



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

May 4, 2018

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, Second Floor
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v.
PECO Energy Company Base Rates
Docket No. R-2018-3000164

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me a (717) 783-6156.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 208185

CBW/wsf
Enclosure

cc: Certificate of Service
ALJ Christopher P. Pell
ALJ F. Joseph Brady

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	
	:	Docket No. R-2018-3000164
PECO Energy Company Base Rates	:	
	:	

**PREHEARING MEMORANDUM OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO THE HONORABLE CHRISTOPHER P. PELL AND F. JOSEPH BRADY:

In accordance with the Prehearing Conference Order issued on April 20, 2018, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement will be represented in this proceeding by the undersigned prosecutor. Contact information is as follows:

By mail:	Carrie B. Wright Pennsylvania Public Utility Commission P.O. Box 3265 Harrisburg, PA 17105-3265
By e-mail:	carwright@pa.gov
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I. BACKGROUND

On March 29, 2018, PECO Energy Company (“PECO” or “Company”) filed with the Commission proposed Tariff Electric – Pa. P.U.C. No. 6 (“Tariff No. 6”). Tariff No. 6 contained rates rules and regulations designed to increase its annual distribution revenues by \$82 million. The proposed increase represents a 2.2% increase over PECO’s total present revenues (which include distribution, transition, and default service generation). Tariff No. 6 proposed an effective date of May 28, 2018.

At Public Meeting on April 19, 2018, the Commission stated that pursuant to 66 Pa. C.S. § 1308(d), the filing will be suspended by operation of law until December 28, 2018, unless permitted by Commission Order to become effective at an earlier date. The case was subsequently assigned to the Officer of Administrative Law Judge (“OALJ”) for the development of an evidentiary record including a Recommended Decision. The OALJ assigned the suspended proceeding to Administrative Law Judges Christopher P. Pell and F. Joseph Brady (the “ALJs”) for investigation and scheduling of hearings to consider the lawfulness, justness and reasonableness of the Company’s Rate increase request. A Prehearing Conference has been scheduled for May 8, 2018. The Bureau of Investigation and Enforcement filed its Notice of Appearance on April 4, 2018. On April 12, 2018, a Notice of Appearance and formal Complaint was filed by the Office of Consumer Advocate (“OCA”). The Office of Small Business Advocated (“OSBA”) filed a Formal Complaint and its Notice of Appearance on April 9, 2018.

II. ISSUES

Based upon a preliminary review of the filing, I&E has identified certain areas of inquiry. The following statement of areas of inquiry represents the potential issues in this proceeding at this time. However, I&E specifically reserves the right to address such other issues when those issues arise:

- a) Overall Rate of Return:
 - Cost of Debt;
 - Cost of Common Equity;
 - Capital Structure;
 - Effect of Changes to Tax Laws;

- b) Rate Structure/Rate Design:
 - Cost of Service;
 - Proposed Rates;
 - Scale Back of Rates;
 - Customer Charge;

- c) Rate Base:
 - Plant in Service;
 - Accrued Depreciation;
 - Net Plant;
 - Cash Working Capital;

- d) Operation and Maintenance Expense Claims including:
 - Salaries, Wages and Benefits;
 - Payroll Tax;
 - Rate Case Expense;
 - Employee Activity Costs;
 - Cost to Achieve Merger Savings;
 - Vegetation Management;
 - Storm Reserve;
 - Accumulated Deferred Income Tax;
 - Materials and Supplies;

- e) Cost Allocation;

- f) Act 129 Projections;

- g) Use of a Fully Projected Future Test Year;
- h) Customer Count Projections;
- i) Forfeited Discounts;
- j) Rent from Electric Property;
- k) Annual Depreciation Expense;
- l) Present Rate Revenue; and
- m) Electric Safety.

Most of the issues raised by I&E will be supported by the Direct Testimony of an I&E witness in his or her area of responsibility. However, there may be issues of Commission policy or legal interpretation that are not properly the subject of testimony; or there may be factual issues that are clear on the record and need not be supported by testimony. I&E reserves the right to dispense with testimony when, in its opinion, an issue can be adequately addressed in Brief.

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

- Joseph Kubas Fixed Utility Valuation Engineer
- John Zalesky Fixed Utility Financial Analyst
- Anthony Spadaccio Fixed Utility Financial Analyst
- Christine Wilson Fixed Utility Financial Analyst

- Glenn Weaver Electric Safety Engineer
- Kristofer Knittle Electric Safety Engineer

I&E reserves the right to call additional witnesses and/or delete witnesses listed above. The above listing is provided without analysis of the positions of all parties to this proceeding and without the benefit of completed discovery. All active parties will be notified of any additions or deletions to the I&E witness list. The I&E witnesses may be contacted at the above contact information for the I&E prosecutor.

IV. SCHEDULE

I&E is committed to working with the parties and the ALJs to arrive at a procedural schedule. I&E requests that Evidentiary Hearings be held in Harrisburg.

V. PUBLIC INPUT HEARINGS

To the extent that Public Input Hearings are deemed necessary in this proceeding I&E requests that where possible Smart Hearings be utilized.

VI. SETTLEMENT

I&E intends to participate in any settlement discussions and is willing to reach a resolution of any or all issues. However, a discussion of issues that may be settled is not possible until further discovery has been conducted and the positions of the other parties are known.

VII. DISCOVERY

I&E has not proposed any discovery modifications, but I&E is open to discussing discovery modifications that other parties to this proceeding may wish to propose.

Respectfully submitted,



Carrie B. Wright

Prosecutor

Attorney I.D. No. 208185

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265

Dated: May 4, 2018

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-3000164
	:	
PECO Energy Company Base Rates	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated May 4, 2018, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First-Class Mail

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