

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PA 17120**

**Petition of PECO Energy Co. for Approval of
Three Proposals Designed to Increase Access to
Natural Gas Service**

**Public Meeting – October 1, 2015
2451772-ALJ
Docket No. P-2014-2451772**

**STATEMENT OF
COMMISSIONER PAMELA A. WITMER**

Before the Pennsylvania Public Utility Commission (Commission) today is the Recommended Decision approving the Joint Petition for Settlement (Settlement) in the above-referenced proceeding. The Settlement approves, with modifications, two of PECO's three original proposals in the Petition with respect to the extension of natural gas service.

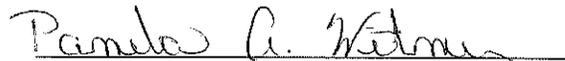
The proposal is a change to the methodology by which prospective customers' required contribution in aid of construction (CIAC) is calculated. PECO will now use the net present value (NPV) methodology to determine whether a main extension is financially sensible. While this methodology is consistent with what other natural gas distribution companies (NGDCs) have proposed and the Commission has approved in other natural gas extensions, PECO is proposing to make this change to their tariff and to use a 40-year revenue period, as opposed to the 15-year period in its current tariff. These changes better recognize the realities and economics of natural gas service, more accurately taking into account the useful life of the facilities in question and resulting in reduced CIAC for prospective customers. Reducing the amount consumers would have to pay for connection to a gas main is a critically important step in removing the financial barriers to extension of natural gas service.

PECO's second proposal is the Neighborhood Gas Pilot Program (NGPP), designed to increase customer access to natural gas service. The program, a 3 year, \$4 million per year pilot, will allow customers to pay the CIAC with a fixed monthly surcharge rather than an up-front lump sum payment. The model for calculating the monthly surcharge payments will: (1) eliminate taxes on surcharge payments; (2) assume a revenue stream from applicants over a 40-year period; (3) include an interest component that will be based on the Company's authorized after-tax cost of capital; (4) include an uncollectible adjustment of 1%; (5) use a 66% penetration rate for customer additions along the mains within the project footprint, which will be reviewed on the fifth anniversary of the start date of the Pilot Program; and (6) based on the review of the 66% penetration rate, future payments would be adjusted downward if the actual penetration rate during the first five years exceeds the initial forecast but there would be no upward adjustment if the actual penetration rate is less than the original forecast. Other pertinent aspects of this Pilot

include participants having a 20-year payment term, regardless of when service begins, not having service terminated for non-payment of the Pilot surcharge, giving customers the ability to pay the remaining balance of the financed amount at any time and including NGPP related investment costs in PECO's next base rate case filing.

I wholeheartedly support our action today to approve these proposals, and applaud the parties for working together and reaching agreement on the terms of the Settlement. Today's action is another in a series of positive steps designed to afford Pennsylvania citizens every reasonable opportunity to avail themselves of the numerous benefits of natural gas. I reiterate my enthusiastic support for these proposals, and I continue to challenge other natural gas distribution companies in unserved or underserved areas to consider ways in which they can bring this homegrown fuel source to more Pennsylvania consumers.

DATE: October 1, 2015


PAMELA A. WITMER
COMMISSIONER