13 compliance with the Commission directives.

14  
15 EECExp3 represents the costs allocated to the Companies for the funding of the  
16 Commission's statewide evaluator contract. I will further discuss the statewide evaluator  
17 contract later in my testimony.

18  
19 EEC<sub>Exp4</sub> represents an allocated portion of any costs the Companies incur and/or project  
20 to incur to fund any future Commission-approved demand response programs, or  
21 successor demand response programs.

1 **Q. PLEASE DESCRIBE THE COMMISSION'S STATEWIDE EVALUATOR**  
2 **CONTRACT COSTS INCLUDED IN EEC<sub>EXP3</sub>.**

3 A. The Commission will announce a new partnership to provide long-term, statewide  
4 evaluation of electric distribution companies' ("EDC's") energy efficiency programs.  
5 According to the Commission's press release from Phase I, "As the evaluator, they will  
6 work with senior Commission staff and assist the PUC to implement a legislative  
7 mandate containing significant consumption and peak demand reduction targets; audit  
8 programs to be implemented across Pennsylvania by the seven largest Pennsylvania  
9 electric utilities; evaluate and improve the EDC's programs in their initial, critical four  
10 years of implementation; and provide assessments and recommendations to policymakers  
11 for potential programs beyond the initial 2013 program implementation period."<sup>3</sup>

12  
13 It is my understanding that the costs of this partnership – that are at this time unknown to  
14 the Companies – will be paid by the Pennsylvania EDC's that are subject to Act 129.  
15 The Companies' Phase II EE&C-C Riders are designed to recover these costs. However,  
16 these costs will not be included in the final determination of the Companies' Act 129 two  
17 percent limitation on EE&C Programs costs consistent with the Commission's directive  
18 in the 2012 Implementation Order.

19  
20 **Q. WHY ARE YOU INCLUDING DEMAND RESPONSE COSTS IN EEC<sub>EXP4</sub>?**

21 A. Demand response during the top 100 hours was required by the Commission to be  
22 included in the Existing Plans. However, pursuant to the Commission's 2012

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<sup>3</sup> Commission press release, June 25, 2009 at Docket No. M- 2009-21141419.



1 Implementation Order, the Commission does not require demand response programs in  
2 Phase II until a cost-effectiveness test has been completed and that it is determined to be  
3 cost effective to include such programs in the future. At such time, assuming a finding of  
4 cost-effectiveness, the Commission may subsequently order that EDCs should include  
5 demand response as part of their overall Phase II EE&C plans. The addition of this  
6 expense category is simply a placeholder that will allow for the future recovery of those  
7 costs, should any be incurred.

8  
9 **Q. PLEASE EXPLAIN HOW THE E-FACTOR COMPONENT OF THE PHASE II**  
10 **EE&C-C RATES WILL WORK.**

11 A. The E-factor component of each Company's residential, non-profit, commercial, street  
12 lighting and industrial class specific Phase II EE&C-C rates represents a reconciliation of  
13 actual EE&C program costs incurred by customer class to actual EE&C revenues billed  
14 by customer class on a monthly basis. For each of the Companies, this monthly  
15 reconciliation by specific customer class will result in either an over-collection of costs  
16 by customer class (revenues billed, excluding Pennsylvania Gross Receipts Tax ("GRT"),  
17 greater than actual costs) or an under-collection by customer class (revenues billed,  
18 excluding GRT, less than actual costs).

19  
20 Revenues will also include any revenues received from PJM as a result of bidding  
21 qualifying energy efficiency projects into the PJM capacity market. Any net revenues  
22 received will be allocated to the customer class that provided the savings for the energy

1 efficiency resources, and will offset program costs incurred and recovered through the  
2 Phase II EE&C-C Rider.

3 **Q. WILL THE INITIAL PHASE II EE&C-C RATES BY CUSTOMER CLASS**  
4 **INCLUDE A RECONCILIATION OR E-FACTOR COMPONENT?**

5 A. No. The initial Phase II EE&C-C rates will not include a reconciliation or E-factor  
6 component. The E-factor component will be included as part of the Companies' annual  
7 filings that will be submitted to the Commission by March 31<sup>st</sup> of each year starting on  
8 March 31, 2014, for rates effective on June 1<sup>st</sup> of each year, starting on June 1, 2014.  
9 When the E-factor component is included, it will be applied on a customer class specific  
10 basis.

11  
12 **Q. HOW OFTEN WILL THE PHASE II EE&C-C RATES BY CUSTOMER CLASS**  
13 **BE CHANGED?**

14 A. The Companies' Phase II EE&C-C rates will be changed annually, on June 1 of each  
15 year. As proposed, the Phase II EE&C-C rates will remain in effect until the annual rate  
16 adjustment that has been filed has gone into effect, starting June 1, 2014. In these annual  
17 submissions to the Commission by March 31<sup>st</sup> of each year, the Companies will provide  
18 the following information in the derivation of the calculated Phase II EE&C-C Rate:

- 19 1. A reconciliation between actual Phase II EE&C-C revenues and actual  
20 EE&C-C costs through February of that year, as adjusted for removal of  
21 GRT;

- 1                   2. Any adjustment to the forecasted Phase II EE&C-C revenues anticipated  
2                   to be billed during March through May of that year, as adjusted for the  
3                   removal of GRT;
- 4                   3. Any adjustment to the Phase II EE&C-C program costs through May 31  
5                   based upon actual costs incurred through February and any revised  
6                   estimates for future months, subject to the amount permitted to be  
7                   recovered under 66 Pa. C.S. § 2806.1;
- 8                   4. The subsequent effect of the Phase II EE&C-C cost adjustment, Billing  
9                   Unit forecast update, and reconciliation to the Phase II EE&C-C rates  
10                  adjusted for GRT, and levelized over the period of the upcoming June 1  
11                  and continuing through the following May 31<sup>st</sup>;
- 12                  5. The Phase II EE&C budget estimate for the forthcoming annual  
13                  calculation period (June 1 through May 31) by rate class; and
- 14                  6. Any other changes or adjustments approved by the Commission pertaining  
15                  to the implementation of the Proposed Plans.

16  
17 **Q. WILL THERE BE A FINAL RECONCILIATION PERFORMED AT THE END**  
18 **OF PHASE II PERIOD?**

19 A. Yes, the Companies will perform a final reconciliation of amounts to be collected or  
20 refunded after May 31, 2016.

1 **Q. IN YOUR OPINION, DO THE COMPANIES' PHASE II EE&C-C RIDERS AS**  
2 **DESCRIBED IN YOUR TESTIMONY MEET THE REQUIREMENTS FOR A**  
3 **RECONCILABLE ADJUSTMENT CLAUSE TARIFF MECHANISM AS SET**  
4 **FORTH IN 66 PA.C.S. § 1307?**

5 A. Yes, they do meet the requirements of 66 Pa.C.S. § 1307, as well as the provisions  
6 included in the Commission's 2012 Implementation Order and Act 129.

7  
8 **Q. WILL THE COMPANIES FILE WITH THE COMMISSION ANY REPORTS**  
9 **RELATED TO THE PHASE II EE&C-C RIDERS?**

10 A. Yes. As stated in each of the Companies' Phase II EE&C-C Riders, an annual report that  
11 sets forth the revenues and costs will be filed with the Commission by June 30<sup>th</sup> of each  
12 year. These reconciliations will be provided by customer class and will be subject to  
13 annual review and audit by the Commission.

14  
15 **III. SUMMARY OF BENEFITS**

16  
17 **Q. PLEASE SUMMARIZE THE BENEFITS OF THE COMPANIES' PHASE II**  
18 **EE&C-C RIDERS.**

19 A. Consistent with the Commission's 2012 Implementation Order and Act 129, the  
20 Companies' Phase II EE&C-C Riders will permit Met-Ed, Penelec, Penn Power and West  
21 Penn to bill annual, levelized EE&C-C rates on a per kWh basis to residential, non-profit,  
22 commercial, and street lighting customers and a per PLC KW rate to industrial  
23 customers. The rates are calculated specifically for each customer class to recover the  
24 Companies' Phase II EE&C Plan costs approved by the Commission in this proceeding

1 consistent with Act 129, the 2012 Implementation Order and the provisions included in  
2 66 Pa.C.S. § 1307. When coupled with the reconciliation provisions included in the  
3 Riders, the Phase II EE&C-C rates will provide full, equitable and timely cost recovery of  
4 actual EE&C program costs incurred by the Companies for Phase II EE&C for the period  
5 June 1, 2013 through May 31, 2016.

6  
7 **Q. IN YOUR OPINION SHOULD THE PHASE II EEC-C RIDERS BE APPROVED?**

8 A. Based on the benefits I just discussed, the Phase II EE&C-C Riders, along with the initial  
9 rates included therein, should be approved as proposed in this proceeding. For the  
10 reasons I have already discussed, the Commission should also approve the modifications  
11 to the Phase I EE&C-C Riders of Met-Ed, Penelec and Penn Power and, upon such  
12 approval, allow the change to the Phase I EE&C Rider rates to become effective on ten  
13 days notice.

14  
15 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

16 A. Yes, it does.

**Appendix A**

**Resume: Education and Experience of Kevin M. Siedt**

Education:

1984 Bachelor of Science Degree- Accounting/Finance, Rowan University, Glassboro, New Jersey  
1994 Masters of Business Administration Degree, Moravian College, Bethlehem, PA

Experience:

1984 – 1987 Commercial Credit Analyst – First Fidelity Bank  
1987 – 1993 Financial Analyst, Corporate Finance Department – Foster Wheeler Corporation  
1993 – 1996 Senior Financial Analyst, Corporate and Project Finance – Foster Wheeler Corporation  
1996 – 1997 Manager of Financial Analysis, Corporate and Project Finance - Foster Wheeler Corporation  
1997 – 1998 Director of Financial Analysis, Corporate and Project Finance – Foster Wheeler Corporation  
1998 – 2001 Financial Consultant, Treasury Department – GPU Corporation  
2001 – 2002 Consultant, Market Economics – GPU Corporation  
2002 – 2010 Staff Business Analyst, Rates and Regulatory Affairs – FirstEnergy Corporation  
2010 – Present Rate Analyst V, Rates and Regulatory Affairs – FirstEnergy Corporation

Prepared and presented testimony in the following rate-related cases:

Pa. P.U.C. Cases: Docket Nos. P-00072259  
P-2010-2157862  
M-2011-2250561  
M-2011-2259298  
M-2011-2250682  
P-2012-2292284  
C-2012-2284617  
C-2012-2295306  
M-2012-2312766  
M-2012-2312767  
M-2012-2312769  
M-2012-2312772  
M-2012-2312633  
M-2012-2312770

NJ BPU Cases: Docket Nos.      ER05121018  
EM02030152  
EM03060438  
EM04010045  
EM05040314  
EM12040309

Assisted in development and preparation in the following rate cases:

Pa. P.U.C. Cases: Docket Nos.      R-00061366  
R-00061367  
P-0072305  
M-2008-2069887  
P-2008-20066692  
P-2009-2093053  
P-2009-2093054  
R-00974008  
R-00974009  
M-2009-2092222  
M-2009-2112952  
M-2009-2552956  
P-2009-2093053  
P-2009-2093054  
M-A-2010-2176520  
A-2010-2176732  
P-2011-2273650  
P-2011-2273668  
P-2011-2273669  
P-2011-2273670  
M-2012-2289411