

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL

KARL A. RACINE
ATTORNEY GENERAL



Public Advocacy Division
Social Justice Section

February 28, 2020

Ms. Brinda Westbrook-Sedgwick
Public Service Commission
Of the District of Columbia Secretary
1325 G Street, NW, Suite 800
Washington, DC 20005

Re: Formal Case No. 1156 – In the Matter of the Application of Potomac Electric Power Company for Authority to Implement a Multiyear Rate Plan for Electric Distribution Service in the District of Columbia.

Dear Ms. Westbrook-Sedgwick:

On behalf of the District of Columbia Government and the Office of People's Counsel for the District of Columbia, please find enclosed for filing a Stipulation to and Joint Motion for the Admission into the Record of the Deposition Transcript of Mr. Kevin M. McGowan (Joint Motion). The transcript of Mr. McGowan's deposition, deposition exhibit,s and uncontested Errata sheets are attached to the Joint Motion. If you have any questions regarding this filing, please contact the undersigned.

Sincerely,

KARL A. RACINE
Attorney General

By: */s/ Brian Caldwell*
BRIAN CALDWELL
Assistant Attorney General
(202) 727-6211 – Direct
Brian.caldwell@dc.gov

cc: Service List

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

In the Matter of

**The Application of Potomac Electric
Power Company for Authority to
Implement a Multiyear Rate Plan
for Electric Distribution Service in
the District of Columbia**

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Formal Case No. 1156

**STIPULATION TO AND JOINT MOTION FOR THE
ADMISSION INTO THE RECORD OF THE DEPOSITION
TRANSCRIPT OF MR. KEVIN M. MCGOWAN**

Pursuant to Rules 105.8, 125.10, and 128.4 of the Rules of Practice and Procedure of the Public Service Commission of the District of Columbia (Commission),¹ the District of Columbia Office of the People’s Counsel (OPC), District of Columbia Government (DCG, collectively with OPC, Movants) hereby move for the admission into the record of the transcript of the deposition of Mr. Kevin M. McGowan, Vice President of Regulatory Policy and Strategy at Pepco Holdings LLC and a witness in this proceeding for the Potomac Electric Power Company (Pepco or Company).² The Movants are authorized to state that Pepco stipulates to the admission of the transcript and does not oppose the motion.

In support of the motion, Movants state that on February 7, 2020, the Company voluntarily made Mr. McGowan available for oral examination at OPC’s offices. During the deposition, attorneys for OPC and DCG examined Mr. McGowan with respect to his testimonies and several contested issues in this proceeding, including the design of Pepco’s proposed multiyear rate plan

¹ 15 DCMR §§ 105.8, 125.10, 128.4.

² A copy of the transcript is attached to this motion and for purposes of the record is identified as Exhibit OPC-S1.

and performance incentive mechanisms, potential impacts of these mechanisms on ratepayers, and the relationship between these mechanisms and the District's environmental goals .

As information contained in the deposition transcript is relevant to matters in this proceeding, Pepco and Movants have stipulated to the admission of the transcript of Mr. McGowan's deposition into the record. Good cause exists to grant this motion and admit the transcript to the record prior to the hearing. Consistent with the Commission's directive to parties to streamline the hearing process,³ by granting this motion, the Commission can assist with streamlining the testimony drafting and review processes. If any party wishes to reference information contained in the transcript, that party will have the ability to examine and/or cite to the same exhibit as other parties. The admission of the transcript into the record does not waive any party's right to object to or challenge the use of the transcript, or any portion thereof. This reservation of rights includes, but is not limited to, the parties' right to argue about the weight or relevance of the document or oppose the use of the document as inconsistent with Commission precedent or Rules of Practice and Procedure.

In order to facilitate the preparation of OPC and Intervenor Direct Testimony, the Movants respectfully request expedited consideration of this Motion and ask that the Commission admit the stipulated deposition transcript into the record without waiting for responses to the motion.⁴

³ *Formal Case No. 1156*, Order No. 19956, ¶ 10; *Formal Case No. 1156*, Order No. 20204 ¶ 40.

⁴ 15 DCMR § 105.10.

Respectfully submitted,

/s/ Brian Caldwell

BRIAN CALDWELL
(D.C. Bar #979680)

Assistant Attorney General
Office of the Attorney General for the
District of Columbia
Social Justice Section
441 4th Street, N.W., Suite 600-S
Washington, D.C. 20001
(202) 727-6211
Brian.Caldwell@dc.gov

*Attorney for the District of Columbia
Government*

/s/ Sandra Mattavous-Frye

Sandra Mattavous-Frye
People's Counsel
D.C. Bar No. 375833

Karen R. Sistrunk
Deputy People's Counsel
D.C. Bar No. 390153

Anjali G. Patel
Senior Assistant People's Counsel
D.C. Bar No. 1000826
apatel@opc-dc.gov

OFFICE OF THE PEOPLE'S
COUNSEL FOR THE DISTRICT OF
COLUMBIA
1133 Fifteenth Street, NW, Suite 500
Washington, DC 20005
(202) 727-3071

February 28, 2020

THE DISTRICT OF COLUMBIA
OFFICE OF THE PEOPLE'S COUNSEL

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IN THE MATTER OF: :

The Application of Potomac :
 Electric Power Company for : Formal Case No.
 Authority to Implement a : 1156
 Multiyear Rate Plan for :
 Electric Distribution Service :
 in the District of Columbia :

Friday,
February 7, 2020

Washington, D.C.

DEPOSITION OF:

KEVIN MCGOWAN

called for examination by Counsel, pursuant to
The Office of the People's Counsel for the
District of Columbia's Unopposed Motion for Leave
to Conduct Deposition, in the Office of the
People's Counsel, located at 1133 15th Street,
N.W., Washington, D.C. 20005, when were present
on behalf of the respective parties:

APPEARANCES:

On Behalf of Pepco Holdings:

KIM F. HASSAN, ESQ.
ANDREA H. HARPER, ESQ.
Pepco Holdings
701 9th Street, N.W.
Suite 700
Washington, D.C. 20068-0001
202-872-2967
202-331-6649
kim.hassan@exeloncorp.com
ahharper@pepcoholdings.com

COLETTE D. HONORABLE, ESQ.
ReedSmith
1301 K Street, N.W.
Suite 1000 - East Tower
Washington, D.C. 20005
202-414-9444
chonorable@reedsmith.com

On Behalf of Office of the People's Counsel:

SCOTT STRAUSS, ESQ.
JEFFREY A. SCHWARZ, ESQ.
AMANDA C. DRENNEN, ESQ.
Spiegel & McDiarmid, LLP
1875 Eye Street, N.W.
Suite 700
Washington, D.C. 20006

202-879-4000

scott.strauss@spiegelmc.com

jeffrey.schwarz@spiegelmc.com

amanda.drennen@spiegelmc.com

On Behalf of the District of Columbia:

BRIAN CALDWELL, ESQ.
Office of the Attorney General
441 4th Street, N.W.
Suite 630 South
Washington, D.C. 20001
brian.caldwell@dc.gov

ALSO PRESENT:

FRAN FRANCIS, Apartment and Office Building
Association

KARIM HUSSAIN, D.C. Department of Energy
and Environment

IAN MCGINNIS, FTI Consulting

ADRIENNE MOUTON-HENDERSON, Office of the
People's Counsel

ANJALI PATEL, Office of the People's Counsel

KEN SOSNICK, FTI Consulting

LARIZA SEPULVEDA, General Services
Administration

TAMIKA TAYLOR, Office of the People's Counsel

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P-R-O-C-E-E-D-I-N-G-S

10:02 a.m.

WHEREUPON,

KEVIN MCGOWAN

was called for examination by Counsel for the Office of the People's Counsel, and having been first and duly sworn, assumed the witness stand, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. STRAUSS:

Q Good morning.

A Good morning.

Q Mr. McGowan, for the record, I am Scott Strauss, and I'm going to ask you questions today on behalf of the District of Columbia Office of People's Counsel. If you don't hear me or don't understand a question, please let me know.

A Okay.

Q Let me start off by asking you a question or two about your background. Do you have your direct testimony Exhibit Pepco B with

1 you today?

2 A I do, yes.

3 Q If you could turn to page 2, I'm
4 focusing on the statement you make at lines 5
5 through 8, where you recount some of your
6 background.

7 A Yes.

8 Q You state that in November 2012 you
9 became Vice President, Regulatory Affairs, and
10 upon closing the merger between Exelon and PHI,
11 you were named Vice President, Regulatory Policy
12 and Strategy. Do you see that?

13 A Yes.

14 Q Did the scope of your responsibilities
15 change when you took on the job following the
16 merger?

17 A The responsibilities were generally
18 the same. They covered all the state commissions
19 and FERC. The only group that I did add to my
20 responsibility was energy procurement, which was
21 previously managed by a different group.

22 Q Thank you. You are the Pepco

1 executive in charge of the development of the
2 multiyear rate plan or the MRP that's at issue in
3 this case. Is that correct?

4 A Yes.

5 Q And was it developed by any particular
6 group within the company or department?

7 A It would have been developed by the
8 regulatory team, which I control.

9 Q Okay. Very well. Thank you. You are
10 eligible, as a Pepco executive, for incentive
11 compensation. Is that correct?

12 A Yes.

13 Q And is your incentive compensation
14 dependent in any way on the outcome of this
15 proceeding?

16 A No.

17 Q Now, Pepco is one of several electric
18 distribution utilities that are part of the
19 Exelon corporate family. Is that correct?

20 A Yes.

21 Q None of Exelon's distribution
22 companies operate under MRP. Is that correct?

1 A That is correct.

2 Q So if the MRP is approved, Pepco will
3 be the first of Exelon's distribution utilities
4 to operate under a multiyear rate plan. Is that
5 correct?

6 A Yes.

7 Q All right. Let's take a look back at
8 Exhibit Pepco B, your direct testimony. Again,
9 I'm looking at page 2, starting on line 12 where
10 you present the purpose of your testimony. Do
11 you see that?

12 A Yes.

13 Q And you state that you will present
14 the company's overall case. Correct?

15 A Correct.

16 Q The company's case in support of the
17 MRP does not include a cost-benefit study. Is
18 that correct?

19 A Correct.

20 MR. STRAUSS: Let me show you a
21 document. It's a data response, one of yours in
22 this proceeding. I'd like to have that

1 identified for the record. We're going to pass
2 it out. Let me just state for the record that it
3 is Pepco's response to OPC Data Request No. 12-
4 1, and you are the sponsors who will see Mr.
5 McGowan. I request that that be marked as OPC 1
6 in this deposition.

7 (Whereupon, the above referred-to
8 document was marked as OPC Exhibit No.
9 1 for identification.)

10 MR. STRAUSS: If you could take a
11 moment to look at that.

12 THE WITNESS: Okay.

13 BY MR. STRAUSS:

14 Q You're asked in this question, you
15 see, about cost-benefit studies, and you respond
16 by referring to a bill impact statement that's
17 one of Mr. Blouzoutis' (phonetic) exhibits, and
18 it states that the subject is also addressed in
19 your direct testimony. Do you see that?

20 A I do.

21 Q And you state in the data response
22 that under the MRP, customers will see bills in

1 2022 that are expected to be 6.5 percent lower
2 than they were in 2011. Do you see that?

3 A Yes.

4 Q Approval of the MRP would impact the
5 charges that customers pay to Pepco for
6 distribution services. Is that correct?

7 A Yes.

8 Q Is it your testimony that the charges
9 that customers will pay to Pepco for distribution
10 service in 2022 will be 6.5 percent lower than
11 what they paid to Pepco for distribution service
12 in 2011?

13 A The statement in the DR and also my
14 testimony focuses on a total bill. Customers are
15 -- they look at the total bill and not individual
16 components. So this statement is in relation to
17 the customer's entire bill.

18 Q All right. So let me ask my question
19 again, then. I believe you answered my question;
20 I think I got an answer, but I'm going to ask you
21 again. It is not your testimony that customers
22 will pay to Pepco for distribution service in

1 2022 a charge that will be 6.5 percent lower than
2 what they paid for that service in 2011. Is that
3 correct?

4 A Yes. The distribution portion of the
5 customer's bill I'm not saying would be 6.5
6 percent lower.

7 Q Very well. All right. If you could
8 turn to your supplemental direct testimony.
9 That's Exhibit Pepco 2B, and I'm looking at page
10 4.

11 A Okay. I'm there.

12 Q All right. And at lines 11 through 12
13 on page 4, you state that SOS customers will
14 benefit from lower SOS prices scheduled to take
15 effect in 2019. Do you see that?

16 A I do.

17 Q Now, SOS, that's a Standard Office
18 Service. Is that correct?

19 A Correct.

20 Q SOS charges are for the purchase of
21 electricity and not for the purpose of
22 distribution service. Is that correct?

1 A Correct.

2 Q Electricity and electric distribution
3 service aren't the same thing. Is that correct?

4 A The supply portion of the bill and the
5 distribution charge are two different charges on
6 the customer's bill.

7 Q Very well. Thank you. And the lower
8 SOS supply costs to which you refer here on page
9 4 of Exhibit 2B, they're not dependent on the
10 approval of the MRP. Is that correct?

11 A That is correct.

12 Q All right. Looking at the chart on
13 page 4, starting at line 3, this table, there are
14 figures in a column headed Monthly Distribution
15 Increase. Do you see those?

16 A Yes.

17 Q So if we look at the row for November
18 1st, 2020, under the heading Monthly Distribution
19 Increase, we see the dollar amount \$8.49.
20 Correct?

21 A Yes.

22 Q What information are you providing in

1 that column at that row? What is that \$8.49?
2 What does it represent?

3 A That represents the company's proposed
4 monthly distribution increase for the average
5 residential bill.

6 Q So that means that, as of November 1,
7 2020, Pepco estimates that a typical residential
8 customer will pay \$8.49 more per month for
9 distribution service for the distribution portion
10 of a bill, then that customer was paying for that
11 service during October 2020. Is that correct?

12 A If the Commission approves the
13 company's application, that is correct.

14 Q Okay. So would I be correct then that
15 that \$8.49 there on page 4, that's the monthly
16 dollar impact in November of 2020 of the approval
17 of the proposed MRP alone? Is that correct?

18 A Yes.

19 Q Thank you. All right, so next to it
20 is a column labeled Overall Net Increase. Do you
21 see that?

22 A Yes.

1 Q And what does that reflect in that
2 same row, November 1st, 2020?

3 A So that is the expected overall bill
4 increase that the customers would experience on
5 November 1st, if the multi-rate plan is approved.

6 Q So that's the difference between what
7 a customer would pay in October 2020 for the
8 total bill versus what that customer will pay in
9 November 2020 if the MRP is approved. Is that
10 correct?

11 A That is correct.

12 Q So the total bill that the customer
13 would pay, that's a combination of separate
14 charges for distribution, for supply, for
15 transmission, and for surcharges and taxes. Is
16 that correct?

17 A Yes.

18 Q Anything else? Have I left anything
19 out?

20 A I think you covered all the
21 categories.

22 Q Very well. So the overall net

1 increase column, that's the dollar impact of
2 changes as a result of the MRP, along with
3 changes that are expected to any other components
4 of the bill. Is that correct?

5 A Yes.

6 Q So looking at the two numbers,
7 \$8.49 and \$6.01, there on line 3 of page 4,
8 the distribution charge increase is \$8.49, but
9 because of the lowering of other components on
10 the total bill, the overall impact is anticipated
11 to be \$6.01, as compared to what it would be the
12 month before. Do I have that right?

13 A Yes.

14 Q Okay. And the last column, the one
15 that's headed Percentage Bill Increase, what does
16 that represent?

17 A So the 7 percent on the row November
18 1st, 2020, represents the overall net increase of
19 \$6.01 divided by the average bill on October
20 2020.

21 Q Thank you. So that percentage does
22 not reflect the percentage increase in the

1 distribution charge alone. Is that correct?

2 A That is correct.

3 Q Do you present that calculation, the
4 one I just mentioned, anywhere in your testimony,
5 sir?

6 A I do not. I do not recall if Mr.
7 Blouzoutis (phonetic) has it in his testimony and
8 schedules.

9 Q It's not in yours, and it's certainly
10 not here in this table that we're looking at on
11 page 4. Is that correct?

12 A That's correct, yes.

13 Q All right. Now, looking at page 4
14 again, a little further down on lines 15 through
15 18, you repeat there a statement you made in your
16 direct testimony. I can show you where if you'd
17 like. It's also in the data response. You
18 repeat the statement that a typical SOS customer
19 will have an estimated total bill in 2022 that is
20 6.6 percent lower than the same customer paid in
21 2011. Do you see that?

22 A I do, yes.

1 Q And again, when you say the total
2 estimated bill that's on line 16, you're
3 referring to the combination of the distribution,
4 supply, transmission, surcharges, and taxes
5 charges all combined. Is that correct?

6 A Correct.

7 MR. STRAUSS: All right. I'd like to
8 show you a data response. Give me a moment, and
9 we'll distribute and I'll mark it for the record.
10 So this is the response, for the record, to OPC
11 Data Request No. 38-2. I'd ask that it be
12 marked as Exhibit 2 in this deposition --- OPC 2
13 is what we're calling it.

14 (Whereupon, the above referred-to
15 document was marked as OPC Exhibit No.
16 2 for identification.)

17 BY MR. STRAUSS:

18 Q If you could take a moment to look at
19 the request and the attachment to it which is
20 printed on the back of the page.

21 A Okay.

22 Q All right. Very well. It's been

1 distributed. So in subpart A, if you look at the
2 question, you're asked to demonstrate how you
3 calculated the 6.6 percent figure that's in your
4 testimony. Do you see that?

5 A I do.

6 Q And the response refers the reader to
7 an attachment, and if you flip the page that
8 attachment is the one you're referring to in the
9 data response, correct?

10 A That is correct.

11 Q Now, looking at this chart, and I'm
12 looking specifically on the right side at the
13 total bill component, on the top line there you
14 see that the total bill as of July 21st, 2010
15 under the rates then in effect for this typical
16 customer would have been \$105.73. Do you see
17 that?

18 A Yes.

19 Q And then if we look down at the very
20 bottom at MRP RY3, which is MRP Rate Year 3,
21 would that be correct?

22 A Yes.

1 Q And if you go over all the way to the
2 right to the total bill, the number is \$98.75.

3 Correct?

4 A That is correct.

5 Q And would you accept, subject to
6 check, that the difference between those two
7 numbers is \$6.98?

8 A The percent difference, yes.

9 Q That says a dollar difference, I
10 wouldn't have gotten the percent.

11 A I'm sorry.

12 Q The difference between \$105.73 and
13 \$98.75.

14 A Yes. There was six dollars --

15 Q -- and 98 cents. I think that's why
16 --

17 A Okay. It appears right, subject to
18 check.

19 Q Subject to check, yes. And that
20 comparison between those two numbers, the \$105.73
21 and the \$98.75, that's the basis for the 6.6
22 percent reduction to which you've testified. Is

1 that correct?

2 A That is correct.

3 Q Okay. Now, looking at this chart, if
4 I wanted to determine the estimated percentage
5 increase in the distribution component of the
6 customers billed for Year 1 of the MRP, I could
7 look at the distribution charge in effect
8 immediately prior to Year 1 and compare it to the
9 amount of the charge estimated under Year 1.
10 Would that be correct?

11 A Can you say it one more time?

12 A Sure. If I wanted -- what I'm looking
13 for is to determine the estimated percentage
14 increase in the distribution component of the
15 customer's bill for the first year of the MRP.
16 That's what I'm trying to do. If I wanted to do
17 that, would it be correct that I could look at
18 the distribution charge in effect immediately
19 prior to MRP Year 1 and compare it to the amount
20 of the charge that Pepco estimates will be in
21 place during Year 1? Would that be one way to
22 examine that?

1 A So you would be comparing the -- are
2 you saying --

3 Q So let's look at the numbers. So I
4 would be comparing the \$23.13 which is shown as
5 the August 13, 2018 effective rate --

6 A Right.

7 Q -- the monthly distribution charge,
8 versus the \$31.76 charge for proposed multiyear
9 rate plan Year 1. I want to -- would that be the
10 way I could determine the estimated percentage
11 increase in the distribution component?

12 A I believe that is correct.

13 Q Okay. All right. Very well. So
14 looking at the numbers on the chart which we were
15 just doing, I think we just spoke about -- as of
16 immediately prior to the beginning of the multi-
17 rate plan, for your typical customer, who I think
18 you've said is a customer who purchases 692
19 kilowatt hours a month, that customer's
20 distribution charge, or the distribution
21 component of that customer's total bill would be
22 \$23.13 immediately prior to the multiyear rate

1 plan, and Pepco estimates \$31.76 during the first
2 year. Do I have that right?

3 A Your statement is correct, but my only
4 concern was that this chart was developed to
5 estimate the overall percent increase from 2010
6 to 2022 with the last multiyear rate plan
7 increase. It was not developed to look at
8 specific years and compare the percentages. So I
9 just wanted to let you know that the purpose was
10 an overall bill unpacked for 2011 to 2022, not an
11 individual year-by-year.

12 Q Do you have any reason, sitting here,
13 to doubt the accuracy of the figures in the
14 distribution column or any of the figures on this
15 chart? You're the sponsor.

16 A No, I believe these are correct. I
17 just want to make that -- that was -- the purpose
18 was to look at the 2011 to 2022 bill impact.

19 Q Very well. Let me ask you about the
20 numbers in the distribution column, and I'll take
21 your answer subject to the caveat that you just
22 presented.

1 The difference between the August 13,
2 2018 monthly bill for the typical customer and
3 the proposed multiyear rate plan Year 1, total is
4 \$8.63. Would you accept that subject to check?

5 A That looks correct.

6 Q Assuming the accuracy of these
7 numbers, that would mean that there would be an
8 increase in the monthly distribution component
9 for this typical customer in Year 1 of the rate
10 plan of 37.3 percent. Would that be correct,
11 subject to check?

12 A So the \$8.63 divided by the \$23.13?

13 Q Correct, correct.

14 A Is what percent?

15 Q 37.3.

16 A Subject to check.

17 Q Okay. All right. Now, if you look at
18 that \$23.13 figure, which is the monthly charge
19 in effect immediately prior to the multiyear rate
20 plan, and the number that Pepco estimates will be
21 the charge for this typical customer at the end
22 of the rate plan in Year 3, that's the difference

1 between \$23.13 and \$39.07. Do you see that?

2 A I do see the numbers, yes.

3 Q Okay. And would you accept, subject
4 to check, that that's \$15.94? The difference
5 between the \$23.13 and the \$39.07?

6 A Yes.

7 Q Okay. And on a percentage basis, that
8 would be an increase, if you compare the monthly
9 bill the month before the rate plan goes in
10 effect and the bill in the final year of the rate
11 plan, of almost 69 percent. Would that be
12 correct?

13 A Subject to check.

14 Q Thank you. I was a little confused
15 about something. In Pepco 2B, if we go back to
16 your testimony in the supplemental direct on page
17 4 at line 6, and if you look at that first
18 monthly distribution increase, it's \$8.49.
19 Correct?

20 A Yes.

21 Q If we go back to your direct testimony
22 for a moment, Pepco B on page 48, you have the

1 same table. That one is a number from May 1st,
2 and it's \$8.57. Correct?

3 A Yes.

4 Q And then in looking at the chart in
5 the data response, if we compare the numbers
6 \$23.13 and \$31.76 in that distribution column,
7 it's \$8.63. Do you recall we discussed that?

8 A Yes, I do.

9 Q Can you explain why each of these
10 numbers are a little different?

11 A Sure. First of all, the direct
12 testimony was the original case file on May 1st.
13 These were the numbers that relate to that
14 filing. The supplemental direct testimony was
15 filed as we updated the traditional rate case as
16 we required in the order, and there were some
17 small adjustments to the multi-rate plan. So the
18 bill impacts shown in my supplemental direct tie
19 to the filing that was done with the supplemental
20 direct.

21 This chart -- and that's why I made
22 the comment earlier -- this chart was not -- and

1 those tie into the actual rate case. The purpose
2 of this chart was to look at the overall impact
3 of the customer bill from 2011 to 2022, how these
4 distribution numbers were calculated. They were
5 very close, but this was estimating what the bill
6 impact of what '11 to '22 was. The purpose of
7 this was not to tie into the rate case.

8 Q I see. Thank you. Let's look again
9 now at the data response, the attachment, and I
10 want to focus again on the chart. On the top
11 line, the total bill for the rates in effect July
12 21, 2010, as we discussed, that was \$105.73.

13 Correct?

14 A Yes.

15 Q And the distribution component of that
16 total was \$15.54. Correct?

17 A Correct.

18 Q So would you accept, subject to check,
19 that as concerns July 2010, at that time the
20 distribution component of the overall bill was
21 roughly 14.7 percent? Would you accept that
22 subject to check?

1 A Yes.

2 Q Okay. And then if we look at Year 3
3 of the MRP, the data shows as we discussed that
4 the estimated monthly distribution charge for the
5 typical customer is \$39.07. Correct?

6 A Correct.

7 Q So if we look just at those two
8 figures, the \$15.54 in 2010 and the \$39.07 in the
9 third year of the rate plan, 2022, that would
10 indicate that for a typical customer the
11 distribution component of the bill has increased
12 by roughly 151 percent during those years. Would
13 that be about right?

14 A Subject to check.

15 Q Subject to check, thank you. And as
16 of 2022, the \$39.07 monthly charge, would you
17 accept, subject to check, that that is
18 approximately 39.5 percent of the total bill
19 shown there, which is \$98.75?

20 A Subject to check.

21 Q Thank you. All right. Now, there are
22 other components of the bill, as we discussed:

1 supply, transmission, surcharges, and taxes.

2 Correct?

3 A Correct.

4 Q And I think we've already discussed
5 that approval of the MRP doesn't impact the
6 supply charge. Do you recall that?

7 A That is correct.

8 Q And would it also be correct that
9 approval of the MRP will not impact the
10 transmission or the surcharge and taxes
11 components of the bill. Would that be correct?

12 A It would not impact the rate.

13 Q The rate, I'm sorry.

14 A That's correct.

15 Q Okay. All right. Let's turn to your
16 supplemental direct testimony, that's Exhibit
17 Pepco 3B. And I wanted to --

18 A Supplemental direct?

19 Q I'm sorry, the second supplemental
20 direct which labeled Pepco 3B. If we could turn
21 to page 9. There you have a heading, section 3,
22 and you're asked about providing a discussion of

1 incremental customer benefits. Do you see that?

2 A Yes.

3 Q All right. On line 9 there on page 9
4 in 3B, you say that you're going to address what
5 you call measurable quantitative and qualitative
6 incremental customer benefits. Is that correct?

7 A Yes.

8 Q Okay. So let's look at -- and you've
9 numbered the benefits. Correct? And that goes
10 on to page 12, correct?

11 A Correct.

12 Q All right. So item 1 you've
13 underlined facilitates investments that support
14 the District's energy policy goals. Do you see
15 that?

16 A Yes.

17 Q Is this claim to benefit a measurable,
18 quantitative or qualitative benefit in your mind?

19 A This benefit would be measurable and
20 qualitative.

21 Q Okay. It would be measurable and
22 qualitative?

1 A Yes.

2 Q And how would we be able to measure
3 it?

4 A So to the extent that the multi-rate
5 plan includes investments that go beyond the
6 company's obligation to provide safe and reliable
7 service, these are investments that help support
8 the District's goals around energy reduction,
9 around clean energy. Those certainly could be
10 measured as to what investments the company is
11 making, and the benefits of those could be
12 measured.

13 Q Okay. Thank you. Now at lines 12 to
14 13 you state that the MRP would permit the
15 company to provide its capital investment and O&M
16 plans to the Commission and stakeholders in
17 advance. Do you see that?

18 A Yes.

19 Q The company can do that whether or not
20 an MRP is in place, can it not?

21 A The company can make a compliance
22 filing with the Commission to provide

1 information; however, the benefit of the multi-
2 rate plan is to provide the three-year capital
3 plan and O&M plan and have a collaborative
4 discussion with stakeholders as to what the
5 company's investing as part of its next three-
6 year program.

7 Q But you could do that whether you had
8 the MRP or not, could you not?

9 A There's a big difference between
10 making a compliance filing and laying out a plan
11 that is an integral part of the company's capital
12 plan and rate setting.

13 Q I'm trying to figure out, what is the
14 big difference that you're describing, sir?

15 A Sure. So we can make a compliance
16 filing with the Commission, and the parties could
17 choose to act on it or not. That is just nothing
18 more than a compliance filing.

19 What the multi-rate plan allows
20 parties to do is to evaluate what the company is
21 making, there's plenty to spend, to evaluate what
22 investments are being made, how those investments

1 align with the goals of the District,
2 expectations of customers, et cetera, and to
3 evaluate what the cost of those investments are
4 to customers, and also what our performance
5 incentive metrics are in terms of level of
6 service.

7 It's an integrated way to look at the
8 overall three-year plan and make a decision that
9 the parties agree with what the company's
10 investing in. They understand what the cost is,
11 they recognize the cost to customers, and the
12 plan gets approved, and the company executes it.
13 To me that's much different than just making a
14 compliance filing with the Commission.

15 Q But compliance filing aside, what
16 stops Pepco tomorrow from announcing they're
17 going to have that dialogue with customers and
18 providing the data and explaining to customers:
19 this is our plan going forward. This is the rate
20 relief we're going to see. Why couldn't we do
21 that without the MRP?

22 A We are doing that, and that's our MRP

1 filing.

2 Q But what I'm asking you about is, you
3 could do that without making the MRP filing,
4 couldn't you? I mean, if Pepco wanted tomorrow
5 it could announce: we're going to make this
6 information available. We're going to have a
7 dialogue with our stakeholders over the next two
8 months, and after that, we're going to file it.
9 What would stop Pepco from doing that?

10 A We think this is the best approach.
11 We think it's the best way to do it, and this is
12 our proposal.

13 Q To be clear, you're not aware of any
14 constraint on Pepco's ability to make this
15 information available to stakeholders outside of
16 the MRP, are you?

17 A There's no prohibition that I'm aware
18 of.

19 Q Are you aware of any prior occasion on
20 which Pepco has provided its capital investment
21 and O&M plans to the Commission or to
22 stakeholders in advance of a rate filing?

1 A When we make our rate filings, we do
2 have an obligation to provide a construction
3 report as to what capital we are seeking recovery
4 for, whether it's historic or future.

5 Q And have you ever provided that
6 information in advance of a rate filing to
7 customers?

8 A I don't know.

9 Q Am I correct that from the perspective
10 of Pepco, one benefit of the proposed MRP is it
11 gives the company the opportunity to have the
12 prudence of its investments considered before
13 they're made, rather than having to demonstrate
14 prudence on an after-the-fact basis?

15 A The company always has the obligation
16 to demonstrate the prudence of its investments,
17 whether before or after.

18 Q Right, but under the MRP is one
19 benefit that the company will have the
20 opportunity to demonstrate the prudence before
21 the investment is made. Is that correct?

22 A That could be on opportunity.

1 Q Does Pepco view having that
2 opportunity under the MRP as a benefit to the
3 company?

4 A Having the opportunity to review the
5 capital plan with Commission stakeholders would
6 be a benefit to the company and stakeholders to
7 confirm that the company is in alignment with the
8 types of investments that the Commission,
9 customers, and stakeholders are looking for. It
10 benefits everyone.

11 Q The company and everyone else. Is
12 that correct?

13 A Yes.

14 Q Under traditional rate regulation,
15 Pepco bears the risk that an investment it made
16 could subsequently be found to have been
17 imprudent. Isn't that correct?

18 A It bears that risk regardless of the
19 recovery mechanism, whether it's a traditional or
20 multi-rate plan.

21 Q Well, as I understood the multiyear
22 rate plan, when will prudence issues be

1 addressed? Will they be addressed before you
2 make the investment under the multiyear rate plan
3 or after you've made the investment?

4 A The multi-rate plan doesn't change,
5 again, the obligation for the company to
6 demonstrate prudence. If a party raises the
7 prudence of an investment during the annual
8 reconciliation file once the plan is approved,
9 they certainly have the ability to do that, and
10 the Commission could disallow it if the party has
11 proved that we weren't prudent in the
12 expenditure.

13 Q But that's a very limited right.
14 Doesn't that only apply to the extent that the
15 investment exceeds certain thresholds that Pepco
16 has proposed?

17 A It is our proposal that the parties
18 focus on the variances, just because we think
19 that is the most efficient way to process the
20 rate case. We lay out the capital plan, and we
21 focus on the variances going forward once folks
22 have reviewed the program.

1 To the extent that a party wishes to
2 raise a prudency on an expense, even though it's
3 within the variance, they could clearly raise
4 that.

5 Q But isn't it the case -- haven't you
6 testified, and I believe other Pepco witness
7 testified -- that, to the extent that the
8 variance doesn't exceed a pre-defined threshold,
9 it's treated as on-budget, and that no further
10 actions could be taken. Have I misunderstood?

11 A So our proposal is that we would, if
12 there's an item on budget, and the proposal is
13 that the company would deem it to be on budget,
14 and we would not provide the variance report and
15 explanations as part of the compliance filing.

16 The parties are clearly able to raise
17 prudency on an expense that is on budget. I'll
18 give you a good example. Let's say we assume
19 that we're going to budget \$10 million of
20 contractor expense, and we actually spend \$10
21 million on contractor expense. However, if a
22 party is aware that contractor rates went down 30

1 percent, they would have the right to say: why
2 are you on budget when I understand rates went
3 down 30 percent? So they have the ability at any
4 time, to raise the prudence of an expense.

5 We don't want the annual
6 reconciliation filing to become a mini-rate case,
7 so the proposal would be that the three-year
8 capital plan and O&M plan is reviewed up front,
9 and we focus on the variances, but that doesn't
10 preclude a party from raising an issue on
11 anything that is on budget.

12 Q So in the example you gave where the
13 contractor expense had been shifting lower, says
14 the customer --

15 A Right.

16 Q -- the annual reconciliation filing
17 will show that the expense was on budget. If the
18 customer then asks discovery questions about that
19 number and about the possibility that it should
20 have been 30 percent lower or whatever the number
21 was, those are questions the company will answer.
22 Is that correct?

1 A Absolutely.

2 Q So if a project is in the long-range
3 plan, can a customer, during the reconciliation
4 process -- let's say in the long-range plan
5 there's a \$10 million capital investment. And in
6 the reconciliation filing, the company says, It
7 costs \$10 million, exactly what we estimated.
8 Will the customer, at that point, be able to
9 challenge the prudence of the decision to make
10 the investment?

11 A When you say customer, which customer?

12 Q Let's say OPC was, just as an example.
13 Let's say OPC reviews the reconciliation filing
14 and in there there's a \$10 million capital
15 investment that the company's made that was in
16 the long-range plan. OPC looks at it and says,
17 you know, this should never have happened. It's
18 an imprudent investment.

19 A Right.

20 Q Will OPC be able, at the
21 reconciliation stage, to challenge the prudence
22 of the investment decision?

1 A The parties have the right to
2 challenge the prudence of the investments at the
3 beginning of the multi-rate plan and during the
4 annual reconciliation process.

5 Q So is the answer to my question yes?

6 A If they have a basis for challenging
7 it, yes.

8 Q Even though it's on budget to the
9 dollar, OPC can still challenge the prudence at
10 that time?

11 A Yes.

12 Q Just give me a minute, sir.

13 A Sure.

14 (Pause.)

15 MR. STRAUSS: Okay. Let's go back to
16 your second supplemental testimony at page 9, and
17 starting at line 11. I wanted to ask you -- I'm
18 going to show you the discovery request and ask
19 you about it.

20 THE WITNESS: Pages 9 through 11?

21 MR. STRAUSS: No, page 9 at line 11.
22 It is a discovery request. It is the answer to

1 OPC Discovery Request 10-14. Okay. I'll
2 identify that for the record as Exhibit OPC-3.

3 (Whereupon, the above referred-to
4 document was marked as OPC Exhibit No.
5 3 for identification.)

6 MR. STRAUSS: And I note that you are
7 not the sponsor of this exhibit, sir.

8 THE WITNESS: That's correct.

9 BY MR. STRAUSS:

10 Q But I did want to ask you a question
11 about it. Let's see if you are able to answer
12 it. If you look in subpart A, the company is
13 asked to identify investments that are in the
14 capital plan through 2022 that would allow the
15 widespread adoption of technologies that are
16 discussed in Mr. Velasquez testimony.

17 In response, Mr. Velasquez and Mr.
18 Clark say: many of these initiatives like Pepco's
19 proposal for transportation electrification and
20 the work that will come out of the Power Path DC
21 process require further Commission action before
22 budget can be completed, and as such are not

1 specifically included in the capital budget. Do
2 you agree with that statement, sir?

3 A Yes.

4 Q All right. Now looking at subpart C,
5 the company is asked if the investments currently
6 being made are not needed to allow widespread
7 adoption of technologies, then what is the
8 purpose of these current investments? And the
9 answer is that the current plans remain focused
10 on distributing electricity to Pepco's customers
11 safely and reliably. Do you agree with the
12 answer in subpart C, sir?

13 A You will have to defer to Witness
14 Clark on that. He sponsored the capital budget.

15 Q Very well. Thank you. So you don't
16 know today whether that answer is correct or not?

17 A It's not my answer. I would defer to
18 Mr. Clark.

19 Q Fair enough. Thank you. Let's go
20 back to your second supplemental testimony.
21 We're on page 10, starting at line 4, that's item
22 3. You offered a view that the MRP provides

1 customers with rate predictability over the MRP
2 term. Do you see that?

3 A Which lines? I'm sorry.

4 Q Line 4 on page 10 of your second
5 supplemental.

6 A And you're on which lines?

7 Q I'm on line 4; it's item 3.

8 A Yes, I see that.

9 Q Okay. This incremental benefit that
10 you describe there, rate predictability, is this
11 one measurable and quantitative or qualitative?
12 Which category does it fall into for you?

13 A I believe it falls in all three
14 categories.

15 Q If it was quantitative, how would I
16 measure it? How would I measure rate
17 predictability on a quantitative basis?

18 A Many customers, for budgeting purpose,
19 would like to know what their bills are for the
20 next two or three years, and if you can provide
21 an estimate of what the bills will be over the
22 next three years, that's a qualitative benefit

1 for customers in the budget process.

2 Q A qualitative benefit?

3 A Qualitative, yes.

4 Q Okay. I think you said you thought it
5 was a quantitative benefit.

6 A I believe it's all three of them.
7 It's measurable, it's qualitative, and it's
8 quantitative.

9 Q In what sense is it quantitative? The
10 sense that they know the number?

11 A We quantify the numbers, absolutely.

12 Q When you say it's quantifiable, are
13 you quantifying the degree of predictability, or
14 are you quantifying something else?

15 A So we're quantifying what the rate
16 would be over the three-year period. I think it
17 was also to the other benefits about lower costs
18 and a multi-rate plan versus traditional rate
19 case. But the fact that you can estimate what
20 the rates will be over a three-year period,
21 estimate what the savings would be in a multi-
22 rate plan over the three-year period, that's

1 quantitative, and I think it's a qualitative
2 benefit to customers.

3 Q So you can estimate the savings on the
4 multi-rate plan over a three-year period?
5 Savings over what?

6 A The cost. The cost of --
7 You estimate the --

8 A Estimate the cost of a multi-rate plan
9 versus a traditional annual rate case filing.

10 Q I see. So you're not saying that you
11 can quantify the degree of predictability. Is
12 that correct?

13 A I'm not sure I understand what you're
14 asking.

15 Q Let's come back to it. Under
16 traditional rate regulation, customers will know
17 that their rates will remain fixed until changed
18 by the Public Service Commission. Isn't that
19 correct?

20 A Yes.

21 Q There's no annual reconciliation
22 filing or earnings sharing mechanism under

1 traditional rate regulation. Is that correct?

2 A That's correct.

3 Q And you say on page 10 on your second
4 supplemental testimony at lines 10 to 11 that
5 currently customers do not know the timing and
6 amounts of planned rate case filings over the
7 next three years. Correct?

8 A Yes.

9 Q Well, further down on the same page at
10 lines 20 to 22 you say that the company will most
11 likely file rate cases on the 12 to 18 month
12 cycle for the foreseeable future. Do you see
13 that?

14 A Yes.

15 Q Has that been the pattern over the
16 past few years?

17 A With the exception of the period of
18 time when the company was in the merger
19 discussions with Exelon, yes.

20 Q Okay. If Pepco believes there's a
21 value to customers in knowing when the company
22 will be seeking rate relief, then Pepco could

1 commit to file rate case on a defined schedule,
2 could it not?

3 A Yes.

4 Q And the dollars that customers end up
5 paying for distribution service under the MRP,
6 those dollar amounts can vary depending on
7 whether adjustments are made through the proposed
8 earnings sharing mechanism. Isn't that correct?

9 A The annual reconciliation process
10 could adjust rates up or down -- both directions.

11 Q And the annual reconciliation filing
12 that Pepco will make will test year numbers to
13 actual results. Is that correct?

14 A Yes. That's correct.

15 Q So let's be a little bit more precise.
16 The reconciliation filing will compare estimated
17 revenue requirement numbers or estimated costs,
18 I'm sorry, against actual costs for the period of
19 time. Is that correct? Would that be a more
20 precise way to say it?

21 A So the annual reconciliation process
22 will measure the company's actual return equity

1 versus the approved target equity by the
2 Commission.

3 Q And it will do that through a
4 comparison of estimated costs and revenues to
5 actual costs and revenues for the period under
6 study. Is that correct?

7 A Yes.

8 Q All right. And the filing, as I
9 believe we had started to discuss earlier, the
10 filing would report on variances between actual
11 and estimated numbers. Is that correct?

12 A Yes.

13 Q And if the size of the difference
14 between the estimated and the actual number
15 exceeds certain thresholds, the company will be
16 obliged to explain why that happened. Is that
17 correct?

18 A Yes.

19 Q And if the size of the difference does
20 not exceed the threshold -- let's go back to this
21 -- my understanding is that the company, under
22 the MRP, will treat that difference as on budget

1 and no further action will be sought from the
2 Commission on those numbers. Is that correct?

3 A What the Commission ultimately
4 decides, how they want to treat that is up to
5 them. The company's proposal is that if it is
6 within the variance, it's deemed to be on budget,
7 and no further action will be taken by the
8 company. However, as I mentioned, if there is a
9 day request on a certain expense, the company
10 would certainly respond to it.

11 Q So the company won't provide an
12 explanation up front, but if they're asked to
13 provide one, they will. Is that correct?

14 A That's correct.

15 Q All right. And in the context of the
16 MRP as proposed by the company, what is the
17 significance of an actual cost component in the
18 reconciliation filing being treated as on budget?

19 A The company's proposal for the annual
20 reconciliation process was designed to be
21 efficient and to focus on material differences in
22 the plan as proposed by the company. If there is

1 a variance of 1 percent on an account, it would
2 be deemed immaterial, and the focus would be on
3 any variances that were material.

4 Q So I'm hearing different messages from
5 you. So if an actual cost number is below the
6 threshold, I believe what you told me is that the
7 company will treat that variance as immaterial
8 and on budget, and will not seek further action
9 from the Commission about that variance, but
10 would answer a question about it if a stakeholder
11 asked a question about it. Have I said that
12 correctly?

13 A You say: seek action from the
14 Commission. In the annual reconciliation filing,
15 if an account is within the threshold and deemed
16 to be on budget, the company would not provide
17 any detailed explanation or reconciliation in the
18 actual filing. The actual annual reconciliation
19 filing that it would make with the Commission
20 would only focus on those accounts that are over
21 the threshold.

22 Q So it seems as though if a stakeholder

1 had an issue with a variance that was below the
2 threshold, the stakeholder would need to raise
3 that issue with the company, ask the company to
4 explain the difference. I think you've indicated
5 the company would provide that explanation, and
6 then the stakeholder would be free to raise that
7 with the Commission. Is that how this might
8 work?

9 A Yes.

10 Q And a cost does not have to be -- an
11 actual cost component does not have to be below
12 the threshold for it to be taken into account in
13 applying the earnings sharing mechanism. Is that
14 correct?

15 A Can you ask that again?

16 Q Sure. A cost -- let's try it this
17 way. A cost does not have to be treated as on
18 budget under the MRP for it to be taken into
19 account in applying the earnings sharing
20 mechanism. Is that correct?

21 A You're saying a cost --

22 Q Let's try with numbers. Maybe that

1 will make it easier. So the estimated cost
2 component is \$10 million, and the actual cost
3 component comes in above the threshold. Let's
4 say the threshold is \$1 million, and it comes in
5 at \$15 million. So it's above the threshold.

6 A Okay.

7 Q If it was below the threshold, the
8 company would treat it as on budget. But if it's
9 above the threshold, it could still be taken into
10 account in applying the earnings sharing
11 mechanism. Isn't that correct?

12 A If a cost is above or below the
13 estimate, whether it's within the variance or
14 outside the variance, if it's deemed to be a
15 prudent investment, it would be taken into
16 consideration in the overall calculation of the
17 earnings sharing.

18 Q All right. Let's talk about
19 specifics. The variance or the threshold for
20 electric plant and service and related rate-based
21 items is 1 percent, with a minimum of half a
22 million dollars. Is that your understanding?

1 A If you're going to get into details
2 about the actual annual reconciliation filing,
3 company witness Wolverton sponsors the actual
4 mechanics behind that. I just covered high-level
5 in my testimony.

6 Q Okay. But you are the executive in
7 charge of this proposal.

8 A I am, yes.

9 Q I'm going to try to ask you some
10 questions about it. If they're beyond the scope
11 of your understanding, then you obviously don't
12 have to answer them. But I think they're general
13 enough.

14 Let's ask it this way: If the
15 threshold variance on the earnings of the
16 electric plant and service is one percent, are
17 you familiar, do you know, that if this threshold
18 is approved it means that the actual cost
19 electric plant and service amount contained in
20 the annual reconciliation file would be treated
21 as on budget as long as it did not exceed the
22 estimate by more than \$42 million? Does that

1 sound --

2 A I don't have the numbers on that.

3 Q Let's assume for the sake of
4 discussion that that number is correct. I think
5 we can have the discussion with that assumption
6 in mind. Let's assume that the threshold for the
7 electric plant and service item in the annual
8 reconciliation filing is \$42 million.

9 I want to make sure I understand how
10 this works, and I think we've talked about some
11 of this already, so I hope you would be able to
12 stay with me on these.

13 So if a project in the company's long-
14 range plan is a \$10 million capital investment,
15 let's assume there is such a project, and it's to
16 be made during Year 2 of the MRP. Do you have
17 that in mind?

18 A Okay.

19 Q And let's assume the project is
20 completed, but it ends up being over budget. It
21 costs \$20 million instead of \$10 million. Do you
22 have that in mind?

1 A Yes.

2 Q The threshold variance that I've been
3 talking about, does that apply to an individual
4 project, or is it only to the overall electric
5 plant and service?

6 A I would defer that to company witness
7 Wolverton.

8 Q If the dollar amount of the overrun
9 were below the threshold, within the -- on budget
10 -- I believe you've told me this -- Pepco would
11 have no obligation in the annual reconciliation
12 filing to explain why the overrun had occurred.
13 Is that correct?

14 A No.

15 Q That's not correct? And why is that?

16 A What I mentioned before is that if an
17 item is outside the threshold as part of the
18 annual reconciliation filing, we will provide the
19 detail and the explanation as to why it's over
20 budget. If it's within the threshold it would be
21 deemed on budget, no explanation would be
22 provided in the filing; however, the company

1 would respond to inquiries from parties if they
2 had a question on it.

3 Q Would the information that the company
4 provides in the annual reconciliation filing be
5 project-specific?

6 A I would check with Witness Wolverton
7 on that.

8 Q You don't know?

9 A I don't recall.

10 Q So in the scenario we've just been
11 discussing where the project was supposed to cost
12 \$10 million and cost \$20 million, if it's within
13 below the threshold, the company has no
14 obligation to come forward and explain why that
15 cost overrun was prudent. But it would explain
16 it if someone asked about it. Is that correct?

17 A The word "obligation" is what I'm
18 pausing on. As I mentioned, as part of our
19 annual reconciliation filing, we would only
20 provide the detail on the variances for those
21 outside of the variance because we would not know
22 which projects individuals would have an interest

1 in knowing about that was in the variance to be
2 able to provide information. So we're providing
3 information for all projects outside the
4 variance, and we would answer any questions on a
5 particular project a party might have.

6 MR. STRAUSS: This might be a time for
7 a 10 minute break.

8 MS. HASSAN: Indeed. Thank you.

9 (Whereupon, the above-entitled matter
10 went off the record at 11:02 a.m. and resumed at
11 11:19 a.m.)

12 MR. STRAUSS: Mr. McGowan, before the
13 break we were talking a little bit about the
14 opportunity that OPC or other stakeholders might
15 have to challenge the prudence of an investment
16 by the company. And I look at this as involving
17 two types of situations; one would be the
18 decision to undertake the investment at all, and
19 two would be the cost of the investment.

20 And I believe you told me, but I'm
21 going to ask you again to make sure, that OPC,
22 for example, as one stakeholder, would have the

1 opportunity, both at the outset of the MRP
2 proceeding and in the course of the annual
3 reconciliation filings, to challenge the prudence
4 of a decision to make an investment or to
5 challenge the cost of an investment. Did I hear
6 you right?

7 THE WITNESS: Yes, and my comment was
8 that if a party has a basis for challenging the
9 prudence of an investment that was previously
10 approved, they could certainly make that
11 argument.

12 The purpose of the multi-rate plan in
13 this proceeding today is to look at those
14 investments and discuss the prudence of if these
15 investments are needed. And our hope is that a
16 party wouldn't, for three years in a row,
17 challenge the prudence of an investment that was
18 previously reviewed in a multi-rate plan filing
19 ultimately approved by the Commission, but if
20 they want to challenge that investment every
21 single year, that's certainly a right they have.
22 But that is not the hope of what we're trying to

1 accomplish with a multi-rate plan.

2 MR. STRAUSS: All right. Let me show
3 you a data response and ask you a question. I'd
4 ask that this be marked as the next exhibit.
5 This is the response, marked for identification
6 as OPC Data Request 12-6. I'd ask that to be
7 marked as Exhibit OPC 4 in this deposition.

8 (Whereupon, the above referred-to
9 document was marked as OPC Exhibit No.
10 4 for identification.)

11 MR. STRAUSS: It is a data response
12 that you provided, Mr. McGowan.

13 THE WITNESS: Yes, I see it.

14 BY MR. STRAUSS:

15 Q Okay. In this response you state that
16 if a variance exists with a capital project, the
17 annual reconciliation filing should not be
18 another opportunity for a party to re-litigate
19 the prudence of whether the project should have
20 been pursued.

21 So would the company take the position
22 then, in the context of an annual reconciliation

1 filing, if a prudence challenge were raised to
2 the prudence of pursuing a project that this
3 should not be an opportunity to do that, and the
4 Commission should not entertain such a challenge.
5 Would that be the company's position, consistent
6 with your data response?

7 A Well, consistent with what I just
8 said, this response talked about if, an example,
9 there was a capital project that was a million
10 dollars, and the costs came in at \$1.1 million;
11 could someone challenge that the cost of the
12 project was imprudent because there was a
13 variance? That's what this data request is
14 focused on.

15 But consistent with what I said
16 earlier is that the benefit of a multi-rate plan
17 is to look at the three-year capital plan, look
18 at the projects today, and confirm that the
19 investments the company is making are consistent
20 with meeting the goals of the District, the
21 Commission stakeholders, and the capital plan is
22 appropriate and is driving to the right -- taking

1 the city in the right direction.

2 The annual reconciliation process is
3 set up to evaluate the execution of that three-
4 year plan, and that is the most efficient way to
5 do this, and we can focus on the variances and
6 the cost. If parties want to re-litigate over
7 and over again a particular project because it
8 may be litigated in a multi-rate plan, but the
9 Commission approved it, the purpose is that they
10 shouldn't keep re-litigating the same project
11 over and over again. You'll lose the
12 efficiencies of a multi-rate plan if that's the
13 case. But they have the right to do that.

14 Q But the company will not take the
15 position that they're prohibited from doing that;
16 is that correct?

17 A That's correct.

18 Q Let's say you have a multi-rate plan,
19 and it calls for a substation upgrade. Do you
20 have that in mind?

21 A Yes.

22 Q And let's say that's supposed to

1 happen sometime during year two. But between
2 year one and year two there's a change in system
3 topography. Maybe a major customer leaves or
4 some other change in the system happens, and the
5 project is no longer needed, but the company
6 pursues it anyway. Do you have that scenario in
7 mind?

8 A Okay.

9 Q Is the company required to provide
10 data to the customers during the multi-year rate
11 plan about changes in system topography so that
12 the customers might know whether there's an issue
13 with a previously-agreed-upon investment?

14 A That's a hypothetical situation where
15 you're saying that the company -- that an upgrade
16 to a substation is not needed, but the company
17 went ahead and did it. I would argue that the
18 company wouldn't do it in the first place.

19 Q Okay. I understand that. But what
20 I'm trying to figure out is this: a customer, OPC
21 or another customer, might feel differently about
22 that because of a change in system topography or

1 a major customer leaving the system or something
2 happens on the system that changes it.

3 A Right.

4 Q The company may disagree; they think
5 it's still needed. What I'm trying to figure out
6 is, how would the customer know, during the
7 course of the multi-year rate plan, that there
8 had been a change in system topography, that
9 something had changed on the system that might
10 call into question the need to go forward with
11 this particular investment?

12 A I don't know specifically what
13 information would be available; however, as I
14 mentioned before, the company always has the
15 obligation to justify the prudence of the
16 investments it makes. You're presenting a
17 situation that I just don't think will occur. If
18 the company doesn't think the investment is
19 needed, the company is not going to pursue it.

20 Q As you go through the course of the
21 three-year multi-rate plan, there may be policy
22 changes or other kinds of changes that happen in

1 the District, correct?

2 A Yes.

3 Q And will you be adjusting the plan
4 along the way to the extent necessary to reflect
5 those changes?

6 A Once the multi-rate plan is approved
7 by the Commission, the targets in the plan are
8 set. If there are adjustments -- if there are
9 investments that are made that are not part of
10 the multi-rate plan, the company could make
11 those. They could request recovery of those in
12 the annual reconciliation filing, which the
13 Commission could approve or disapprove.

14 Q So if the company -- I'm only trying
15 to make sure I understand -- so let's say the
16 company decides in year two there's a new \$10
17 million investment estimate that wasn't in the
18 long-range plan. Do you understand that?

19 A Yes.

20 Q And what would happen then? How would
21 the company go about treating that investment?
22 During year two, it goes ahead and makes a \$10

1 million investment; it's completed. What happens
2 then?

3 A So in the annual reconciliation filing
4 the company would request recovery of that \$10
5 million investment and explain why it changed,
6 because obviously there would be a variance.

7 And the Commission -- the parties
8 would do their due diligence; the parties would
9 take a position whether they agree with it or
10 not, and the Commission could agree to adjust
11 rates to include -- or they could disapprove it.

12 Q If the \$10 million investment didn't
13 exceed the threshold for electric plant and
14 service, how will the customers know that there
15 was this additional investment?

16 A Well, if it was a new project, they
17 would probably have a zero number in the multi-
18 rate plan, so we have a \$10 million variance.

19 Q I guess that goes back to questions we
20 asked before: Is the information in the annual
21 reconciliation filing going to be project-
22 specific so that we would see the difference

1 between the zero and the \$10 million?

2 A Right. As I mentioned, I don't recall
3 at what level the variance is set.

4 Q Let's assume it wasn't exceeded. It
5 doesn't matter for purposes of my question. The
6 variance wasn't exceeded. It's an additional \$10
7 million investment that wasn't in the long-range
8 plan. If I'm OPC, and I look at that annual
9 reconciliation filing, is it going to tell me;
10 Hey, there was this \$10 million investment that
11 we didn't talk about before because something
12 changed, and we had to do it?

13 A You'd have to ask Tyler Wolverton on
14 that. That's getting into the mechanics of the
15 annual reconciliation filing and the variances.
16 He sponsors the mechanics and how that all works.

17 Q So just to be clear, sitting here
18 today, you don't know whether in the circumstance
19 I just described, whether or not customers,
20 stakeholders, whomever, will be advised in the
21 annual reconciliation filing that the company has
22 a new \$10 million investment they made that

1 hadn't previously been discussed or described; is
2 that true? You don't know?

3 A I don't know. Company Witness
4 Wolverton would be able to walk you through the
5 mechanics of that.

6 Q Do you know this: if the variance does
7 not exceed the threshold for electric plant and
8 service, as I understand it, I believe this is
9 what we discussed earlier this morning. The
10 company would not have the obligation to explain
11 the basis for that variance up front; is that
12 correct?

13 A As I said, I don't know at what level;
14 I don't recall at what level the variances apply
15 to. But if, whether it's a project category or
16 whatever category, but if the investment exceeds
17 that variance, then we would report on it. And
18 if it doesn't exceed the variance, we would not.

19 Q Okay. Now, let me ask you a different
20 way. Assume the long-range plan includes, again,
21 this \$10 million investment we've been talking
22 about, and in year two there were changes in the

1 system, and the company decides not to do it.

2 How does that get reflected?

3 A If the company did not make an
4 investment, then that would be reflected in the
5 annual reconciliation filing.

6 Q As a cost reduction; is that correct?

7 A All things being equal, yes.

8 Q Okay. And I believe you were talking
9 a moment ago about a new \$10 million investment.
10 You said it would be included in the
11 reconciliation filing, and the Commission would
12 have to decide how to put it in rates or
13 something to that effect. Do I recall that
14 correctly?

15 A They would -- the annual
16 reconciliation filing for additional costs have
17 to be approved by the Commission.

18 Q And are you -- I'm trying to
19 understand what you mean by that. Are you
20 envisioning a change in the rates in year two to
21 reflect this additional investment? How would
22 that work?

1 A So we would make the annual
2 reconciliation filing, and with that filing would
3 be -- first of all, if we were even outside the
4 deadband -- our expectation is that we always be
5 in the deadband, and there would be no adjustment
6 up or down.

7 But it should be said that if there
8 are additional costs that the company has
9 incurred, it would seek recovery of those costs
10 from the Commission, and the Commission could
11 decide to approve those costs, in which they
12 would be reflected in the next year's rate, or
13 they would disallow the costs, in which the rates
14 would not change.

15 Q Okay. So if in year two you made a
16 \$10 million investment that was not in the long-
17 range plan, I think what you're telling me is
18 that you could seek rate recovery for that
19 investment at that time in the following year's
20 rates; is that correct?

21 A So in year one of the multi-rate plan,
22 if you make the investment, the annual

1 reconciliation filing would be made in the
2 following year, which would be the middle of year
3 two.

4 Q Right.

5 A And that would be reflected in rates
6 at the beginning of year three.

7 Q Let me make sure I understand this.
8 As I understood the way this works, any
9 adjustments under the earnings sharing mechanism
10 would be reflected in year three, but I think
11 we're talking about something different here,
12 aren't we?

13 A So the annual reconciliation filing is
14 focused on a return on equity. There is a target
15 return equity that is approved by the Commission,
16 and the company would evaluate its actual earned
17 ROE relative to that target. And the adjustment,
18 if you're within the deadband, there's no
19 adjustment rates; if you're outside, you would
20 adjust rates the following year.

21 So when I talk about over-recovery,
22 when we talk about additional capital or lower

1 capital, it all factors into the ROE calculation.

2 Q You said earlier that the expectation
3 is that you will always be within the deadbands.
4 What's the basis for that?

5 A The company is providing a multi-year
6 rate plan that is its forecast of capital and
7 O&M. And it's our expectation was that's the
8 plan we want to execute on, and we're going to
9 drive to try to meet that plan. So the
10 expectation is that we will always be in the
11 deadband.

12 Q Let me try this hypothetical. Let me
13 ask you this: let's say in the long-range plan
14 Pepco has proposed on undertaking ten capital
15 investments, ten separate investments. One of
16 them ends up being over budget by \$60 million,
17 but the remaining nine are under budget by a
18 combined \$19 million.

19 So in that instance, the forecast has
20 been exceeded, but by only \$41 million, just
21 under the threshold. Do you have that in mind?

22 A Yes.

1 Q In that circumstance under the MRP as
2 you proposed it, all ten projects would be
3 treated as being on budget; isn't that correct?

4 A Again, Tyler would be able to explain
5 that. But what I can tell you is, the \$40
6 million threshold does not sound correct. That
7 is a very high threshold. I don't think the
8 company is proposing that anything \$40 million or
9 under, we would not report on, depending on the
10 level of detail, project, category, program level
11 that we provide in the reconciliation and how
12 those variances are applied, it depends if these
13 ten projects that you reference are separate
14 projects which the variances are applied to or
15 they're combined; it just depends on how they are
16 reported. And Tyler Wolverton would be able to
17 give you more detail.

18 Q Okay. And sitting here today, you
19 don't know how they would be reported; is that
20 correct?

21 A He's the witness who would be able to
22 respond to that. He would have all the details.

1 Q I know, but you're the person in
2 charge of the development of the program, so I'm
3 just asking if you happen to know. If you don't,
4 the answer is no, I don't.

5 A I don't know.

6 Q Okay. Let me try another
7 hypothetical, and I would emphasize this is truly
8 a hypothetical.

9 A Okay.

10 Q Pepco decides to build a new
11 substation. As estimated in the long-range plan,
12 it's going to cost \$30 million to do it. After
13 the MRP is approved, the plan is in place, a
14 Pepco executive decides that the substation
15 should be constructed so that it resembles Trump
16 Tower. In order to do that, it adds \$25 million
17 to the cost.

18 If that adjustment, that remodeling
19 investment, was the only difference between
20 estimated and actual plant and service, then
21 would I be correct that under the proposed MRP
22 the project would be considered on budget?

1 A Again, that hypothetical situation
2 would not occur.

3 Q I agree with you that that's at the
4 boundaries of what could possibly occur, but I
5 think the point remains that if a decision were
6 made that caused the cost of an investment to go
7 up very substantially, you could have the
8 circumstance under this MRP that it could still
9 be treated as on budget; isn't that correct?

10 A Again, I don't recall the details, but
11 a \$25 million project overrun would certainly be
12 outside the threshold.

13 Q Okay.

14 A And would be reported.

15 Q So the outcome of the annual
16 reconciliation filing process; that's going to
17 determine whether the earning sharing mechanism
18 results in an adjustment; is that correct?

19 A The outcome determines whether there
20 is a rate adjustment in the following rate year.

21 Q Okay. And sitting here today, of
22 course, we don't know what those annual

1 reconciliation filings are going to show,
2 correct?

3 A We don't know what information will be
4 provided, that's correct.

5 Q We don't know, sitting here today,
6 whether at any year under the rate plan, the
7 earnings sharing mechanism will result in
8 adjustment. We obviously don't know that today.

9 A That's correct.

10 Q And whether the earnings sharing
11 mechanism results in an adjustment depends on
12 whether the reconciliation filings indicate that
13 the company's return is more than 25 basis points
14 above or below the deadband, correct? I'm sorry
15 -- above or below the return used in setting
16 rates.

17 A The target?

18 Q The target.

19 A That's correct.

20 MR. STRAUSS: I'm going to show you
21 two data responses. They are Response to OPC
22 Data Request 12-21 and 12-22. They could be

1 marked as Exhibits 5 and 6.

2 (Whereupon, the above referred-to
3 documents were marked as OPC Exhibit
4 Nos. 5 and 6 for identification.)

5 MR. STRAUSS: You can take a look at
6 them.

7 THE WITNESS: Okay.

8 BY MR. STRAUSS:

9 Q And you stand by these responses?

10 A Yes.

11 Q So we were talking earlier, and you
12 said that it was the company's expectation that
13 they would be within the deadband. They have no
14 reports or analyses to back that up? Is that
15 correct? Is that what I'm getting from this,
16 from these responses?

17 A Well, these responses are asking if we
18 did any analysis to show if we would be above or
19 below the 25 basis points, and we say we have not
20 prepared any.

21 Q And I know Pepco hasn't prepared any,
22 but I believe you stated in Discovery that Exelon

1 Utilities participated in the review and
2 discussions concerning the MRP filing; is that
3 correct?

4 A Yes.

5 Q I just want to be clear that with
6 reference to these questions in 12-21 and 12-22,
7 Exelon Utilities also has done no analysis on how
8 often Pepco expects to be under or over the 25-
9 point-basis deadband.

10 A No.

11 Q What customers would pay under the MRP
12 is also dependent upon whether the company makes
13 a filing to re-open the MRP and is successful in
14 doing so; is that correct?

15 A If the company files a re-opener and
16 is successful, the current rates stay as they are
17 until the company files a new rate case.

18 Q I'm not following you there.

19 A Can you ask the question again?

20 Q Yeah. If the company files a re-
21 opener seeking relief from the current MRP rates,
22 and they're successful in that attempt, that will

1 have an impact on what the rates are, will it
2 not?

3 A The purpose of the re-opener is to
4 essentially end the multi-year rate plan, and
5 whatever the rates are in effect at that time are
6 the rates. Then the company has the right to
7 file a new multi-rate plan or a traditional rate
8 case.

9 Q So the ability to make the re-opener
10 filing that you've just described, that
11 diminishes the rate predictability benefit of the
12 MRP, does it not?

13 A The re-opener is a protection for
14 customers and the company to the extent that
15 there's an unforeseen issue that creates an
16 adverse impact for the multi-rate plan on
17 customers of the company. It is viewed by us as
18 a last resort; I think it's a necessary option
19 and feature to add to the multi-rate plan.

20 Q But to the extent that it's
21 successful, it can result in different rates
22 being put into place, isn't that right?

1 A Again, it doesn't change the rate. It
2 ends the multi-rate plan, and the rate, in
3 effect, stays in effect until the company files a
4 new multi-rate plan or a traditional rate case.

5 Q So is it your testimony that the
6 ability to make the re-opener filing end the rate
7 plan and possibly put new rates into effect has
8 no impact on the extent to which the MRP advances
9 rate predictability as a benefit?

10 A A re-opener, again, is a last resort,
11 and the probability of a re-opener being pursued
12 and approved is very low.

13 Q I'd like to show you another document.

14 A Sure.

15 Q This is the response to OPC Data
16 Request 22-11 and, Mr. McGowan, your response
17 along with two other witnesses.

18 A Yes.

19 MR. STRAUSS: If you could take a look
20 at that for a minute, and I'd like that marked as
21 OPC 7.

22 (Whereupon, the above referred-to

1 document was marked as OPC Exhibit No.
2 7 for identification.)

3 MR. STRAUSS: And I believe you just
4 said the re-opener is a last resort. So in
5 general, the circumstances to invoke it would
6 have to be pretty dire; wouldn't that be right?

7 THE WITNESS: That is one situation,
8 yes.

9 BY MR. STRAUSS:

10 Q But in general; I'm asking in general.
11 Wouldn't the circumstances to invoke a re-opener
12 have to be pretty dire?

13 A They would have to be very significant
14 on the company or the customer for a party to
15 invoke a re-opener.

16 Q Okay. As I read this question and
17 answer, is what you're saying there that if there
18 was a penalty imposed on Pepco for failure to
19 meet a PIM metric, that that could be the basis
20 for invoking the re-opener? Is that correct?

21 A No. Can I see -- this reference is
22 Mr. Poncia's testimony. Do you have a copy that

1 I can look at?

2 MR. STRAUSS: I think so. I believe
3 we do. This is the portion that is in the
4 question. Can we go off the record?

5 (Pause.)

6 THE WITNESS: Okay.

7 MR. STRAUSS: Is that -- could we have
8 the question back in the -- I'm not sure where we
9 were on the last question. You said you wanted
10 to see Mr. Poncia's testimony.

11 THE WITNESS: Yes. I read the -- his
12 testimony where it was referenced.

13 MR. STRAUSS: Right.

14 THE WITNESS: Can you read the
15 question back? I'm sorry.

16 COURT REPORTER: It will take just one
17 second.

18 BY MR. STRAUSS:

19 Q I think -- I can ask the question
20 again; that's okay.

21 I'm looking at this data response, and
22 now you've had a chance to look at the testimony

1 that is cited in the data response. What the
2 data response says is that the imposition of a
3 penalty on Pepco for failure to meet a PIM metric
4 could be a basis for invoking the re-opener and
5 asking the Commission to terminate the MRP; is
6 that correct?

7 A So the question asks about under the
8 MRP, would the company be allowed to petition for
9 a leave from a penalty to the re-opener. It
10 doesn't specifically exactly what you mean when
11 you say penalty. If the company missed a PIM,
12 the company is not going to file for a re-opener.

13 If the penalty that you're referring
14 to is significant and material, then the company
15 would have the option to, if it could not be
16 remedied elsewhere, the company would have a
17 right to file for a re-opener in which the
18 parties could comment on and the Commission could
19 approve or deny.

20 Q What kind of penalty would you
21 envision could be sufficient to justify the
22 invocation of the re-opener? You said a PIM

1 metric; missing a PIM metric wouldn't do it, but
2 what would?

3 A Whatever the penalty was, if it
4 created a significant challenge, or it materially
5 altered the multi-rate plan, then -- sitting here
6 today I don't know what that would be, but if it
7 had material impact on the multi-rate plan, then
8 we would have the right to petition for a re-
9 opener. And again, it must be approved by the
10 Commission.

11 Q So in the data response when you
12 answered yes, you didn't have any specific
13 circumstance in mind? You had just a general,
14 very -- I'm sorry -- what did you have in mind
15 when you answered yes?

16 A Well, you asked if we would be able
17 to, and I answered yes, we would be able to
18 petition for relief from a penalty. If the
19 penalty was material and had a material impact on
20 the multi-rate plan you would have the ability to
21 file for a re-opener.

22 Q Do you have a sense of how, what would

1 the magnitude of a penalty that would be material
2 in the context of a three-year multi-year rate
3 plan?

4 A Sitting here today, I don't know what
5 it would be, based on facts and circumstances.

6 Q But it would not include missing a PIM
7 metric; is that right? That could not be the
8 basis for a re-opener petition; is that correct?

9 A If we missed one PIM metric, that
10 would not be a basis for a re-opener.

11 Q If you missed two PIM metrics, all
12 three years, might that be a basis for a re-
13 opener?

14 A Again, if there is a material impact
15 on the multi-rate plan that can't be remediated
16 in a different fashion, the company would have
17 the ability to petition for a re-opener. Again,
18 sitting here today, it's all based on facts and
19 circumstances.

20 Q And one thing the company might ask
21 for in that context is to terminate the rate plan
22 and have the opportunity to file a new rate case;

1 is that correct?

2 A That's what the purpose of the re-
3 opener is, yes.

4 Q Staying with the topic of the re-
5 opener, you said that you might invoke the re-
6 opener when something had a material impact on
7 the multi-rate plan. What does that mean? Do
8 you mean a material impact on the company? What
9 exactly would be a material impact on the multi-
10 year rate plan?

11 A The company or customers?

12 Q What would be an example of material
13 impact on the company in that context? I
14 understand you said it depended on the facts and
15 circumstances; what might be an example of such
16 an impact? I'm having a little trouble following
17 that.

18 A There could be a tax law change.
19 There could be legislation in the district that,
20 based on what occurs, the company has a financial
21 obligation that was not otherwise contained in
22 the multi-rate plan.

1 On the flip side, the TCJA tax reform
2 at the end of 2017, if it wasn't addressed in the
3 multi-rate plan, would have had a material impact
4 on customers that would have to be addressed.
5 Those are some good examples.

6 Q Okay. But for example, if there were
7 legislation in the District that gave the company
8 an obligation it didn't have before, I think we
9 talked a little earlier about the possibility
10 that during the multi-year rate plan, because of
11 policy changes, the company might have to make
12 new investments that it didn't plan on before.
13 Is that the sort of thing you're talking about?

14 A Again, the re-opener is a last resort,
15 and it is there for an unforeseen event. What
16 that event is, again, facts and circumstances.
17 It could be a tax law change; it could be
18 legislation. I just don't have an example,
19 because again, it's unforeseen; an unplanned
20 event.

21 Q Let's go back to your second
22 supplemental testimony; that's Exhibit Pepco 3B.

1 I'm looking at page 10, and I'm focusing on the
2 testimony that begins at line 15; that's item 4.
3 Do you see where you're talking about a reduction
4 in an administrative burden?

5 A Yes.

6 Q And that's because you've reduced the
7 frequency of annual rate case filings, correct?
8 Is that what you're talking about?

9 A That is correct.

10 Q And at lines 20 to 22 there on page
11 10, you say that absent the MRP, for the
12 foreseeable future you could be looking at rate
13 cases every 12 to 18 months, correct?

14 A That's correct.

15 Q So taking the average, if Pepco files
16 a rate case every 15 months or so, then it would
17 seem that under a three-year MRP there would be
18 one fewer general rate case filing; is that
19 correct?

20 A No. We would file three traditional
21 rate case during the duration of the multi-rate
22 plan.

1 Q Well, you'd file one at the start in
2 year one; you'd file a second at 15 months; and
3 then you'd file a third at the end; is that
4 correct? Year three, if you're looking at 15 to
5 18 months or 12 to 18 months?

6 A Again, over a 12- to 18-month period,
7 depending on what month you use, we believe we
8 would be filing three traditional rate cases over
9 that period of time.

10 Q And under the MRP you'll file the MRP
11 in year one --

12 A Yes.

13 Q -- and you'll file something to
14 replace the MRP in year three, right?

15 A Yes.

16 Q So those would be two rate cases
17 during that period of time, correct?

18 A So had we filed a traditional rate
19 case and stayed with that, we would have filed
20 the traditional rate case on May 1st, 2019. We
21 would have filed another traditional rate case in
22 the middle of 2020, and probably another rate

1 case in the middle toward the end of 2021.

2 Q Okay.

3 A And the next multi-rate plan would be
4 filed -- I believe we were filing it in the first
5 half of 2021 to cover the next three years.

6 Q Okay. Let's see --

7 A I'm sorry. We would have filed it in
8 the first half of 2022 to take effect for the '23
9 to '25 year period, so I count three traditional
10 rate cases.

11 Q So let's be clear and not go back over
12 this again. I'm sorry for being a vague.

13 You filed the MRP at the end of May,
14 let's say June 1, 2019. You would have filed a
15 general rate case on June 1, 2019.

16 A Yes.

17 Q And you will make another MRP filing
18 -- assuming, by the way, that we go through this
19 MRP process, it's approved, and everyone decides
20 we should have another MRP. Assuming that was
21 the case, when would the next one be filed?

22 A So the next one would be filed in the

1 first half of 2022.

2 Q Right, okay. And you'd have a general
3 rate case in June of 2019, and you could have
4 another one, if you're doing it every 12 to 18
5 months, it could be the end of 2021, right? I'm
6 sorry; the end of 2020.

7 A In my example, we would file the rate
8 case possibly second quarter, third quarter of
9 2020. We file another one third quarter of 2021.

10 Q Twenty-one, okay. So you'd have three
11 rate cases, during the period of time under the
12 MRP you'd have two MRP cases, correct?

13 A No. There is one MRP filed on June 1,
14 2019, and the next one would not be filed until,
15 under our hypothetical example here, June of
16 2022.

17 Q And during that time, you'd have filed
18 a general rate case in 2019.

19 A Twenty and twenty-one. We would file
20 a multi-rate plan in June of 2022, and another
21 traditional rate case sometime in 2022.

22 Q I see; if you were on 12 months.

1 A A 12- to 15-month cycle, yes.

2 Q Now this proceeding, this MRP
3 proceeding we've involved here, this is more
4 complex than a traditional rate case, is it not?

5 A Yes.

6 Q In terms of an administrative burden,
7 by the time this case is completed, it will have
8 taken considerably longer to process than a
9 typical rate case, correct?

10 A Yes.

11 Q You've been in traditional rate cases
12 before the Commission, have you not, sir?

13 A Yes.

14 Q I haven't done a study, but I looked
15 at a recently litigated Pepco rate case, Formal
16 Case 1103, and the time between the filing of
17 that case and the evidentiary hearing on the
18 application was approximately eight months, from
19 March 2013 to November 2013. I'd ask you to
20 accept that subject to check for the purposes of
21 my question.

22 In your experience, does eight months

1 between case initiation and the convening of an
2 evidentiary hearing before the Commission strike
3 you as a fairly typical time period?

4 A In the district, the average time
5 between filing a decision is generally a year.
6 In some cases it's less, in some cases, it's
7 more. But it's generally about a year.

8 Q This MRP, as we discussed, was filed
9 at the end of May of 2019, correct?

10 A Yes.

11 Q And the hearings in this case are not
12 scheduled to begin until the end of June 2020; is
13 that correct?

14 A Yes.

15 Q And this case has included technical
16 conferences on particular issues and a special
17 Commission order on policy issues, correct?

18 A Yes.

19 Q The issuance of a policy order would
20 not be a feature of a traditional rate case;
21 would that be right?

22 A Correct.

1 Q Because of these added complexities,
2 participation in this case has involved a greater
3 resource burden for parties and the Commission
4 than would be the case in a traditional rate
5 case; isn't that correct?

6 A I wouldn't refer to it as a burden.
7 I think this rate case has taken more time than a
8 traditional rate case.

9 Q On page 10 of 3B, your Pepco 3B at
10 line 15, you talk about administrative burden.
11 You use the word burden, do you not?

12 A I do, yes.

13 Q Okay. And during the term of the MRP,
14 Pepco will make two annual reconciliation
15 filings, one after year two and the second after
16 year three, correct?

17 A Yes, that's correct.

18 Q And there will be some Commission
19 proceedings concerning each of those filings,
20 will there not?

21 A Yes.

22 Q They could involve, as we discussed

1 more than once this morning, prudence reviews,
2 correct?

3 A Yes. However, a prudence review on
4 specific capital investments.

5 Q As opposed to a prudence review on
6 what, sir?

7 A On the entire fully-litigated rate
8 case.

9 Q But don't prudence reviews generally
10 involve specific capital investments? Isn't that
11 the way a prudence question would normally come
12 up? What did you have in mind when you said
13 prudence review on an entire rate case?

14 A When we file a traditional rate case,
15 we are requesting recovery of assets that have
16 been placed in service that, for the most part,
17 parties have seen for the first time. And the
18 focus is generally around all the capital
19 investments that the company is investing and
20 seeking recovery for.

21 In the annual reconciliation filing,
22 the focus -- the assets have already been

1 reviewed in the multi-rate plan. Parties should
2 be familiar with it. The focus of the discovery
3 and the prudence -- and the due diligence would
4 be much less than a fully-litigated rate case.
5 There would be significant time savings.

6 Q As we're sitting here today, we don't
7 know what additional investments the company may
8 need to make during the course of the multi-year
9 rate plan, and we don't know what prudence
10 challenges will arise because of those
11 investments or because of a review of investments
12 in the plan; isn't that correct?

13 A That is correct; however, highly
14 unlikely that the prudence review and the new
15 investments that the company would make in a
16 given year would exceed that of a traditional
17 rate case.

18 Q Is part of the reason you say that,
19 sir, that the way in which the company, under the
20 company's proposed multi-year rate plan, the time
21 that the parties will be given to review and
22 assess the annual reconciliation filing is very

1 short, only 60 days? Is that part of the reason
2 you say that?

3 A Not at all. The multi-rate plan,
4 again, is our three-year capital plan, what the
5 company expects to invest. In the review of the
6 multi-rate plan, parties have the opportunity to
7 look at the investments and review the
8 investments and understand what the company is
9 making.

10 The annual reconciliation filing is
11 intended to focus on the variances and the
12 execution of that plan. It was not intended that
13 we would go back and re-litigate and re-review
14 every single investment that the company had
15 originally proposed.

16 Parties can certainly do that, but it
17 seems to be inefficient to do that. And so the
18 time spent in the annual reconciliation filing
19 would be only new investments the company has
20 made outside the threshold that were not part of
21 the multi-rate plan application and variances to
22 that plan.

1 Q But the circumstances that led the
2 company to decide it wanted to make those
3 investments in year one may be very different
4 than what actually happened in year two and year
5 three; isn't that correct? Circumstances can
6 change over time.

7 A Can you repeat the question again?

8 Q In other words, the long-range plan is
9 based on circumstances as they exist prior to
10 year one of the multi-year rate plan, correct?

11 A Circumstances and expectations that
12 will occur over the three-year period.

13 Q And sometimes those forecasts are not
14 accurate; things can change, can they not?

15 A Things can change; I agree.

16 Q And those changes may lead to
17 different kinds of challenges as to what the
18 company has done; isn't that correct?

19 A I'm not sure I understand what you
20 mean by challenges.

21 Q If circumstances change -- let's go
22 back to the question we talked about this

1 morning. How will the customers know, on a year-
2 by-year basis under the multi-year rate plan,
3 whether there have been changes in the system,
4 the Pepco system or in the customers on Pepco
5 system, that dictate changes in their investment
6 decisions? How will the customers know that
7 during the course of the proceeding?

8 A I can't state specifically what
9 information would be available that customers
10 would be looking for. I do know that the company
11 makes a significant amount of annual filings with
12 the Commission as part of the annual consolidated
13 report that provides a lot of information about
14 the system, about the load. And so there's a lot
15 of information that's currently available that
16 would provide that information to customers.

17 Q Let's try it this way: is the long-
18 range plan revised every year?

19 A Yes.

20 Q And under the MRP, will the company
21 provide the long-range plan to customers each
22 year?

1 A The multi-rate plan, the capital
2 investments are what they are. It's not going to
3 be updated every year.

4 Q It will not be updated?

5 A That's correct.

6 Q So what is updated in the plan every
7 year?

8 A There are no updates to the capital
9 plan for the multi-rate plan. The plan that we
10 present today is the plan we expect to execute.

11 Q Okay. Going back to Pepco Exhibit 3B
12 at page 10, you state at line 23 -- you start to
13 talk about incremental benefit number five, and
14 you say that it incentivizes Pepco to reduce
15 costs and improve operations, correct?

16 A Yes.

17 Q And is this benefit measurable,
18 quantitative, or qualitative?

19 A So certainly it is qualitative and
20 measurable.

21 Q It's qualitative and measurable. How
22 would you measure it?

1 A So the company has provided a plan
2 over three years, its capital plan and its O&M
3 spending. And in the annual reconciliation we
4 will report out what our actual results were, and
5 to the extent that the company has been more
6 efficient and was able to reduce costs, it would
7 be reflected in the annual reconciliation filing.

8 Q Okay. Under traditional stated rates,
9 if Pepco reduces its costs, the company is not
10 obligated to share the benefit of that reduction
11 with rate-payers until it files a new rate case;
12 isn't that correct?

13 A In general, that's correct.

14 Q Well, doesn't that mean the company's
15 incentivized under a traditional stated rate
16 structure to reduce its costs?

17 A Yes.

18 Q And if Pepco's costs go up, and it
19 therefore under-earns, under traditional stated
20 rates the company does not have the right to
21 impose some of those costs on rate-payers without
22 filing a new rate case; isn't that correct?

1 A Or without a fine with the Commission.

2 Q But that opportunity is a component of
3 the MRP, the one we just talked about; isn't that
4 correct?

5 A So to the extent that the company
6 incurs higher costs, and those costs are beyond
7 the deadband, the company has an ability to
8 request those, the additional costs, from
9 customers, subject to approval by the Commission.

10 Q And that's under the MRP, correct?

11 A Yes.

12 Q Going to page 11, Pepco Exhibit 3B;
13 I'm looking at your statement that begins on line
14 12 and goes through line 17. It begins with the
15 phrase, finally.

16 A Okay.

17 Q And you state there that approval of
18 the MRP would be viewed as, quote, credit-
19 positive, close quote. And you state that it
20 would improve the company's credit metrics and
21 financial stability; is that correct?

22 A Yes.

1 Q If approved, Pepco believes the MRP
2 will reduce regulatory lag; is that correct?

3 A Yes.

4 Q And will the reduction in regulatory
5 lag improve Pepco's overall financial health?

6 A Yes.

7 MR. STRAUSS: I'm going to show you
8 another document. This is a Response to OPC Data
9 Request 12-36, and I would ask that it be marked
10 as 8, OPC 8 in the deposition.

11 (Whereupon, the above referred-to
12 document was marked as OPC Exhibit No.
13 8 for identification.)

14 MR. STRAUSS: And this is a response
15 by you, Mr. McGowan, and Witness Hevert. If you
16 could take a moment and have a look at it.

17 THE WITNESS: Okay.

18 (Pause.)

19 THE WITNESS: Okay.

20 BY MR. STRAUSS:

21 Q And I believe what you're saying here
22 in the data response is that if the MRP is

1 approved, the company's level of financial risk
2 will be comparable to what it is today; is that
3 correct?

4 A Yes.

5 Q So your testimony is that approval of
6 the MRP will improve Pepco's overall financial
7 health and its credit metrics, will lower Pepco's
8 borrowing cost and benefit customers through
9 lower interest rates and reduce regulatory lag,
10 but it will still leave the company with the same
11 level of financial risk that it has under
12 traditional rate-making; is that correct?

13 A Let me reference my testimony. I'm
14 sorry; that was a long question. Can I ask you
15 to repeat it?

16 Q Sure. Taking a look at, for example,
17 your testimony on page 11 of Exhibit 3B at lines
18 12 to 17 and your data response and some other
19 questions and answers we've had this morning,
20 your testimony is that approval of the MRP will
21 improve Pepco's overall financial health and its
22 credit metrics, and will lower Pepco's borrowing

1 costs, will benefit customers through lower
2 interest rates, and will reduce regulatory lag,
3 but will still leave the company with the same
4 level of financial risk that it has under
5 traditional rate-making. Is that correct?

6 A Yes.

7 Q If you look further on page 11 in 3B,
8 Pepco 3B, starting at line 18 and going through
9 line 36; could you take a look at that for a
10 moment, please? Or take your time.

11 A Which pages?

12 Q Page 11, lines 18 through 36. These
13 are items seven and eight on your list of
14 incremental benefits.

15 A Okay.

16 Q Let me know when you've had a chance
17 to look at that.

18 A Okay.

19 Q In both of these items, seven and
20 eight, you seem to be touting the benefits of
21 being able to review the company's long-range
22 plans in advance; would that be correct?

1 A That would be a benefit to the multi-
2 rate plan, yes.

3 Q Okay. And that's what you're
4 describing here in items seven and eight,
5 correct?

6 A Yes.

7 Q If you turn back to page 9 of Exhibit
8 3B, it's the same testimony. Item one, if you
9 look at lines 12 to 16, again you reference as a
10 benefit providing the investment and operation of
11 maintenance plans in advance. Do you see that?

12 A Yes.

13 Q And item two, which begins on page 9
14 at line 21, you identify as an incremental
15 benefit that the company will be providing
16 customers with a longer-term view of capital
17 investments and O&M plans, correct?

18 A Yes.

19 Q It seems, sir, that items one, two,
20 seven, and eight all are the same point, but
21 you've said it four times. How do they differ?

22 A So providing the multi-rate plan in

1 advance provides many benefits, and that's what
2 we're highlighting in one, two, seven, and eight.

3 The paragraph one is talking about how
4 providing the multi-rate plan and affirming that
5 the investments the company is making is aligned
6 with the goals of the District, the Commission,
7 and the customers, that's what that benefit
8 allows us to do; pursue investments that
9 otherwise may not be taken under a traditional
10 rate case.

11 Item two is ensuring that the
12 customers have a chance to look at the plan and
13 understand where the company is going. That is
14 different than what number one is. Again,
15 providing information up front provides many
16 benefits.

17 Item seven talks about the fact that
18 we provide information up front to customers and
19 the Commission, allows them to better understand
20 the company, and provides more oversight of the
21 company. Item eight just wraps up items two and
22 seven; again, it provides many benefits.

1 Q If you look on page 11 at Pepco 3B, on
2 line 18, that's in item seven, you refer to
3 increased transparency, correct?

4 A Yes.

5 Q Is this benefit measurable,
6 quantitative or qualitative?

7 A Qualitative.

8 Q It's qualitative. Is there a way to
9 measure it?

10 A I would measure it by the benefits
11 that the plan provides to stakeholders and other
12 companies and the Commission. I don't have any
13 specific measurement in mind.

14 MR. STRAUSS: Okay. I'd like to show
15 you another data response. This is the Response
16 to OPC Data Request 12-2, and I'd ask that it be
17 marked as Exhibit 9 in this deposition.

18 (Whereupon, the above referred-to
19 document was marked as OPC Exhibit No.
20 9 for identification.)

21 MR. STRAUSS: It's a data response
22 from you, Mr. McGowan.

1 THE WITNESS: Yes.

2 MR. STRAUSS: Take a moment and have
3 a look at it.

4 THE WITNESS: Okay.

5 BY MR. STRAUSS:

6 Q Now, am I correct in that Pepco has
7 done no analyses to support the claim that the
8 MRP is a transparency improvement over the status
9 quo?

10 A We have prepared no analysis for
11 studies. I agree with that.

12 Q Thank you. Now, if you look again at
13 page 11 of Pepco 3B, your second supplemental
14 testimony, I'm now focusing on line 37 and item
15 number nine in the list of incremental benefits.
16 Can you have a look at that one? It runs from
17 line 37 over to page 12 at line 5.

18 A Okay.

19 Q And you note there that the MRP
20 includes significant financial penalties if
21 performance criteria are not met, correct?

22 A Yes.

1 Q If the company fails to meet the
2 existing EQSS standards, it can be subject to
3 penalties, correct?

4 A Yes.

5 Q And certain of the performance
6 incentive measures, or PIMs, that have been
7 proposed in this proceeding offer the possibility
8 of the company earning a financial benefit for
9 positive performance; is that correct?

10 A So the PIMs in the -- proposed by the
11 company exceed the EQSS standards set by the
12 Commission, and to the extent that the company
13 performs above those charted PIM levels, there
14 would be a benefit to customers, and the company
15 would receive a reward for that.

16 Q And the reward would be in the form of
17 an ROE boost, or how does that work?

18 A So the way the company has proposed
19 it, it would calculate ROE benefit and would just
20 adjust the rev requirement in the following year.

21 Q I see. So in other words, then, there
22 would be a bump-up in the ROE, and that bump-up

1 would be factored into setting the rates the
2 following year in the MRP; is that correct?

3 A We wouldn't alter the ROE; the ROE is
4 there just to measure the financial benefit or
5 the financial penalty, and whatever that
6 calculation, we would just adjust the regulation
7 rates.

8 Q Okay, thank you. And under
9 traditional rate regulation, if Pepco's
10 performance exceeds an EQSS standard, there's no
11 financial reward of any kind to the company; is
12 that correct?

13 A There's no specific reward, yes.

14 Q Give me a minute, Mr. McGowan. If you
15 could turn to your exhibit Pepco B; that's your
16 direct testimony. I'm looking at page 18, and
17 I'm looking at line 14 where you make the
18 statement; Bill affordability is important for
19 our customers. Do you see that?

20 A Yes.

21 Q If you turn to page 19 of the same
22 testimony; at lines 8 to 9 you state, Pepco

1 continues to pursue strategies to assist
2 customers and help build a sustainable approach
3 to affordability. Do you see that?

4 A Yes.

5 Q The way I read that statement, it
6 seems to say that Pepco does not currently have a
7 sustainable approach to affordability. Have I
8 misread it?

9 A Yes, you have.

10 Q And what is the sustainable approach
11 to affordability that Pepco currently has?

12 A Well first of all, the sentence says,
13 continues, which means that we are currently
14 doing it. As the company invests in its system,
15 it's important for us to invest in a way that's
16 affordable for all customers, knowing that there
17 are customers that are low to medium income.

18 We look for opportunities to help make
19 energy more affordable for them in terms of
20 supporting the RAD discount, the senior citizen
21 discount, and other programs that help provide
22 energy assistance to customers.

1 Q In your view, is increasing the
2 distribution charge by an estimated 69 percent
3 during the period of the MRP consistent with a
4 sustainable approach to affordability?

5 A Yes.

6 Q Why is that, sir?

7 A The company continues to invest in the
8 system to meet the goals of the Commission, the
9 goals of the city, and the expectations of our
10 customers. You've focused only on the
11 distributions bill, but we haven't talked at all
12 about the benefits that the -- the investments
13 the company has made that provide customers with
14 in the form of high reliability, higher
15 resiliency; tools that help them reduce their
16 overall energy.

17 So when I look at -- so we are
18 investing in the system to provide that to allow
19 -- to provide a reliable system that is
20 affordable for customers and provides them
21 choices and tools to help reduce their overall
22 energy usage and their overall bill.

1 Q So it would be your testimony, then,
2 that increasing the distribution charge by an
3 estimated 69 percent during the period of the MRP
4 promotes affordability; would that be correct?

5 A If the investments the company is
6 making over the MRP are investments that are
7 designed to meet customer expectations, to
8 improve reliability, to improve customer service,
9 and to modernize the grid, investments that our
10 customers are asking for. So we are investing
11 based on what customers and the Commission are
12 expecting. We do it in a way that's affordable
13 for customers.

14 MR. STRAUSS: I think this would be a
15 good time to break for lunch.

16 MS. HASSAN: Sure, yes.

17 (Whereupon, the above-entitled matter
18 went off the record at 12:29 p.m. and resumed at
19 1:39 p.m.)

20 MR. STRAUSS: Mr. McGowan, I wanted to
21 go back briefly over something we had talked
22 about this morning a little bit, just make sure

1 that I had it right since this is the time and
2 place to do that.

3 So, the scenario is, you're in year
4 two of the MRP and you've discovered you need to
5 make, in my example, a \$10 million investment
6 that wasn't in the MRP long range plan. Do you
7 have that?

8 THE WITNESS: Yes.

9 BY MR. STRAUSS:

10 Q Okay. We talked this morning a bit
11 about what the Company would do in that
12 circumstance. Assuming they make the investment.

13 So, as I understood what you told me,
14 it will be included in some fashion in the annual
15 reconciliation filing. Is that correct?

16 A Yes.

17 Q And you mentioned this morning, you
18 referenced a possibility of seeking a change in
19 the rates and I wasn't sure that that's what you
20 meant, and I wanted to go back over that.

21 So this \$10 million investment, I
22 understand that it would be considered in the

1 reconciliation filing and would be used to
2 determine whether an adjustment under the earning
3 sharing mechanism was appropriate. Is that
4 correct?

5 A Yes.

6 Q Okay. Is there anything else that
7 would happen with that \$10 million investment,
8 within the confines of the multiyear rate plan?

9 A So, as I mentioned, I can't recall how
10 the variance is applied to projects. But let's
11 assume that this fell outside of a variance and
12 employees were aware of it.

13 If parties did not support the
14 investment or felt that it should not be part of
15 the annual reconciliation filing, they could
16 petition the commission to exclude that from our
17 ROE calculation. And if the commission
18 disallowed that investment, then the ROE would be
19 adjusted accordingly and rates would not be
20 impacted.

21 If the commission approved the amount,
22 then it would be included in rates the following

1 January.

2 Q It would become part of rate based for
3 the following year?

4 When you say included rates, that's
5 what I'm understanding. Or is what you mean,
6 there might be an ESM adjustment that would be
7 picked up the following year. That's where I was
8 confused.

9 A So if the \$10 million created a
10 situation where we were under-recovered and we're
11 outside of the deadband and it was approved by
12 the commission, then we would, under the
13 reconciliation method, would recover that.
14 Whether it's the revenue requirement, if it's a
15 capital investment, it's depreciation in return.

16 But whatever it would be within the
17 reconciliation calculation, we would adjust rates
18 the following January.

19 Q Okay.

20 A So it's not the fact that we'll get
21 the full \$10 million, it's how that \$10 million
22 fits into the overall ROE calculation.

1 Q I think that explains it.

2 A Okay.

3 MR. STRAUSS: Thanks. Let me show you
4 another document. It's another data response I'm
5 going to ask you about.

6 (Whereupon, the above referred-to
7 document was marked as OPC Exhibit No. 10 for
8 identification.)

9 BY MR. STRAUSS:

10 Q And this is the response to OPC data
11 request 12-13. And I do have a response from Mr.
12 McGowan, and I would ask that this be marked to
13 OPC 10. I believe we're up to 10 in your
14 deposition.

15 A Yes.

16 Q Okay. So, in this question and answer
17 you were asked about whether it's your testimony
18 that investments supportive of the District's
19 goals, the energy goals, policy goals, will not
20 be made absent of approval of the MRP.

21 And your answer is, you didn't
22 reference in your testimony that question. Do

1 you see that in Sentence 1 for the answer?

2 A Yes, I do.

3 Q All right. Well, let me ask now. Is
4 it your testimony that investments supportive of
5 the District's energy policy goals will not be
6 made by Pepco absent the approval of the MRP?

7 A What I say in my testimony is that to
8 the extent these investments that customers are
9 asking for, investments that meet energy policy
10 goals of the District, investments that go beyond
11 the obligation to provide safe and reliable
12 service, those are investments that are
13 challenged, or would be challenged, if absent an
14 MRP if we were to move forward under the
15 traditional rate gain. Regulatory regime.

16 So investments could be deferred. We
17 certainly would not be able to meet the pace that
18 the District would want us to make these
19 investments at.

20 Q How would you know whether the
21 investment fell within your obligation to provide
22 safe and reliable service or went beyond it?

1 That is a topic you mentioned a couple
2 of times in your testimony.

3 A Yes.

4 Q How do you tell the difference?

5 A Well, there is investments such as
6 upgrades to allow additional solar on our
7 facilities. There's a request for electric
8 vehicles.

9 As customers put more distributing
10 energy resources on the system, it's important
11 that it's done in a safe and reliable way. And
12 if it can't be installed we can allow it. So,
13 it's those kinds of investments that would be
14 challenged.

15 Q Does Pepco's obligation to provide
16 safe and reliable service include making
17 investments that are supportive of the District's
18 energy policy goals?

19 A Can you repeat the question?

20 Q Yes. Does Pepco's obligation to
21 provide safe and reliable service include making
22 investments that are supportive of the District's

1 energy policy goals?

2 A Not our obligation. We certainly want
3 to support them but it's not an obligation.

4 Q Okay. So, I want to make sure and be
5 clear that your testimony is that it is not
6 Pepco's obligation or it is not a part of Pepco's
7 obligation to provide safe and reliable service
8 to make investments in meeting the District's
9 energy policy goals, is that correct?

10 A Can you repeat, I think you rewrote
11 the question.

12 Q I'm trying to make it a little more
13 difficult.

14 A Yes.

15 Q Is it your testimony that Pepco's
16 obligation to provide safe and reliable service
17 does not include making investments and meeting
18 the District's energy policy goals?

19 A Certainly our investments that we make
20 could help the District achieve its energy policy
21 goals. Our obligation is to make investments
22 that are required of us by the commission and/or

1 state and federal law.

2 Q Let me try it again. You say you have
3 to make investments that are required by state or
4 federal law. I assume you include District law
5 there, is that correct?

6 A Yes.

7 Q Okay. So to the extent that meeting
8 the District's energy goals under District
9 legislation, to the extent that would require
10 Pepco to make investments, are those part of your
11 obligation to provide safe and reliable services?

12 A It depends. But I would say in
13 general it probably does not. The fact that the
14 District has an energy goal doesn't create an
15 obligation for Pepco to investment.

16 On many occasions the commission has
17 to interpret that goal and define what the
18 utilities role should be and what the utilities
19 should be allowed to invest.

20 Q I guess what I'm trying to understand
21 is the boundaries. At what point do Pepco
22 investments aimed at meeting the District's

1 energy goals become elective on the Company's
2 part rather than part of their obligation?

3 Are there criterias? Is there a way
4 that I could tell for any given investment
5 whether it was part of your obligation to provide
6 safe and reliable service or something beyond
7 that?

8 A I would say it's a case-by-case basis.
9 I think there are, you know, we have an
10 obligation to meet the EQSS standards and
11 investments we make. To meet the commission
12 requirements is our obligation.

13 But the fact that there is a goal that
14 the District has, whether it's from DOE or
15 whether its legislation, the utility would love
16 to support those goals and make investments, but
17 we cannot, the investments we make are approved
18 by the commission. And unless we are mandated by
19 the commission or there is a federal standard
20 city requirement, it's an elective investment.

21 Q Okay.

22 A Electric vehicles is a great example.

1 Q Okay. Let me talk a little bit now
2 about the annual reconciliation filing process.
3 As I understand the timeline, stakeholders are
4 given 60-days to ask questions and get answers
5 from Pepco about the filing. Is that consistent
6 with your understanding, sir?

7 A Yes, that's our proposal.

8 Q And is it consistent with your
9 understanding that the company must answer any
10 questions within 21 days of their receipt?

11 Do you have an understanding about
12 that?

13 A I can't recall what we proposed in our
14 proposal, but whatever the commission authorizes
15 we'll respond in that time frame.

16 Q And would it be correct that within
17 that 60-day period stakeholders will presumably
18 raise whatever concerns they have with the
19 content of the reconciliation filing and the
20 company would have a chance to respond to those
21 concerns if it chose to do so, is that correct?

22 A Yes.

1 Q And then as I understand it, once the
2 60-days expires, the commission has 30 days to
3 decide whether or not to approve the filing, is
4 that correct?

5 A I don't recall exactly the timeline.
6 Mr. Wolverton has, does the details. But that
7 sounds consistent.

8 MR. STRAUSS: Okay. Let me show you
9 another data response.

10 (Whereupon, the above referred-to
11 document was marked as OPC Exhibit No. 11 for
12 identification.)

13 BY MR. STRAUSS:

14 Q And this is the response to OPC Data
15 Request 12-14. And you are the sponsor, sir?

16 A Yes.

17 Q Take a minute to have a look at that.
18 It won't take long. It is OPC Exhibit 11.

19 A Yes.

20 Q And am I correct then that the Company
21 hasn't done an analysis of the resources that
22 will be devoted to the reconciliation process, is

1 that correct?

2 A That is correct. We have not done a
3 detailed analysis.

4 Q Sir, the Company hasn't looked at what
5 resources it would expect to expend or certainly
6 what others would expend on the process, is that
7 correct?

8 A So we haven't done a detailed
9 analysis, that is correct.

10 Q Okay. And so, you talk about a
11 process that's going to run about 90-days between
12 the 60-days that the customers and the Company
13 will have to debate their views on the
14 reconciliation filing and then the 30 days for
15 the commission to act.

16 Let's say there's prudence challenge
17 to a cross component that exceeds the threshold.
18 Do you have that in mind?

19 A Yes.

20 Q Is the Company's thought that this
21 challenge would be resolved within the 90-days?

22 A So, the Company has proposed the 90-

1 day process. If the commission feels that that
2 is not adequate, they can certainly extend that.
3 But that is the Company's proposal.

4 Q You've been in a number of commission
5 cases, do you think a prudence challenge can be
6 resolved from beginning to end in 90-days?

7 A Yes, case-by-case.

8 Q And what would happen if, let's say
9 OPC, just to pick a party, reviewed the
10 reconciliation filing and asked the company a
11 series of questions and the Company decided, for
12 whatever reason, not to answer certain questions
13 and OPC filed a motion. Do you think all of that
14 can be completed within a 60-day period?

15 A What questions would OPC ask that we
16 wouldn't answer?

17 Q I don't know. We've never seen one of
18 these filings before and we're all operating in
19 the absence of examples.

20 I'm just trying to understand, I mean,
21 it would not stun me that there might be a
22 disagreement between the Company and OPC about

1 what data needed to be provided.

2 A Right.

3 Q And it wouldn't stun me that OPC might
4 be unhappy with what the company said they would
5 provide, and might ask the commission to weigh in
6 and say something about that. And I'm just
7 trying to figure out, do you think, to the extent
8 those kinds of disputes arise they can be
9 resolved within a 60-day period, that seems very
10 fast to me?

11 A So, we believe that the 60-day due
12 diligence and the 30 day commission is adequate
13 time. If there are facts and circumstances that
14 arise that the commission feels more time is
15 needed, they can certainly approve that.

16 Q All right. If you could turn to your
17 second supplemental testimony. I'm looking at
18 Page 20, that's Pepco's Exhibit 3B.

19 A Okay.

20 Q You're ahead of me now, all I have to
21 do is find it. Hang on for a second.

22 And I'm looking at your statement at

1 Lines 3 to 9. It begins, as discussed above.

2 Oh, I'm sorry, I'm actually, I'm
3 looking at that whole paragraph, from 3 to, yes,
4 3 to 9. That is what it is, I'm sorry. If you
5 can take a look at that for a minute.

6 A Okay.

7 Q Would I be correct that one of your
8 points here in this passage is that approval of
9 the proposed MRP will allow the Company to
10 modernize the grid more quickly, than would be
11 the case under traditional rate making?

12 A Yes.

13 Q Okay. But doesn't the MRP essentially
14 lock in Pepco's spending for a three-year period?

15 A No.

16 Q It does not. You'll be as flexible in
17 terms of your spending under the MRP, as you
18 would be if there were no MRP, is that correct?

19 A The MRP doesn't lock in our spending.
20 The MRP is a proposal over a three-year period of
21 the investments that the Company is expecting to
22 make.

1 There are certain business changes
2 that might occur that would require changes to
3 that plan. There could be a, we talked about it
4 earlier, it could be a legislation that requires
5 new investments to be made.

6 So it's not locked in. It's a
7 forecast on what the Company expects to spend in
8 the annual reconciliation process. It will allow
9 us to report on any variances to that plan.

10 But my point here is that if, under
11 the multiyear rate plan, this allows us to lay up
12 those investments for grid modernization that we
13 believe are necessary to meet the District
14 commission and customer's expectations. Allows
15 the parties to review that and allows us to move
16 forward on those.

17 Absent that plan, we would be
18 constrained in making those investments.

19 Q Well, there is no lock in of spending
20 plans under the traditional regulation, is there,
21 sir?

22 A There is constraints but there is no

1 lock in.

2 Q Constraints in the sense that you'd
3 have to file a rate case if you wanted to include
4 additional investments, is that what you mean?

5 A In terms of our ability to invest at
6 the pace that the District and commission may
7 want us to, there will these constraints.

8 Q Constraints, you've said that now
9 twice --

10 A Right.

11 Q -- but what do you mean by a
12 constraint?

13 I mean, you're not constrained as to
14 when you can file a rate case, you can file one.
15 Is that right?

16 A So, a constraint is around our ability
17 to invest. And if we cannot get timely recovery
18 of investments, we can't invest at the pace that
19 others may want us to.

20 And so the constraint is coming from
21 a capital investment side, not a rate case filing
22 side.

1 Q Okay. Are there investments that the
2 District has wanted you to make to modernize the
3 grid that you are unable to make at this point in
4 time? And what might they be if there are some?

5 A One of the examples that I mentioned
6 in a day request is the DC PLUG Project. The
7 Company made it clear that we could not move
8 forward on DC PLUG without a timely recovery of
9 those investments. And that we could not make
10 those investments through the traditional rate
11 case.

12 Q What investments are there in the MRP
13 long-term plan, in this case, that you couldn't
14 make without approval of the MRP?

15 A I don't have a list of those.

16 Q Do you know who might?

17 A I would check with witness Clark, who
18 sponsors the capital budget line.

19 Q Okay, thank you. So if you made an
20 additional investment that wasn't in the long-
21 term plan and that led to an under-recovery of
22 costs that triggered the earnings sharing

1 mechanism, you would have an ability to go to the
2 commission to seek additional revenues to address
3 that, isn't that right? Isn't that the way this
4 works?

5 A So, if the additional investment put
6 us below the deadband, we would have the ability
7 to request recovery, partial recovery --

8 Q Partial recovery, yes.

9 A -- in the next rate reset.

10 Q Okay. And if it was within the 25
11 basis point deadband, that would not require an
12 adjustment, correct?

13 A That's correct.

14 Q Is that a constraint on your ability
15 to do the investment?

16 The existence of that deadband within
17 which you won't have an adjustment?

18 A No.

19 Q It is not, okay.

20 A And just to clarify, the constraint
21 that we have under a traditional rate case is the
22 fact that we are grossly underearning our

1 authorized ROE. Under the multirate plan.

2 If we were within the deadband, we
3 would be earning closer to our authorized ROE.
4 And that's why the constraint is not there.

5 Q Okay. We'll go to your second
6 supplemental testimony at Page 28. Looking at
7 Lines 16 through 19.

8 A 16 through 19.

9 Q Right.

10 A Okay.

11 Q And you do say that the filing
12 provides transparency that creates the
13 opportunity for the commission and stakeholders
14 to collaborate, do you see that?

15 A Yes.

16 Q Stakeholders do not have the right
17 under the MRP to direct Pepco to make any
18 particular investment decision, do they?

19 A They don't have the right to direct
20 us, I agree.

21 Q And the same is true under traditional
22 rate making. OPC doesn't have the ability to

1 tell Pepco what we can and cannot build, right?

2 A Correct.

3 Q If you look back at Page 27 of Exhibit
4 3B. Give me a minute, sir.

5 A Okay.

6 Q I'm looking at your statement at Lines
7 6 through 8. You say that the MRP doesn't shift
8 risk to customers, it actually lowers customer
9 risk. Do you see that?

10 A Yes, I do.

11 Q If the company underearns under
12 traditional regulation, that's the Company's
13 problem, correct?

14 A If the Company underearns I think it
15 is the Company and possibly the commission and
16 customers' problem. The issue about underearning
17 is, gross underearning is not good for the
18 company, it raises our costs.

19 Which then in turn makes it more
20 expensive for customers. It doesn't allow the
21 Company to make the kind of investments that
22 customers, commission in the District want.

1 Q But if the Company underearns under
2 traditional regulation, Company shareholders eat
3 that difference, isn't that correct?

4 A That one component, that's correct.

5 Q Okay.

6 A Yes. And there are other indirect --

7 Q As you just mentioned, yes.

8 A Yes.

9 Q Yes, you have. To be clear, if the
10 Company underearns sufficiently under the MRP,
11 the Company has the ability to ask the commission
12 to have customers pick up a piece of that
13 underearning amount, isn't that correct?

14 A Yes.

15 Q Okay. All right, let's see if you can
16 clear this one up for me. On Page 14 of your
17 second supplemental testimony Exhibit 3B. On
18 lines, Page 14, Line 19.

19 A Okay.

20 Q And Page 15, Line 2. You say that the
21 Company has proposed five PIMs. And then on the
22 bottom of 14 over 15, the fifth proposed PIM that

1 would be tracked only, focuses on the customers
2 experience of interconnecting. Do you see that?

3 A Yes, I do.

4 Q And what does it mean to say that the
5 PIM would be tracked only?

6 A Just give me one second.

7 Q Sure.

8 A Am I allowed to ask my Attorney a
9 question?

10 MS. HASSAN: Yes.

11 (Off record comments.)

12 THE WITNESS: There's actually an
13 error in this sentence.

14 (Simultaneously speaking.)

15 BY MR. STRAUSS:

16 Q That was my question.

17 A Okay.

18 Q It's not a tracked only PIM.

19 A Right. And I'll make --

20 Q Correct.

21 A See, their connection is not a track
22 PIM, the CEMI is a tracking PIM.

1 Q Okay. And that was my question.

2 A Okay.

3 MR. STRAUSS: So, we all thought alike
4 on that. Okay.

5 So, let me show you something else.
6 I'm going to show you another document. I'd like
7 to have this marked as the next exhibit.

8 (Whereupon, the above-referred to
9 document was marked as OPC Exhibit No. 12 for
10 identification.)

11 BY MR. STRAUSS:

12 Q It is the response to OPC data
13 request, 11-7. Mr. McGowan is the sponsor. We
14 call that 12. OPC 12, thank you.

15 A Okay.

16 Q Okay, so it says in the data response
17 that the commission has promulgated a new rule in
18 January of 2019 that accelerates the timeline for
19 the vast majority of interconnection reviews and
20 approvals. And it's a reduction from 15 days to
21 five days, do you see that?

22 A Yes.

1 Q And, sir, if you would turn to the
2 chart in your direct testimony, Pepco B at Page
3 5, I'm sorry, Page 39. It's table, Table 5.

4 A Okay.

5 Q And it says under, in that chart, if
6 you go down five rows over to the interconnection
7 review time frame, it says average ATI, I can't
8 remember what ATI stands for, maybe you can
9 remind me, it means approval to install. It says
10 five days. Do you see that?

11 A I do.

12 Q Is it correct that the Company's
13 proposed, DER, what they call a DER PIM, and the
14 commission's new rule are one in the same?

15 A No, they're not. Witness Clark was
16 the one who developed the metrics on the PIM. If
17 you have any specific questions about that, I
18 would refer those to witness Clark.

19 So this is just a summary table of the
20 PIMs.

21 Q So, an answer to my question of
22 whether five days in the table is the same thing

1 as five days in the rule, the answer is they're
2 not, that you're not in the position to tell me
3 what the difference between the five days in one
4 and the five days in the other is, correct?

5 A This PIM would, is designed to go
6 beyond what the current rules are. I just don't
7 know the specifics of it.

8 Q Okay. So it's designed to incent
9 Pepco to do something other than whatever that
10 rule from January 2019 provides, is that correct?

11 A That is correct.

12 Q Okay. If you could turn to your
13 second supplemental testimony here at Page 16.

14 A Okay.

15 Q And I'm looking at the sentence on
16 Lines 14 and 16. The one that begins the
17 proposed, I'll read it, the proposed PIMs and the
18 fine performance levels, ensure that the
19 customers receive at least the defined level of
20 performance over the MRP term. Do you see that?

21 A Yes.

22 Q Pepco's performance could slip below

1 the defined PIM level, could it not?

2 A It's possible.

3 Q In fact, the MRP offers a penalty of
4 going below the level, isn't that correct?

5 A That is correct, yes.

6 Q So, the MRP doesn't actually offer a
7 performance guarantee, does it?

8 A There is no guarantee.

9 Q All right. So when you state in your
10 testimony that the PIMs ensure the customers will
11 receive at least the define level of service,
12 that's incorrect, isn't it?

13 A The Company is proposing to deliver
14 the level of service to meet the targets in the
15 PIMs. And we're going to work very hard to
16 deliver those.

17 There is no guarantee, but these PIMs
18 are there to provide customers assurance that the
19 Company is going to deliver at or above
20 performance levels.

21 Q All right. So this sentence, when it
22 says, the defined, the proposed PIMs and defined

1 performance levels ensure that the customer will
2 receive this level of service. What you mean by
3 that is, the Company is going to do its best to
4 make sure that that happens. It's not a
5 guarantee, it's a promise.

6 A I think this sentence is fine as is,
7 but it's not a guarantee or promise.

8 Q Oh, very well. And then further on
9 the same page, Page 16 at Lines 19 to 20, you
10 state that the proposed MRP has customer
11 protections to ensure customer rates only reflect
12 the cost of service. Do you see that?

13 A Yes, I do.

14 Q And under the MRP, rates are set based
15 on the cost of service but then they can be
16 adjusted through the earning sharing mechanism,
17 correct?

18 A It could be. Yes.

19 Q And under the proposed MRP, the result
20 can be that Pepco either gets to keep revenues in
21 excess of its cost of service or receives a
22 portion of additional revenue if the Company

1 earns well under its cost of service, isn't that
2 right?

3 A The MRP provides an agreed upon, if
4 approved by the commission, an agreed upon
5 measure of how the Company should be incentivized
6 for providing service for customers. So, to the
7 extent that the Company does not recover its full
8 cost of service or if we're able to generate a
9 reward for performing above, that's what's agreed
10 to in the MRP to compensate the Company for
11 providing the level of service.

12 Q So, when we say that the MRP has
13 protections to ensure customer rates only reflect
14 the cost of service, what you mean is, the cost
15 of service as reflected in the commission's
16 approval of the MRP. Is that what you're saying?

17 A That's correct. Yes.

18 Q Give me a minute, sir, I'm sorry.

19 A Sure.

20 Q Let me show you another document.

21 A Okay.

22 MR. STRAUSS: Hang on a second. Hang

1 on, 14 and 15. We'll mark two at once.

2 (Whereupon, the above referred-to
3 documents were marked as OPC Exhibit Nos. 13 and
4 14 for identification.)

5 MR. STRAUSS: I am showing you the
6 response to OPC data request 22-`. And with it,
7 that data response refers to another document
8 that was provided in response to OPC data
9 response 11-21. And I'm providing you an excerpt
10 from that document, okay? And that would be 12
11 and 13 I believe. 13 and 14.

12 MS. HASSAN: 13 and 14.

13 (Laughter.)

14 BY MR. STRAUSS:

15 Q So, if you start with the data
16 response.

17 A Yes.

18 Q So, you were asked about identifying
19 alternative PIMs that were considered by Pepco
20 but were not included in the application. And
21 you say, well, there were these workshops and
22 this was discussed and that a discussion of PIMs

1 that were considered by Pepco but not included,
2 are in a presentation.

3 And you then have a citation to that
4 presentation. You say it's Attachment C, at
5 Slide 23. Do you see that?

6 A Yes.

7 Q Okay. And then the second document,
8 the response to the document that's been marked
9 as Exhibit 14 in your deposition. I believe that
10 is the presentation to which you refer.

11 And I've attached two pages from that
12 presentation. One Page 13 and the other Page 23
13 that you reference.

14 A That's correct.

15 Q All right. Let's go to the page you
16 cite, Page 23. Do you see it? It's headed,
17 other potential PIMs considered not currently
18 included.

19 Is there anything you can tell me by
20 way of the update as to the Company's
21 consideration of any of these potential PIMs?

22 A For Slide 23?

1 Q Yes. Yes, Slide 23. Are any of these
2 still under active consideration, for example?

3 A So these were PIMs that were discussed
4 at the working group and not pursued in the
5 current multirate plan. And as of right now,
6 there is no update on these. But this was just a
7 list of the PIMs that were discussed at the
8 working group.

9 Q Okay. Then let's take a look at the
10 other page I gave you, Page 13. The one that
11 said, Pepco PIMs proposal summary.

12 A Yes.

13 Q Now, some of these are in the
14 proposal, the SAIDI and SAIFI. I don't know that
15 it's the exact, exactly as set by the targets,
16 but there's a SAIDI and SAIFI PIM, there is a --

17 A Yes.

18 Q -- CEMI.

19 A CEMI.

20 Q CEMI.

21 A Customers Experiencing Multiple
22 Interactions.

1 Q Right. I guess what I wanted to ask
2 you about was, the two, there are three
3 categories at the bottom of the chart labeled
4 policy. The last one is the interconnection
5 review time frame, which I believe is one of the
6 PIMs you proposed, the Company proposed in their
7 original filing, correct?

8 A Yes.

9 Q Now, then the other ones are, two
10 other policy ones. One labeled carbon emissions
11 and one labeled peak load management, energy
12 efficiency, data access and affordability.

13 Now, can you tell me then, those are
14 not in the current proposal, correct?

15 A That is correct.

16 Q The one labeled carbon emissions goes
17 so far as to include a penalty and reward
18 proposal, correct?

19 A Yes.

20 Q What is the status of that PIM?

21 A In the working group discussion we had
22 offered to put as a metric achievement of certain

1 milestones in the Company's current EV program.
2 And the employees thought that was too soon to
3 put the PIM into the filing and so we opted not
4 to do that.

5 But as of right now we have not
6 advanced that any further than the one that was
7 considered.

8 Q Okay. And how about the ones, peak
9 load management, energy efficiency and so on?

10 A So, this ties into the ability for the
11 Company under the Clean Energy Act of 2018 for
12 the Company to participate in energy efficiency
13 offerings in the District. And so, the working
14 group report was filed in the last week or two.

15 And so we, at this point, have not
16 proposed any energy efficiency programs to the
17 commission. We're waiting for the commission to
18 act on the working group.

19 Q So it's possible that at some point in
20 the future there could be PIMs surrounding that
21 area?

22 A We have left the door open to

1 discussing these PIMs or others that the parties
2 may have and would be willing to discuss.
3 Including those into the multirate plan. Or a
4 future multirate plan.

5 Q Okay. They're not in there now?

6 A That is correct.

7 Q At the end of the MRP, if the
8 commission wanted to assess whether it had been
9 successful, how would you suggest it going about
10 doing that?

11 A I mean, there is many different paths
12 the commission could take. They could do a
13 lessons learned, they could do an assessment of
14 the process.

15 There is a lot of information that is
16 filed in the multirate plan. There is annual
17 reconciliation reports.

18 They could review how the process went
19 and do a lessons learned and incorporate any
20 lessons learned into the next multirate plan that
21 the company files.

22 Q Well, that would go to the, how the

1 lack, the process itself went. But are there
2 metrics that they could adopt to determine the
3 success or failure of the program?

4 A Sure.

5 Q Like what? What metric might they
6 adopt that would indicate that the program, for
7 example, had not been successful?

8 Or what metric could they adopt that
9 would indicate one way or the other? Let me ask
10 it that way.

11 A Well, part of it depends on what the
12 commission actually approves in terms of the
13 filing and how, what they approve of the
14 structure. Do they approve of PIMs, do they
15 approve of the annual reconciliation of filing.

16 So a lot of it depends on what they
17 actually approve. And based on that they could
18 assess and develop metrics or milestones to
19 determine if it's successful or not.

20 Q Let's try again. Let's assume, just
21 for the sake of this discussion, they don't
22 change a line in what Pepco proposed, they simply

1 say this is fine, we approve it. What metrics
2 might they adopt in that instance to see three-
3 years later whether this had worked out and was a
4 success in some fashion? What might they look
5 at?

6 A I think the, probably the most
7 effective way for the commission to evaluate it
8 is to have a lessons learned meeting. And have
9 input from all parties.

10 Q Okay. So for example then, if, so you
11 might have a meeting where if stakeholders came
12 in and said, 60-days is too short, we were never
13 able to really analyze this in that time, that
14 might be a lesson learned for example?

15 A Sure.

16 Q Is that what you mean?

17 A Yes.

18 Q Has Pepco developed internally
19 criteria to assess whether the MRP would be a
20 success?

21 A No.

22 Q How about Exelon Utilities. To your

1 knowledge, have they developed any internal
2 assessment criteria for the MRP?

3 A No.

4 MR. STRAUSS: Could we take a break
5 for a few minutes?

6 MS. HASSAN: Sure.

7 MR. STRAUSS: See how much more I got.
8 Thank you.

9 (Whereupon, the above-entitled matter
10 went off the record at 2:24 p.m. and resumed at
11 2:28 p.m.)

12 MR. STRAUSS: That completes my
13 questions. Thank you, Mr. McGowan.

14 MS. HASSAN: Thank you.

15 THE WITNESS: Okay, thank you.

16 MR. STRAUSS: And I'm going to get out
17 of the way.

18 (Whereupon, the above-entitled matter
19 went off the record at 2:29 p.m. and resumed at
20 2:32 p.m.)

21 MR. STRAUSS: Mr. McGowan will sign
22 the deposition I'm assuming?

1 MS. HASSAN: Sure.

2 MR. STRAUSS: Okay. And he'll review
3 it and submit it as a way of reading and that
4 kind of thing.

5 And I think this is a commission
6 requirement that the court reporter is going to
7 certify that the Department was dually sworn and
8 the deposition is a true record of the testimony
9 given by the Deponent.

10 And apparently you certify that the
11 court reporter is not counsel or attorney to
12 either of the parties or interested party.

13 (Laughter.)

14 MR. STRAUSS: From what we've heard
15 today, I think that's quite clear.

16 MS. HASSAN: Correct.

17 MR. STRAUSS: Thank you very much.

18 MS. HASSAN: Thank you.

19 (Whereupon, the above-entitled matter
20 went off the record at 2:33 p.m. and resumed at
21 2:35 p.m.)

22 MR. CALDWELL: Hello, Mr. McGowan, my

1 name is Brian Caldwell. I'm an Assistant
2 Attorney General with the Office of the Attorney
3 General and I'm representing the District of
4 Columbia Government.

5 THE WITNESS: Good afternoon.

6 CROSS EXAMINATION

7 BY MR. CALDWELL:

8 Q Good afternoon. I have a few
9 questions.

10 A Sure.

11 Q Mostly about your second supplemental
12 direct testimony. But before we get to that, I
13 have a question about the requirements of the
14 Power Path DC Order, that's Order Number 20286,
15 and how that is going to be incorporated into the
16 Company's multiyear rate plan.

17 In particular, will Pepco recover the
18 costs of creating the secure web portal for data
19 sharing of information that's required by the
20 commission in this proposed MRP?

21 A So, costs that the Company incurs to
22 comply with the Power Path DC would be part of

1 the expenditures a company would incur. And they
2 would be captured in the annual reconciliation
3 filing, to the extent that they were not
4 included.

5 Q Okay. And that includes the web
6 portal?

7 A Yes.

8 Q Now, how might the implementation of
9 the NWA process impact the proposed investments
10 listed in the MRP?

11 A Can you ask the question again?

12 Q The implementation of the NWA process

13 --

14 A Yes.

15 Q -- how would that impact the proposed
16 investments that are listed, currently listed in
17 the MRP?

18 A I don't believe they will have any
19 impact on the MRP because when the distribution
20 system planning process is actually implemented,
21 the output from that and the non-wires
22 alternative probably won't be impacting the plan

1 until probably 2023 in out. So it will be
2 outside the MRP.

3 Q Okay. And how would the NWA process
4 implementation impact the Company's O&M cost?

5 A I don't know.

6 Q Do you imagine there will be,
7 additional staff will be needed?

8 A I don't know. We have not done that
9 analysis.

10 Q Okay. Okay, referring to your second
11 supplemental testimony, Pepco 3B, going to Page
12 20.

13 A Okay.

14 Q Which states, the PIM structure
15 proposed by the Company establishes a platform to
16 officially add PIMs, such as those related to
17 energy efficiency in formal Case Number 1160. Do
18 you see that?

19 A Yes, I do.

20 Q Does the company proposed to add
21 additional PIMs during the current MRP term?

22 A There is nothing that we're currently

1 proposing. However, the Company, in testimony,
2 has provided the opportunity to the extent that
3 it makes sense to include a PIM that comes out of
4 one of the Power Path DC work streams. That we
5 would certainly be willing to discuss it and
6 consider including it in the MRP.

7 Q Okay. If the Company proposed to add
8 additional PIMs during the current MRP term, how
9 will those PIMs be reviewed and how will those
10 costs be recovered?

11 A So, any additional PIM that would be
12 proposed in the current MRP would be proposed
13 through testimony. And parties would be allowed
14 to comment on those PIMs.

15 To the extent that a PIM is included
16 that would require the company to incur costs,
17 the costs of those PIMs would also have to be
18 added to the existing MRP.

19 Q And when would that take place? When
20 would those costs be added?

21 A If the party proposes to add a PIM to
22 the multirate plan, they would have estimate what

1 the cost the Company would incur to comply with
2 to be able to meet those PIMs. It would be part
3 of the proceeding.

4 And if the commission approved it, the
5 MRP would be updated based on those costs.

6 Q So the burden would be on the party
7 proposing the PIM to estimate the cost for the
8 company? Did I hear you right?

9 A Yes. They would certainly provide
10 their position on what the costs would be and the
11 Company would be able to respond.

12 Q Okay. Going to Page 21 of your second
13 supplemental direct. Regarding the District's
14 goals of grid modernization and greenhouse gas
15 emission reductions --

16 A Which line you on?

17 Q It is your statement, the grid
18 modernization and greenhouse gas emissions
19 reductions -- you state that the MRP "facilitates
20 the types of investments necessary to support
21 these goals." Do you see that? I'm trying to
22 find --

1 A I don't see those words.

2 Q -- the exact one. Bear with me, I'm
3 sorry.

4 A No worries.

5 Q I think I got the wrong reference, I'm
6 sorry. Can I instead refer you to Page 22?

7 A Okay.

8 Q At Lines 7 through 17. In which you
9 state that Pepco is "seeking to optimize the grid
10 and to make new and innovative opportunities
11 available to customers.

12 In that quote, the proposed MRP and
13 PIMs provide the transparency necessary an
14 opportunity to advance these innovative
15 investments." Do you see that?

16 A Yes.

17 Q Okay. Other than the distribution
18 automation projects, what specific planned
19 investments in the current MRP proposal does
20 Pepco consider will enhance grid modernization?

21 A Certainly the Company's investments in
22 reliability and resiliency helps to create a more

1 of a reliable grid that helps support
2 modernization. That's a big component of that.

3 Q So, in the investment and reliability,
4 reliability driven investment you consider
5 enhances great modernization?

6 A It's part of great modernization, yes.

7 Q Okay. What specific plan investments
8 in the current MRP proposal does Pepco consider
9 will facilitate greenhouse gas emissions
10 reductions?

11 A There's no specific investment I
12 recall that is targeted to have, to lower
13 greenhouse gas emissions. However, the Company
14 continues to invest in tools around AMI, around
15 the customer website, to allow customers more
16 access to information on how they use energy.
17 And to the extent that they can use less energy,
18 that helps reduce overall greenhouse gas
19 emissions.

20 And as I mentioned earlier, our hope
21 this year is that we're able to make a finding of
22 the commission around offering different energy

1 efficiency programs to customers. And that that
2 will help again to help lower overall usage for
3 customers.

4 Q And do you equate lower usage with
5 reducing greenhouse gas emissions?

6 A Lower usage will reduce greenhouse gas
7 emissions.

8 Q What specific planned investments in
9 the current MRP proposal does Pepco consider to
10 be innovative investments?

11 A I would defer that to company witness
12 Clark. He has the detail in the capital budget.

13 Q Has Pepco internally prepared a long-
14 term grid modernization plan for the District
15 that details the types of investments and timing
16 of investments that would need to be made to
17 accommodate greater DERs, electrification and
18 enhance the resiliency and security of the grid?

19 A The Company has not developed an
20 improved detail plan on grid modernization beyond
21 the current MRP.

22 Q Now, would you accept that the

1 District Government's grid modernization goals,
2 as filed in formal Case 1130 includes streamlined
3 interconnection of large solar projects as well
4 as solar plus battery projects at a minimal
5 predictable cost?

6 A I don't recall those exact words. I
7 mean, if you can point to something that has that
8 I'd be happy to look at it.

9 Q I --

10 A I don't recall those exact words.

11 Q Okay. Well, can I just ask you then,
12 what specific planned investments in the current
13 MRP proposal does Pepco have regarding streamline
14 interconnection of large solar projects?

15 A So, the large community solar projects
16 have, are complicated. Things that we've done
17 currently to help streamline that is to outsource
18 engineering field inspections, all the
19 engineering work that we've done.

20 Now, there are some, I don't have the
21 details, I know we have more online processing of
22 applications. But there are things that we've

1 done to help streamline that process overall, and
2 we will continue to do that.

3 Q And does Pepco have any specific
4 planned investments in its current MRP proposal
5 regarding streamline interconnection of solar
6 plus battery projects?

7 A Not that I'm aware of.

8 Q Okay. Does Pepco have any specific
9 planned investments in its current MRP proposal
10 regarding enabling third party owned microgrids?

11 A No.

12 Q And does Pepco have any specific
13 planned investments in the current MRP proposal
14 regarding using DER resources to expand hosting
15 capacity?

16 A I would defer that to witness Clark,
17 who could speak to the detailed plans.

18 Q Let me see here. Let's see, if you
19 could turn to Page 15 of your second supplemental
20 direct.

21 A Okay.

22 Q And calling your attention to Lines 11

1 through 12. There you describe the Company's
2 proposed PIMs to achieve a higher performance
3 level, higher performance levels than the EQSS
4 standards.

5 And you state, "achievement of these
6 higher performance levels is an incremental
7 customer benefit." Did the Company calculate the
8 incremental net benefits that would create
9 customers from meeting the proposed higher
10 performance levels for SAIDI and SAIFI compared
11 to EQSS levels?

12 A No.

13 Q Are the costs associated with
14 achieving higher-levels of SAIDI and SAIFI
15 reliability incorporated in the proposed MRP
16 revenue requirement?

17 A Yes.

18 Q Okay. Turning to Page 11 of your
19 second supplemental direct.

20 A Okay.

21 Q You state, the PIMs are designed to
22 enhance performance requirements that --

1 A I'm sorry, which line are you on?
2 There's a lot of lines on that page.

3 Q Yes. Hmm. We're talking about
4 incremental benefits in Item 7 and Item 2. And I
5 guess, so my question goes to the incremental,
6 the tangible incremental benefits that these
7 items have for customers.

8 And I'm just asking, has the Company
9 quantified the tangible incremental benefits that
10 will result from achieving the goals proposed for
11 each PIM, including service level, call
12 abandonment rate, and interconnection review time
13 frame.

14 A We have not prepared a calculation on
15 the incremental benefits of the PIMs.

16 Q Okay. Has the Company conducted a
17 benefit cost analysis for each of the proposed
18 PIMs?

19 A We have not prepared the cost benefit
20 analysis.

21 Q Are the costs associated with meeting
22 the service level, call abandonment rate and

1 interconnection review time frame targets
2 included in the Company's proposed MRP revenue
3 requirement?

4 A Yes.

5 Q Is a financial reward through a PIM
6 necessary to achieve EQSS reliability standards
7 and existing interconnection timeline standards?

8 A The EQSS and the current
9 interconnection timeline standards are minimum
10 requirements established by the commission. The
11 PIMs are proposed to provide a much higher-level
12 service than the EQSS or the interconnection
13 standards.

14 And we think it's appropriate, as part
15 of a PIM, to have a reward and a penalty based on
16 overall performance.

17 Q So you're saying that the potential
18 financial reward for this, under this PIM, would
19 motivate Pepco to do something different than it
20 currently does?

21 A So the current PIM are designed to
22 exceed the current EQSS standard. If the company

1 hits the deadband on the PIM, there is no
2 financial reward, there is no financial penalty.

3 To the extent that the Company
4 actually exceeds the target, again, for the
5 benefit of customers, then our proposals at the
6 Company should be entitled to a reward for that
7 higher-level of performance.

8 Q Can you point to any specific measures
9 that Pepco would take if it was given this PIM?

10 A What specific measures?

11 Q Right. To increase reliability.

12 A If the Company had, if the commission
13 approved the PIM, the PIM establishes a goal for
14 the Company and the Company would strive to meet
15 that goal and to try to exceed that goal.

16 What specific measures, I don't have
17 the specific measures on that. But it's
18 certainly something that we try to achieve.

19 Q Okay. If you could turn to Page 12 of
20 your second supplemental direct testimony.

21 A Okay.

22 Q And down at Line 27 you say that "PIMs

1 can also be used to ensure alignment with
2 District of Columbia and commission energy
3 climate and inclusivity goals, such as the
4 Company's PIM on interconnections." Do you see
5 that?

6 A I'm sorry, what line are you on?

7 Q Starting on Line 27 you say that, PIMs
8 also provide an incentive for the Company to
9 perform at a higher-level. Do I got the right
10 one, sorry. Bear with me one moment.

11 A Okay.

12 Q Sorry, Line 1 at the top you say,
13 "PIMs can also be used to ensure alignment with
14 District of Columbia and Commission energy,
15 climate and inclusivity goals, such as the
16 Company's PIMs, PIM on interconnections."

17 A Yes, I see that.

18 Q Yes, okay. In addition to the
19 proposed PIM on interconnections, which of the
20 other proposed PIMs create alignment with the
21 District and commission's energy and climate
22 goals?

1 A So, the other four PIMs that we have
2 provided, and the fifth is a tracker, those don't
3 necessarily align with goals. They're not
4 developed to address certain goals.

5 As I mentioned earlier, there is, in
6 terms of the energy efficiency and the electric
7 vehicle PIM that we proposed, there is an
8 opportunity for additional PIMs to be presented
9 in this case that would address this more
10 specifically, once those rules and requirements
11 were further defined by the Commission.

12 Q So, I guess, I hear your answer
13 correctly you're saying that, aside from the
14 interconnection PIM, there are currently no other
15 PIMs that align the Districts energy?

16 A There are none in our case, but the
17 platform to add additional ones is being
18 established in this multirate plan.

19 Q Okay. Turning to Page 17 of your
20 second supplemental direct. Starting at page,
21 sorry, Line 11.

22 A Okay.

1 Q You state, the MRP supports the
2 Company's investments in this distribution system
3 that will contribute to the success of achieving
4 the District of Columbia's clean energy goals
5 which will result in the reduction of greenhouse
6 gas emissions, improve overall quality of air in
7 the District of Columbia and the health of its
8 citizens.

9 What is the total projected greenhouse
10 gas emissions projected to be reduced from
11 investments proposed in the MRP?

12 A So, this statement is not about the
13 current MRP filing, this statement is addressing
14 a multiyear rate plan. And the process of over
15 the long-term, being able to align our future
16 plan with the District's energy goals and making
17 the investments that support those.

18 So this statement is not about the
19 current three-year plan, it's about a multiyear
20 rate plan.

21 Q Okay. So Pepco, and Pepco does not
22 have a greenhouse gas emissions reduction number

1 that it can point to that will result from this
2 current MRP?

3 A I don't have that number.

4 Q And then finally, turning to Page 11
5 of your second supplemental direct.

6 A Okay.

7 Q Starting at Lines 12 through 15.
8 Focusing on Lines 12 through 15. Did Pepco
9 request a lower return on equity in its proposed
10 MRP to reflect the fact that approval, "approval
11 of the MRP would be viewed as credit positive by
12 the rating agencies."

13 A The Company witness Hevert is
14 proposing an ROE of 10.3 in this case. Which is
15 higher than its current authorized ROE.

16 Q So is the answer no?

17 A I think I answered your question.
18 Unless you want to ask it again, I think I
19 answered your question.

20 Q You didn't.

21 A Okay.

22 MR. CALDWELL: That's all the

1 questions I have.

2 MS. MOUTON-HENDERSON: All right.

3 That will conclude our deposition. Thank you
4 everyone for coming and we'll let you know when
5 this is ready for a transcription.

6 (Whereupon, the above-entitled matter
7 went off the record at 2:59 p.m., signature
8 having not been waived.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

Deposition of: Kevin McGowan

In the matter of: Pepco Application Case No 1156

Before: DC OPC

Date: 02-07-20

Place: Washington, DC

were duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings; and that I am neither counsel for, related to, nor employed by any of the parties to this action in which this deposition was taken; and further that I am not a relative nor an employee of any of the parties nor counsel employed by the parties, and I am not financially or otherwise interested in the outcome of the action.



Court Reporter

NEAL R. GROSS

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POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

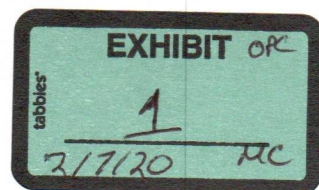
QUESTION NO. 1

Support for MRP Proposal. With reference to Mr. McGowan's testimony, Pepco (B) at 21:5-8, please provide all cost-benefit studies, reports, or analyses prepared by or for Pepco concerning the impact of the MRP proposed in this proceeding upon "customers and the District of Columbia."

RESPONSE:

The Company's analyses related to the bill impacts of the proposed rate increase and the results are presented by Company Witness Blazunas in PEPCO (F)-7. As noted by Company Witness McGowan in his Direct Testimony (at page 48 lines 11-14) the estimated bill impact for the typical residential customer in 2022 (using 692 kWh per month) is expected to be approximately 6.5% lower than it was in 2011, a period of approximately 11 years.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 38

QUESTION NO. 2

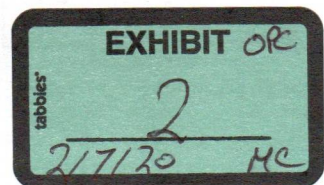
MRP Revenue Deferral. Please refer to Mr. McGowan's supplemental testimony, Pepco (2B) at 4:15-18.

- A. Please demonstrate how you calculated that the typical SOS rate for a residential customer in 2022 will be 6.6% lower than it was in 2011.
- B. Does Pepco's SOS rate include both a distribution rate component and an energy component?
- C. Please state the anticipated monthly bill increase, in 2021 and 2022, for a typical residential customer taking only distribution service.
- D. Was Pepco's decoupling mechanism, the Bill Stabilization Adjustment (BSA), in place in 2011?

RESPONSE:

- A. See FC 1156 OPC DR 38-2 Attachment.
- B. Assuming this is in reference to the total estimated monthly bill for the typical SOS customer, then yes, the Company included all components of the residential bill including energy, distribution, transmission and surcharges.
- C. The Company does not calculate the bill impact of a residential customer who has subscribed to a third-party supplier because the energy rate plans can vary. The Company uses the estimated bill for the typical SOS residential customer as a proxy for the residential customer..
- D. Yes. The BSA has been in place since November 1, 2009.

SPONSOR: Kevin M. McGowan and Peter Blazunas



District of Columbia Residential Rate Impacts
VARIABLE USAGE

Usage	Rates Effective:	Distribution	Supply	Transmission	Surcharges and Taxes	Total Bill
737.03	07/21/2010 Eff Rates	\$ 15.54	\$ 80.13	\$ 2.55	\$ 7.51	\$105.73
720.98	12/31/2011	\$ 15.26	\$ 66.69	\$ 3.26	\$ 7.97	\$93.17
697.27	10/18/2012 Eff Rates	\$ 17.44	\$ 59.55	\$ 3.15	\$ 7.34	\$87.48
699.20	12/31/2013	\$ 17.47	\$ 63.83	\$ 4.27	\$ 6.45	\$92.02
691.91	04/16/2014 Eff Rates	\$ 21.25	\$ 63.82	\$ 4.22	\$ 6.53	\$95.82
686.16	12/31/2015	\$ 21.14	\$ 55.23	\$ 4.74	\$ 7.45	\$88.56
677.12	12/31/2016	\$ 20.98	\$ 49.93	\$ 4.85	\$ 7.36	\$83.12
648.88	08/15/2017 Eff Rates	\$ 22.57	\$ 48.11	\$ 4.24	\$ 7.27	\$82.19
692.00	08/13/2018 Eff Rates	\$ 23.13	\$ 48.02	\$ 5.35	\$ 8.94	\$85.43
692.00	Proposed MRP RY1	\$ 31.76	\$ 44.76	\$ 5.35	\$ 9.57	\$91.44
692.00	Proposed MRP RY2	\$ 35.58	\$ 44.76	\$ 5.35	\$ 9.57	\$95.26
692.00	Proposed MRP RY3	\$ 39.07	\$ 44.76	\$ 5.35	\$ 9.57	\$98.75
Bill Impact						-6.60%

POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 10

QUESTION NO. 14

Policy and Capital Plan. In his testimony, Pepco (A) at 9:3-7, Mr. Velazquez states that, “While many of the investments needed to allow widespread adoption of the technologies discussed above are not in the current capital plan through 2022, we believe it is time to evaluate and adopt an MRP so that parties may start the process of aligning the Company’s planned investments with the goals of the District of Columbia and expectations of customers.”

- A. Please identify which investments are in the current capital plan through 2022 that would “allow widespread adoption of the technologies discussed [in Mr. Velazquez’s testimony]”;
- B. Please identify the “investments needed to allow widespread adoption of . . . technologies” that are not in the “current capital plan through 2022.”
- C. If the investments currently being made are not needed to allow widespread adoption of technologies, then what are the purposes of these current investments?

RESPONSE:

- A. As discussed in Company Witness Clark’s testimony (see, e.g., PEPCO (I) at 21-22), the Company is undertaking or proposing several key projects and initiatives that align the mission of the Company with the District’s policy goals, such as those articulated in the “CleanEnergy DC Omnibus Amendment Act of 2018.” Many of these initiatives, like Pepco’s proposal for transportation electrification and the work that will come out of the PowerPath DC process, require further Commission action before budgeting can be completed and, as such, are not specifically included in the capital budget. In addition, executing Pepco’s proposed Distribution System Planning Non-Wires Alternative (DSP NWA) process could require investments in facilitating resources and may result in the substitution of cost-effective NWAs for select items in the current capital budget.
- B. See the Direct Testimony of Company Witness Clark (PEPCO (I)) at 21-22 for a description of Pepco’s understanding of the types of initiatives that will need to be undertaken in order to align Pepco’s plans to District policy.
- C. The current capital plans, as set forth in its 2019 budget and forecast for the MRP period, remain focused on distributing electricity to Pepco’s customers safely and reliably. The projects included in PEPCO (I)-2 are, therefore, not singularly focused on allowing widespread adoption of new and innovative technologies. However, many of these same projects allow for the introduction and adoption of new technologies and are necessary for maintaining reliability and resiliency of the distribution system in the District of Columbia.

SPONSOR: David M. Velazquez & Bryan L. Clark



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

QUESTION NO. 6

MRP Proposal Development. With reference to Mr. McGowan's testimony, Pepco (B) at 37, please reconcile the statement in footnote 26 that "the existence of a variance does not call into question the prudence of the project in question" with the statement on lines 10-12 that "[t]he only issue before the Commission in an Annual Reconciliation Filing will be the prudence of any variance from the projections presented in the MRP."

RESPONSE:

The Annual Reconciliation Filing is intended to focus on the explanation of the total cost variance. If a variance exists with a capital project, the Annual Reconciliation Filing should not be another opportunity for a party to relitigate the prudence of whether the capital project should have been pursued.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

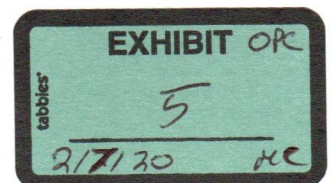
QUESTION NO. 21

Support for MRP Proposal. With reference to Mr. McGowan's testimony, Pepco (B) at 34:1-6, please provide all studies, reports, or analyses prepared by or for Pepco that forecast how often Pepco can expect to earn a return that is more than twenty-five basis points higher than its authorized ROE.

RESPONSE:

No such studies, reports, or analyses were prepared.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

QUESTION NO. 22

Support for MRP Proposal. With reference to Mr. McGowan's testimony, Pepco (B) at 34:1-6, please provide all studies, reports, or analyses prepared by or for Pepco that forecast how often Pepco can expect to earn a return that is more than twenty-five basis points lower than its authorized ROE.

RESPONSE:

No such studies, reports, or analyses were prepared.

SPONSOR: Kevin M. McGowan & Tyler W. Wolverton



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 22

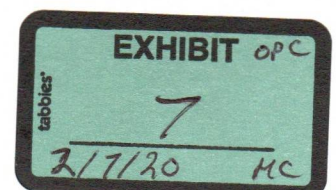
QUESTION NO. 11

PIM Development. With reference to Mr. Poncia's testimony, Pepco (Q) at 15:10-12, would Pepco be able, under the proposed MRP, to petition for relief from a penalty through the reopener provision?

RESPONSE:

Yes. However, the re-opener is viewed by the Company as a last resort to mitigate significant unforeseen circumstances or exit from the MRP. The re-opener provision provides any party, including the Commission, the ability to file a petition to reopen and review the MRP to address any unintended outcomes of the MRP.

SPONSOR: Kevin M. McGowan, Michael S. Poncia, & Tyler W. Wolverton



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

QUESTION NO. 36

MRP Proposal Development. With reference to Mr. McGowan's testimony, Pepco (B) at 46:1-2, Mr. McGowan states that, "[t]he MRP sets rates three years into the future, which is an increased risk on the Company to manage actual costs versus forecast." If the MRP increases risk, why is Pepco proposing it?

RESPONSE:

Although one particular component may increase or decrease risk, the reference on page 46, line 1-2, is preceded by the statement on Page 45, lines 21-22, of the Direct Testimony of Company Witness McGowan, which states the Company would maintain a comparable level of financial risk to its current financial risk if the proposed MRP is adopted. Company Witness Hevert notes on page 52, lines 2-9, of his Direct Testimony Pepco (G) that the MRP does not reduce the Company's risk relative to its peers.

SPONSOR: Kevin M. McGowan & Robert B. Hevert



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

QUESTION NO. 2

MRP Proposal Development. With reference to Mr. McGowan's testimony, Pepco (B) at 21:5-8, please explain how this proposal improves transparency as compared to the status quo. Please provide any analyses, studies, or projections prepared by or for Pepco that support this claim.

RESPONSE:

See response to FC 1156 OPC 10-11. No analyses, studies or projections were prepared specific to support this claim.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

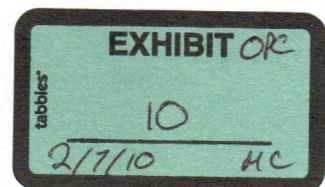
QUESTION NO. 13

Support for MRP Proposal. With reference Mr. McGowan's testimony, Pepco (B) at 23:11, is it Mr. McGowan's testimony that investments supportive of the District's energy policy goals will not be made by Pepco absent approval of the MRP proposed in this proceeding?

RESPONSE:

The reference to Company Witness McGowan's testimony at page 23 summarizes one of the many benefits the MRP provides and does not reference whether an investment will be made or not. However, the Company's ability to make incremental investments to meet these changing expectations of the customers and other stakeholders that go beyond our obligation to provide safe and reliable service will be challenged absent Commission approval of the MRP.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 12

QUESTION NO. 14

MRP Proposal Development. With reference to Mr. McGowan's testimony, Pepco (B) at 23:16-18, please provide a copy of any analysis by or for Pepco that assesses, in terms of either cost or staff time, the resources expected to be devoted to MRP annual reconciliation processes.

RESPONSE:

The requested analysis has not been performed.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 11

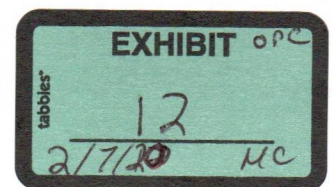
QUESTION NO. 7

PIM Development With respect to Mr. McGowan's testimony, Pepco (B) at 9:12-15, Mr. McGowan states that "the Company has improved the interconnection process to promote the use of solar connections, supported energy efficiency programs in the District of Columbia, and provided tools and information to customers to manage their energy usage, all for the benefit of our customers." Please identify any Performance Incentive Mechanism or similar program that incentivized the Company to make these improvements.

RESPONSE:

Many of the improvements to the interconnection process were agreed to by the Company and are included in the PHI/Exelon Merger Commitments. The Commission also promulgated a new rule on January 9, 2019 that accelerates the timeline for the vast majority of interconnection reviews and approvals. Specifically, the size of Level 1 interconnection requests has been increased from 10kW to 20KW, and the time to complete the approval to install has been decreased from 15 days to five days. Further, see Table 5 on pg. 34, of Company Witness Clark's Direct Testimony, Pepco_(I). Moreover, as grid modernization moves forward in the District of Columbia and Pepco is adding new technologies to its system, using new technologies in lieu of wires investments, and acting as a platform for energy transactions, continued improvement of the DER interconnection process will become increasingly important.

SPONSOR: Kevin M. McGowan



POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA FORMAL CASE NO. 1156
RESPONSE TO OPC DATA REQUEST NO. 22

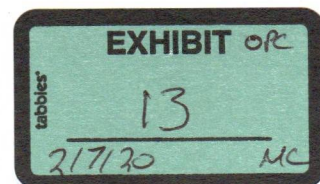
QUESTION NO. 14

PIM Development. With reference to Mr. McGowan's testimony, Pepco (B) at 38:2-12, please identify all alternative PIMs that were considered by Pepco but not included in the application at issue in this proceeding.

RESPONSE:

As part of Pepco's development of the MRP filed with the Commission in Formal Case No. 1156, the Company held four external stakeholder workshops conducted from Q3 2018 through Q2 2019. The third external stakeholder workshop (January 2019) included a presentation and discussion of the PIMs that were considered by Pepco but not included in the in the Company's MRP filing. Please see FC 1156 OPC DR 11-21 Attachment C, slide 23.

SPONSOR: Kevin M. McGowan

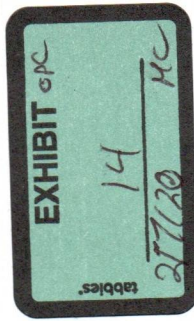




Performance Based Regulation

Stakeholder Workshop #3

January 29, 2019



Pepco PIMs Proposal – Summary*

Category	Goal	Metric	Target	Penalty/ Reward**
Operational	Reliability	SAIFI	Extend Merger Condition 54 2020 target thru 2022	-10 bps / +10 bps
Operational	Reliability	SAIDI	Extend Merger Condition 54 2020 target thru 2022	-10 bps / +10 bps
Operational	Reliability	CEMI-4	Tracking Only	N/A
Operational	Cust. Service	Service Level	1 st Quartile performance	-2.5 bps / +2.5 bps
Operational	Cust. Service	Abandonment Rate	1 st Quartile performance	-2.5 bps / +2.5 bps
Policy	Carbon Emissions	EV Implementation	Varies based on offering	-5 bps / +5 bps
Policy	Peak Load Management / Energy Efficiency / Data Access / Affordability	Peak Load Reduction (MW), Usage Reduction (MWh)	Potential Demand Response, Various Potential Energy Efficiency Programs	TBD
Policy	DER	Interconnection Review Timeframe	Average ATI – 5 days	-5 bps / +10 bps



*Metrics in this presentation are for discussion purposes only to explain how PIMs could work in DC
 **Representation only, can be modified. Cap to +/- 25 bps

Other Potential PIMs Considered, Not Currently Included

Potential PIM	Notes
CVR Deployment	Approx. 9,700 DC customers in CVR program. 2 DC substations unable to support CVR because would cause customer voltage problems, 2 other substations being studied Summer 2019.
System Utilization	EV, DR, EE programs will help, as would dynamic pricing and/or TOU
Dynamic Pricing	Under consideration in MEDSIS
Time-Based Rates	Under consideration in MEDSIS
Non-Wires Alternatives / DSP process	Under consideration in MEDSIS
Microgrid Development	Under consideration in MEDSIS
Overall Customer Satisfaction Rating	Can be influenced significantly by exogenous factors
First Call Resolution	Pepco just started tracking this metric. Limited historical data to build on.
Workforce Development	Funding through merger commitment 22
Fleet Electrification	EV technology not available for utility trucks at this point, hard to predict when that will happen
Resiliency	Metrics still under development, could consider number of customers able to be sectionalized



ERRATA

ERRATA

DEPOSITION/TESTIMONY OF:		Kevin McGowan	
IN THE MATTER OF:		The Application of PEPCO to Implement Multiyear Rate Plan	
DOCKET NO.:	Formal Case No. 1156	TAKEN ON:	2-7-20

INSTRUCTIONS:

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2. On this form only, at places you feel ought to be looked at: List page number, line number, proposed alternative version and reason for change.
3. Sign the signature page before a notary public and have the page notarized.
4. Return the notarized signature page and completed errata sheets to the designated officer.

PAGE #	LINE #	CHANGE	REASON
3		"Karim Hussain" should be "Hussain Karim"	First; last names reversed
156	22	"multirate" should be "multi-year rate"	Correct term
158	13	"an" should be "and"	transcription error
159	3	"in" should be "any"	Transcription error
159	3	Strike "the"	" "
159	3	"and" should be "in"	" "
161	16	Strike "have"	" "
163	8	Strike "create" insert "accrue to"	" "
166	5	Strike "at" insert "is that"	" "
168	12	insert "if" between "guess" & "I"	" "
170	20	change "didn't" to "did"	" "

*

AUTHENTICATION BY SIGNATURE

I, the undersigned, do hereby certify by my signature hereunder that I have read the foregoing deposition of testimony given by Kevin McGowan on 02/07/20, and find said transcription to be a true and accurate record, as corrected.


Brian Caldwell

Sworn to and subscribed before me this 19th day
of February, 2020.


Notary Public

VALERIE DEAL
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires June 30, 2023

My commission expires _____



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ERRATA

ERRATA

DEPOSITION/TESTIMONY OF:	Kevin McGowan		
IN THE MATTER OF:	The Application of Potomac Electric Power Company for Authority to Implement a Multiyear Rate Plan for Electric		
DOCKET NO.:	FC 1156	TAKEN ON:	Feb. 7, 2020 Distribution Service in the District of Columbia

INSTRUCTIONS:

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4. Return the notarized signature page and completed errata sheets to the designated officer.

PAGE #	LINE #	CHANGE	REASON
11	17	"office" to "offer"	what Mr. McGowan said Standard Offer Service is name
31	21	"there's plenty" to "and planning"	what Mr. McGowan said
49	9	"day request" to "data request"	what Mr. McGowan said & name of the type of inquiry
101	1	"a fine" to "a filing"	what Mr. McGowan said
109	13	"Charted" to "targeted"	what Mr. McGowan said
110	6	"regulation" to "upcoming"	what Mr. McGowan said
113	12	"employees" to "parties"	what Mr. McGowan said
118	15	"gain" to "case"	what Mr. McGowan said & rate case is proper name
129	11	"lay up" to "lay out"	what Mr. McGowan said
147	2	"employees" to "parties"	what Mr. McGowan said
155	1	"in out" to "and out"	what Mr. McGowan said
16	7	"Blouzoutis" to "Blazunas"	Actual spelling
9	17	"Blouzoutis" to "Blazunas"	Actual spelling
20	12	"A" to "Q"	To make clear it is Mr. Shaw
25	16	"we" to "was"	what Mr. McGowan said

PAGE #	LINE #	CHANGE	REASON
34	22	"on" to "an"	What Mr. McGowan said
44	18,2	"multi- rate " to "multi-year rate"	actual name
45	4	"multi-rate" to "multi-year rate"	actual name
45	8	"multi-rate" to "multi-year rate"	actual name
49	9	"day" to "data"	name of type of inquiry
53	16,19	"plant and service" to "plant in service"	actual name
58	17	"multi-rate" to "multi-year rate"	actual name
59	1	"multi-rate" to "multi-year rate"	actual name
61 & 18,12		"multi-rate" to "multi-year rate"	actual name
60	16	"multi-rate" to "multi-year rate"	actual name
60			
63	21	"multi-rate" to "multi-year rate"	actual name
64	6,10	"multi-rate" to "multi-year rate"	actual name
65	17	"multi-rate" to "multi-year rate"	actual name
67	7	"and service" to "in service"	actual name
69	21	"multi-rate" to "multi-year rate"	actual name
78	7,16,11	"multi-rate" to "multi-year rate"	actual name
79	2,4,	"multi-rate" to "multi-year rate"	actual name
83	7	"multi-rate" to "multi-year rate"	actual name
85	22	"multi-rate" to "multi-year rate"	actual name
86	3	"multi-rate" to "multi-year rate"	actual name
87	21	"multi-rate" to "multi-year rate"	actual name
89	3	"multi-rate" to "multi-year rate"	actual name

PAGE #	LINE #	CHANGE	REASON
90	20	"multi-rate" to "multi-year rate"	actual name
95	1	"multi-rate" to "multi-year rate"	actual name
96	3,6,21	"multi-rate" to "multi-year rate"	actual name
99	1,9	"multi-rate" to "multi-year rate"	actual name
105	1,22	"multi-rate" to "multi-year rate"	actual name
106	4,	"multi-rate" to "multi-year rate"	actual name
118	15	"traditional rate gain. Regulatory regime" to "traditional ^{rate case} regulatory regime."	What Mr. McGowan said
129	7-8	change to "expects to spend. In the annual reconciliation process, it will allow"	What Mr. McGowan said
129	11	"lay up" to "lay out"	what Mr. McGowan said
131	6	"day" to "data"	actual name
133	1	"multirate" to "multi-year rate"	actual name
136	21-22	change to "the interconnection is not a tracking PIM"	what Mr. McGowan said
145	5	"multirate" to "multi-year rate"	actual name
145	22	"Interactions" to "Interruptions"	actual name
147	2	"employees" to "parties"	what Mr. McGowan said
148	3,4,16	"multirate" to "multi-year rate"	actual name
156	22	"multirate" to "multi-year rate"	actual name
159	6	"great" to "grid"	what Mr. McGowan said

*

AUTHENTICATION BY SIGNATURE

I, the undersigned, do hereby certify by my signature hereunder that I have read the foregoing deposition of testimony given by me on 02/07/20, and find said transcription to be a true and accurate record, as corrected.



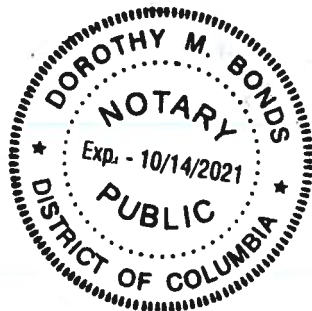
KEVIN MCGOWAN

Sworn to and subscribed before me this 24th day
of February, 2020.



Notary Public

My commission expires 10/14/2021.



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CERTIFICATE OF SERVICE

Formal Case No. 1156, *In the Matter of the Application of Potomac Electric Power Company for Authority to Implement a Multiyear Rate Plan for Electric Distribution Service in the District of Columbia*

I certify that on February 28, 2020 a copy of the *Stipulation to and Joint Motion for the Admission Into the Record of the Deposition Transcript of Mr. Kevin M. McGowan* was served on the following parties of record by hand delivery, first class mail, postage prepaid or electronic mail:

Brinda Westbrook-Sedgwick
Commission Secretary
Christopher Lipscombe
General Counsel
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA
1325 G Street, NW, Suite 800
Washington, DC 20005
bwestbrook@psc.dc.gov
CLipscombe@psc.dc.gov

Karen M. Hardwick
Senior Vice President and General Counsel
Cathy Thurston-Seignious
Supervisor, Administrative and Associate
General Counsel
WASHINGTON GAS LIGHT COMPANY
1000 Maine Avenue, SW, Suite 700
Washington, DC 20024
(202) 624-6105
cthurston-seignious@washgas.com

Kim Hassan
Associate General Counsel
Andrea H. Harper
Assistant General Counsel
Dennis P. Jamouneau
Assistant General Counsel
Brian Doherty,
Manager, Regulatory Affairs
POTOMAC ELECTRIC POWER
COMPANY
701 Ninth Street, N.W.
Washington, DC 20068
Kim.hassan@exeloncorp.com
ahharper@pepcoholdings.com
djamouneau@pepcoholdings.com
bdoherly@pepcoholdings.com

Michael R. Engleman, Esq.*
Robert C. Fallon, Esq.
ENGLEMAN FALLON, PLLC
Counsel on behalf of D.C. Water and Sewer
Authority
1717 K Street NW, Suite 900 Washington,
DC 20006 (202) 464-1332
Meena Gowda
Deputy General Counsel
DISTRICT OF COLUMBIA WATER AND
SEWER AUTHORITY
5000 Overlook Avenue, S.W.
Washington, D.C. 20032
mengleman@efenergyllaw.com
rfallon@efenergyllaw.com
Meena.gowda@dcwater.com

Lucas R. Aubrey*
Logan J. Place
SHERMAN DUNN, P.C.
Counsel for International Brotherhood of
Electrical Workers, Local No. 1900
900 7th Street, N.W., Suite 1000
Washington, D.C. 20001
aubrey@shermardunn.com
place@shermardunn.com

Brian R. Greene
Eric J. Wallace
GREENEHURLOCKER, PLC
Counsel for Maryland DC Virginia Solar
Energy Industries Association
1807 Libbie Avenue, Suite 102
Richmond VA 23226
BGreene@GreeneHurlocker.com
EWallace@GreeneHurlocker.com

*Designated for Service

Frann G. Francis, Esq.*
Senior Vice President and General Counsel
Nicola Y. Whiteman
Excetral K. Caldwell
APARTMENT AND OFFICE BUILDING
ASSOCIATION OF METROPOLITAN
WASHINGTON
1025 Connecticut Avenue, N.W.
Suite 1005
Washington, D.C. 20036
(202) 296-3390
ffrancis@aoba-metro.org

Kristi Singleton*
Assistant General Counsel
Michael Converse
Assistant General Counsel
Lariza Sepulveda
Economist
THE U.S. GENERAL SERVICES
ADMINISTRATION
1800 F Street NW, #2016
Washington DC, 20405
(202) 969-7136
Dennis Goins
POTOMAC MANAGEMENT GROUP
P.O. Box 30225
Alexandria, Virginia 2310-8225
Kristi.Singleton@gsa.gov
michael.converse@gsa.gov
Lariza.Sepulveda@gsa.gov
dgoinspmg@verizon.net

James Birkelund
SMALL BUSINESS UTILITY
ADVOCATES
548 Market St., Suite 11200
San Francisco, CA 94104
Soyun Park
SMALL BUSINESS UTILITY
ADVOCATES C/O MICRO BUSINESS
NETWORK
777 6th Street NW
Washington, DC 20001
james@utilityadvocates.org
microbiznetwork@gmail.com

Brian J. Petruska
General Counsel
Gabriele Ulbig
Associate Counsel
Laborers' International Union of North
America (LIUNA) Mid-Atlantic Region
11951 Freedom Drive, Suite 310
Reston Virginia, 20190
May Va Lor
Corporate Affairs Department
LIUNA
905 16th Street, NW
Washington, DC 20006
BALTIMORE WASHINGTON
CONSTRUCTION AND PUBLIC
EMPLOYEES LABORERS' DISTRICT
COUNCIL (BWLDC)
bpetruska@maliuna.org
gulbig@maliuna.org
mlor@liuna.org

/s/ Brian Caldwell
Brian Caldwell