

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Re: Petition of PECO Energy  
Company for Approval to  
Establish a Distribution System  
Improvement Charge for its  
Gas Operations**

**Public Meeting: September 3, 2015  
2347340-TUS  
Docket No. P-2013-2347340**

**MOTION OF COMMISSIONER JAMES H. CAWLEY**

Before the Commission for consideration is the Petition for approval of the Distribution System Improvement Charge (DSIC) of PECO Energy Company (PECO). The staff recommendation is to grant the Petition and approve the DSIC, subject to some modifications, and to assign one issue to our Office of Administrative Law Judge (OALJ) for hearing and a recommended decision. I am in general agreement with this recommendation.

However, I believe one additional issue should be assigned to the OALJ. In calculating the DSIC revenue caps, PECO proposes to apply the 5% limit to distribution charges, consumer education charges, state tax adjustments, and balancing charges.<sup>1</sup> Act 11, however, only permits the 5% cap to be applied to distribution rates, which may exclude all supply-related rates. PECO's testimony asserts that no supply-related costs have been incorporated into the calculation of the 5% cap.<sup>2</sup> Furthermore, PECO apparently recovers its costs for balancing services through distribution charges in its current tariff. A tariff has the force of law and is presumed to be reasonable.

While the Commission may have permitted balancing services to be classified as distribution in nature in the PECO tariff, I am not sure that this is a just and reasonable rate design. Balancing charges may be more appropriately characterized as Purchase Gas Costs (PGC)-related supply costs. Lastly, it is not clear that any other Pennsylvania Natural Gas Distribution Company currently classifies balancing services as distribution in nature or has sought inclusion of a PGC-related rate component in the DSIC cap calculation. I therefore conclude that PECO's treatment of balancing charges in its tariff and proposal to include balancing charges in the 5% limit should also be referred to the OALJ for further investigation.

THEREFORE, I MOVE THAT:

1. The Petition be granted, consistent with this Motion.
2. The Bureau of Technical Utility Services prepare an Order consistent with this Motion.

September 3, 2015



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James H. Cawley  
Commissioner

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<sup>1</sup> PECO Statement 1 at 8.

<sup>2</sup> Commission Order at 15.