



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF  
INVESTIGATION  
&  
ENFORCEMENT

May 3, 2021

**Via Electronic Filing**

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

Re: Pennsylvania Public Utility Commission v.  
PECO Energy Company – Gas Division  
Docket No.: R-2020-3018929  
**I&E Replies to Exceptions**

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the **Replies to Exceptions of the Bureau of Investigation and Enforcement (I&E)** for the above-captioned proceeding.

Copies are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads 'Scott B. Granger'.

Scott B. Granger  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 63641  
(717) 425-7593  
[sgranger@pa.gov](mailto:sgranger@pa.gov)

SBG/jfm  
Enclosures

cc: Honorable Christopher P. Pell – Office of Administrative Law Judge (*via email*)  
Pamela McNeal, Legal Assistant – Office of Administrative Law Judge (*via email*)  
Office of Special Assistants (*Word File via email* [ra-osa@pa.gov](mailto:ra-osa@pa.gov))  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos.: R-2020-3018929
	:	C-2020-3022400
v.	:	C-2020-3022414
	:	C-2020-3022745
PECO Energy Company – Gas Division	:	

---

**REPLIES TO EXCEPTIONS OF  
THE BUREAU OF INVESTIGATION & ENFORCEMENT**

---

Scott B. Granger  
Prosecutor  
PA Attorney ID No. 63641

Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Dated: May 3, 2021

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	I&E REPLIES TO EXCEPTIONS OF PECO GAS.....	2
A.	I&E Reply to PECO Gas Exception No. 1: The ALJ properly recommended that the Company’s claim for plant additions in the FPFTY be reduced by \$47,624,803. R.D. at 47. ....	2
B.	I&E Reply to PECO Gas Exception No. 2: The ALJ properly recommended that the Company’s claim for a \$35,059,000 Pension Asset in rate base be denied. R.D. at 49. ....	3
C.	I&E Reply to PECO Gas Exception No. 3: The ALJ properly adjusted the employee headcount for the FPFTY and correctly recommended the Commission adjust the employee benefits expense by \$315,000 to reflect 604 employees instead of 639 employees. R.D. at 121-122.....	5
D.	I&E Reply to PECO Gas Exception No. 4: The ALJ properly recommended that the Commission adopt I&E’s proposed reduction to PECO’s claimed contracting and materials expense for the FPFTY. R.D. at 122. ....	6
E.	I&E Reply to PECO Gas Exception No. 5: The ALJ properly recommended that the Commission adopt I&E’s proposed allowance of \$13,437,856 for outside service. R.D. at 124. ....	7
H.	I&E Reply to PECO Gas Exception No. 8: The ALJ properly recommended that the Commission accept I&E’s and the OCA’s position that the Company’s rate case expense be normalized over a period of five years. R.D. at 131. ....	8
I.	I&E Reply to PECO Gas Exception No. 9: The ALJ properly recommended that PECO’s residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409. ....	9
J.	I&E Reply to PECO Gas Exception No. 10: The ALJ properly recommended that the total allowable depreciation expense [be reduced by] \$804,000. R.D. at 134.....	11
K.	I&E Reply to PECO Gas Exception No. 11: The ALJ properly recommended that the Commission deny the Company’s request for an adder of 0.25% for management performance. R.D. at 216.....	12
L.	I&E Reply to PECO Gas Exception No. 12: The ALJ properly recommended that that the Commission adopt I&E’s recommendation that PECO provide an update to the competitive alternative analysis for any customer that has not had their alternative fuel source verified for a period of 5 years or more at the point when PECO files a base rate case. R.D. at 416. ....	13

III.	I&E REPLIES TO EXCEPTIONS OF OCA .....	14
	A. I&E Reply to OCA Exception No. 1: The ALJ properly weighed the evidence presented regarding the impacts of the COVID-19 Pandemic while applying traditional ratemaking methodologies. R.D. at 17. ....	14
	B. I&E Reply to OCA Exception No. 2: The ALJ properly recommended that the Company’s claim for plant additions in the FPFTY be reduced by \$47,624,803. R.D. at 47. ....	15
	D. I&E Reply to OCA Exception No. 4: The ALJ properly recommended that the Commission accept I&E’s proposal to reduce the Company’s claimed gas EE&C expenses by \$1,772,500. R.D. at 131. ....	16
	E. I&E Reply to OCA Exception No. 5: The ALJ properly recommended that the Commission accept the Company’s capital structure; I&E’s proxy group; and, I&E’s cost of common equity; resulting in a recommended overall cost of capital of 7.26%. R.D. at 211-215. ....	17
	G. I&E Reply to OCA Exception No. 7: The ALJ recommended the Commission adopt the Average and Excess (A&E) Cost of Service Study (COSS) offered by the Company in this proceeding. R.D. at 404. ....	18
	H. I&E Reply to OCA Exception No. 8: The ALJ properly recommended the Commission adopt the revenue allocation of I&E, which proposes, inter alia, to allocate approximately \$62,074,000 to the residential customer class. R.D. at 406. ....	20
	J. I&E Reply to OCA Exception No. 10: The ALJ properly recommended that PECO’s residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409. ....	21
IV.	I&E REPLIES TO EXCEPTIONS OF OSBA .....	22
	A. I&E Reply to OSBA Exception No. 1: The ALJ properly recommended that the Commission adopt the 10.24% cost of equity as determined by I&E. R.D. at 215. ....	22
	B. I&E Reply to OSBA Exception No. 2: The ALJ recommended the Commission adopt the Company’s cost of service study methodology for allocating mains costs. R.D. at 405. ....	22
V.	I&E REPLIES TO EXCEPTIONS OF CAUSE-PA .....	23
	D. I&E Reply to CAUSE-PA Exception No. 4: The ALJ properly recommended that the Commission accept I&E’s proposal to reduce the Company’s claimed gas EE&C expenses by \$1,772,500. R.D. at 131. ....	23
	F. I&E Reply to CAUSE-PA Exception No. 6: The ALJ properly recommended that PECO’s residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409. ....	24
VI.	CONCLUSION.....	25

**TABLE OF AUTHORITIES**

**CASES**

*PA PUC v. Columbia Gas*, Docket No. R-2020-3018835  
(Opinion entered February 19, 2021) ..... 9, 14, 15, 18

**STATUTES**

66 Pa. C.S. § 332(h)..... 1

**REGULATIONS**

52 Pa. Code § 5.535..... 1

## I. INTRODUCTION

Pursuant to 66 Pa. C.S. § 332(h) of the Public Utility Code and 52 Pa. Code § 5.535 of the Public Utility Commission regulations, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits these Replies to Exceptions filed by the parties in response to the Recommended Decision of Deputy Chief Administrative Law Judge Christopher P. Pell (“ALJ” or “ALJ Pell”) issued on April 12, 2021 (“Recommended Decision” or “R.D.”)

On September 30, 2020, PECO Energy Company – Gas Division (“PECO” or “PECO Gas” or the “Company”) filed its proposed Tariff Gas - Pa. P.U.C. No. 4<sup>1</sup> to supersede Tariff Gas – Pa. P.U.C. No. 3 and all Supplements thereto with a proposed effective date of November 29, 2020 with the Commission.

The parties in this PECO Gas base rate proceeding are I&E; the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”); and, the Philadelphia Area Industrial Energy Users Group (“PAIEUG”).

By Order entered on October 29, 2020, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase and the matter was assigned to the Office of Administrative Law Judge, ALJ Pell presiding, for the scheduling of hearings culminating in the issuance of a Recommended Decision.

On February 17, 2021, at the time and place set for the evidentiary hearing, the parties appeared telephonically before ALJ Pell. The parties presented certain witnesses and rejoinder testimony subject to cross examination; and, also stipulated to the admission of the remaining

---

<sup>1</sup> See PECO Gas Vol. I of IX, Exh. 2, PECO Gas Tariff No. 4 – Proposed.

pre-served written testimony and waived cross-examination. I&E moved the I&E testimony and exhibits into evidence. A court reporter was present, and a Hearing Transcript (“Hrg. Tr.”) was created and distributed to the parties.

The active parties submitted briefs according to the briefing schedule. I&E submitted its Main Brief on March 3, 2021 (“I&E MB”) as did the other active parties. Then, I&E submitted its Reply Brief on March 15, 2021 (“I&E RB”) as did the other active parties.

As stated previously, on April 12, 2021, ALJ Pell issued his Recommended Decision. I&E, as well as PECO Gas, OCA, OSBA and CAUSE-PA all filed Exceptions to the Recommended Decision on April 26, 2021. I&E now files these Replies to Exceptions of PECO Gas Nos. 1 through 12 (“PECO Exceptions”); OCA Nos. 1 through 10 (“OCA Exceptions”); OSBA Nos. 1 through 3 (“OSBA Exceptions”); and CAUSE-PA Nos. 1 through 6 (“CAUSE Exceptions”) and requests the Commission affirm the Recommended Decision as set forth below.

## **II. I&E REPLIES TO EXCEPTIONS OF PECO GAS**

### **A. I&E Reply to PECO Gas Exception No. 1: The ALJ properly recommended that the Company’s claim for plant additions in the FPFTY be reduced by \$47,624,803. R.D. at 47.**

PECO Gas argues that the R.D. recommends adopting I&E’s proposed adjustment to disallow \$47,624,803 of the Company’s claim for FPFTY plant additions despite the fact that I&E’s own exhibit shows that \$38.5 million of the proposed disallowance was not included in the Company’s claim.<sup>2</sup> I&E disagrees with PECO’s argument and its reinterpretation of its own direct, rebuttal and oral rejoinder testimony; and requests that the Commission reject PECO Exception No. 1.

---

<sup>2</sup> PECO Exceptions, p. 4

The ALJ correctly recommended that that the Company's claim for plant additions in the FPFTY be reduced by \$47,624,803 (from \$82,481,428 to \$34,856,625).<sup>3</sup> The ALJ properly noted, this will have a corresponding impact on the Company's depreciation reserve, requiring that overall accumulated depreciation be decreased by approximately \$804,000 as proposed by I&E.<sup>4</sup>

ALJ Pell correctly concluded that I&E's calculations are reasonable and supported by the record.<sup>5</sup> The ALJ reasoned that:

I&E calculated that the Natural Gas Reliability project is 28% completed with \$33,888,385 spent to date. Dividing the \$33,888,385 by 28% indicates that the total project cost is \$121,029,946. Therefore, the remaining cost of the project is \$87,141,561 (\$121,029,946 – \$33,888,385). The Company further listed the completion date of this project as June 2023, or approximately 2.5 years remaining to complete the project. Accordingly, I&E determined that the Company is projecting it will spend \$87,141,561 over 2.5 years, or, on a linear basis, \$34,856,625 per year (\$87,141,561 / 2.5 years). As the Company is unlikely to spend 94.6% of the remaining project costs in the FPFTY (\$82,481,428 / \$87,141.561 x 100%), I&E recommend an allowance of the linearly determined remaining cost share in the FPFTY, or \$34,856,625.<sup>6</sup>

The ALJ correctly recommended that the Company's claim for plant additions in the FPFTY be reduced by \$47,624,803.

**B. I&E Reply to PECO Gas Exception No. 2: The ALJ properly recommended that the Company's claim for a \$35,059,000 Pension Asset in rate base be denied. R.D. at 49.**

PECO Gas takes exception to the ALJ's recommendation to reject its request for rate recognition of a pension asset that PECO argues the Commission has approved in three prior

---

<sup>3</sup> R.D., p. 47.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*



base rate cases for another electric utility during the 2010 to 2018 period.<sup>7</sup> I&E disagrees and requests that the Commission reject PECO Exception No. 2.

ALJ Pell correctly recommended that the Company's claim for a \$35,059,000 Pension Asset in rate base be denied.<sup>8</sup> The ALJ correctly agreed with both OCA and I&E that PECO's Pension Asset should not be included in PECO's rate base.<sup>9</sup> ALJ Pell stated:

In particular, I am persuaded by I&E's reasoning. I&E noted that the Company argued that the Pension Asset is investor-supplied capital that was actually contributed to PECO's pension fund and assumed for ratemaking purposes to be included in PECO's plant accounts to recover the previously unrecovered associated carrying costs, and that PECO is not seeking their recovery in this case. However, I&E asserted persuasively that the pension asset is created due to the mismatch in GAAP accounting and ratemaking treatment of pension costs, and that there is no real infusion of capital or funds by the investors/stockholders that is eligible for return on investment. I also agree with I&E's assessment that the accumulated balance of the pension asset should not be categorized or described as a utility asset that is used and useful in providing utility services to ratepayers, and as such, should not be included as an eligible asset in the rate base claim to recover the associated carrying costs.<sup>10</sup>

Further, ALJ Pell correctly reasoned:

PECO's reliance on three "black box" settlements in three Duquesne Light Company cases to support inclusion of pension contributions in rate base is not persuasive. As noted by I&E, "black box" settlements allow the parties to reach an amicable agreement which is a negotiated compromise on the part of all parties. Moreover, these negotiated settlements usually contain "Settlement Condition" language indicating that the settlement reflects a compromise of competing positions, that it does not necessarily reflect any of the parties' positions with respect to any issues raised in the proceeding, and that the terms and conditions of the settlement are limited to the facts of that specific case and are the product of compromise for the sole purpose of settling the case.<sup>11</sup>

---

<sup>7</sup> PECO Exceptions, p. 8.

<sup>8</sup> R.D., p. 49.

<sup>9</sup> *Id.*, p. 48.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*, p 49.

The ALJ correctly recommended that the Company's claim for a \$35,059,000 Pension Asset in rate base be denied.

**C. I&E Reply to PECO Gas Exception No. 3: The ALJ properly adjusted the employee headcount for the FPFTY and correctly recommended the Commission adjust the employee benefits expense by \$315,000 to reflect 604 employees instead of 639 employees. R.D. at 121-122.**

PECO Gas argues that PECO's claims in this case for payroll expense, employee benefits and payroll taxes are based upon 639 full-time equivalent ("FTE") employees that PECO plans to have on its payroll for the FPFTY.<sup>12</sup> I&E disagrees with PECO's claim and requests that the Commission reject PECO Exception No. 3.

ALJ Pell correctly recommended that the Commission adjust the employee benefits expense by \$315,000 to reflect 604 employees instead of 639 employees.<sup>13</sup> As stated by the ALJ, adjusting the employee headcount requires a concomitant adjustment to the Company's Projected Employee Benefits expense.<sup>14</sup>

The ALJ was correct to agree with the OCA's adjustment to PECO's employee headcount for the FPFTY by concluding that PECO's headcount for the FPFTY was not adequately supported.<sup>15</sup> The ALJ correctly reasoned further, considering that the Company fell substantially short of its anticipated headcount for 2020, its projected headcount for the FPFTY is speculative at best.<sup>16</sup> Moreover, adopting OCA's adjustment will lead to a reasonable and just rate, as ratepayers will not be paying for the costs of employees who have not been hired.<sup>17</sup>

---

<sup>12</sup> PECO Exceptions, p. 16.

<sup>13</sup> R.D., p. 121.

<sup>14</sup> *Id.*, citing OCA St. 2, Sch. LKM-12.

<sup>15</sup> *Id.*, p. 121.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

ALJ Pell also noted I&E's rejection of PECO's forecasted employee complement for the FPFTY restating I&E's argument that PECO did experience normal employee vacancies when the monthly actual filled positions are compared to the budgeted monthly positions during the last three fiscal years.<sup>18</sup> Secondly, I&E argued PECO's assertion that the FPFTY 639 budgeted positions do not include vacant positions is not reliable nor acceptable because PECO's FPFTY payroll expense claim is calculated based on the total budgeted 639 positions to be maintained/filled throughout the FPFTY.<sup>19</sup> Additionally, I&E noted, PECO's FPFTY budgeted positions were calculated based on 602 filled positions as of June 30, 2020, which is subject to change every month due to unpredictable normal vacancies.<sup>20</sup>

ALJ Pell correctly recommended that the Commission adjust the employee benefits expense by \$315,000 to reflect 604 employees instead of 639 employees resulting from adjusting the employee headcount which requires a concomitant adjustment to the Company's Projected Employee Benefits expense.

**D. I&E Reply to PECO Gas Exception No. 4: The ALJ properly recommended that the Commission adopt I&E's proposed reduction to PECO's claimed contracting and materials expense for the FPFTY. R.D. at 122.**

PECO Gas argues the Company's FPFTY revenue requirement includes contracting and materials expense of \$42,955,000 which was fully supported by substantial record evidence.<sup>21</sup> I&E disagrees with PECO's claim and requests that the Commission reject PECO Exception No. 4.

ALJ Pell correctly concluded that I&E's three-year average is the more prudent approach to calculating the Company's contracting and materials expense and recommended a reduction of

---

<sup>18</sup> R.D., p. 82.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> PECO Exceptions, p. 21.

\$10,015,000 to the Company's \$42,955,000 claimed contracting and materials expense for the FPFTY.<sup>22</sup>

The ALJ correctly reasoned, as noted by I&E, the Company's actual contracting and materials expense was underspent in 2017, 2018 and 2019.<sup>23</sup> Although the Company asserts that its reduced contracting and materials expenses in 2020 was the result of work stoppages due to the COVID-19 pandemic, ALJ Pell agreed with I&E that it would be speculative at best to assume that the pandemic will not have any impact on the Company's projects in the FTY and the FPFTY and that the Company will be able to spend its entire budgeted amount for those periods.<sup>24</sup>

ALJ Pell correctly recommended the Commission adopt I&E's proposed reduction of \$10,015,000 to the Company's \$42,955,000 claimed contracting and materials expense for the FPFTY based on an average of PECO's last three years of contracting and materials expenses.<sup>25</sup>

**E. I&E Reply to PECO Gas Exception No. 5: The ALJ properly recommended that the Commission adopt I&E's proposed allowance of \$13,437,856 for outside service. R.D. at 124.**

PECO Gas is seeking recovery of approximately \$22,135,000 in outside services expenses in the FPFTY and argues that the Company's HTY actual outside services expense was \$21,648,000, and the Company's FTY expense \$21,093,000.<sup>26</sup> PECO argues further, the Company's FPFTY claim thus represents an approximately 4.9% increase over the FTY, but only an approximately 2.25% increase over the HTY.<sup>27</sup> I&E rejects PECO arguments and requests that the Commission reject PECO Exception No. 5.

---

<sup>22</sup> *Id.*, p. 122.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> PECO Exceptions, p. 24.

<sup>27</sup> *Id.*

ALJ Pell correctly agreed with I&E's argument that the use of inflation factors to determine a proforma expense allowance is acceptable, as long as the inflation factors used are specified and the determined amounts are supported by calculations.<sup>28</sup> The ALJ reasoned, since that did not happen here, the ALJ recommended that the Commission adopt I&E's proposed allowance of \$13,437,856 for outside services.<sup>29</sup>

The ALJ noted, I&E argued that the Company's increase of 26.55% in the FTY over the HTY actual expense and additional 4.57% increase for the FPFTY are unsupported.<sup>30</sup> The ALJ then agreed with I&E that the Company's claimed increase in outside services expenses is overstated and unsupported.<sup>31</sup> ALJ Pell recognized that I&E witness Patel's testimony that the Company had been experiencing a declining trend in both the EBSC costs and the contracting service costs for the three years prior to the FTY was particularly persuasive.<sup>32</sup>

ALJ Pell was correct to agree with I&E that the use of inflation factors to determine a proforma expense allowance is acceptable, as long as the inflation factors used are specified and the determined amounts are supported by calculations; and, in recommending the Commission adopt I&E's proposed allowance of \$13,437,856 for outside services.

**H. I&E Reply to PECO Gas Exception No. 8: The ALJ properly recommended that the Commission accept I&E's and the OCA's position that the Company's rate case expense be normalized over a period of five years. R.D. at 131.**

PECO Gas argues that it has claimed an allowance for rate case expense of \$1.6 million and proposes to amortize this amount over a three-year period, resulting in a claim of \$520,000 per year.<sup>33</sup> PECO argues further, the three-year amortization period is based on the Company's

---

<sup>28</sup> R.D., p. 123-124.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*, p. 122.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> PECO Exceptions, p. 29.

stated expectation that it will need to file a base rate case in three years.<sup>34</sup> I&E rejects PECO arguments and stated expectations, and requests that the Commission reject PECO Exception No. 8.

ALJ Pell correctly recommended the Commission accept I&E's and the OCA's position that the Company's rate case expense be normalized over a period of five years.<sup>35</sup>

The ALJ correctly agreed with I&E and OCA that the Company's rate case expense should be normalized over a five-year period.<sup>36</sup> ALJ Pell properly noted, in the recent *Columbia Gas* case, the Commission indicated that "the normalization period should align with the historic data rather than the Company's assertion" as to when it is likely to file their next base rate case.<sup>37</sup> Further, the ALJ noted, since 2010, PECO Gas has filed two base rate cases, with the first case being filed in 2010 and the second case being filed in 2020.<sup>38</sup> The ALJ properly concluded, based on PECO's filing history, the appropriate length of time for normalization for the Company's rate case expense is five years.<sup>39</sup>

ALJ Pell was correct to recommend the Commission accept I&E's and the OCA's position that the Company's rate case expense be normalized over a period of five years.

**I. I&E Reply to PECO Gas Exception No. 9: The ALJ properly recommended that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409.**

PECO argues that it believes the proposed customer charge is consistent with gradualism because it falls below the level of demonstrated residential class customer-related costs and would be within a reasonable range of the residential customer charges of other major

---

<sup>34</sup> *Id.*

<sup>35</sup> R.D., p. 131.

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*, citing *PA PUC v. Columbia Gas*, R-2020-3018835 at 78-79 (Opinion entered February 19, 2021).

<sup>38</sup> *Id.*, p. 131.

<sup>39</sup> *Id.*

Pennsylvania gas utilities.<sup>40</sup> PECO argues further, scaling back the proposed residential customer charge as the ALJ recommends is unreasonable because it would move the charge further away from the indicated cost of service.<sup>41</sup> I&E rejects PECO arguments and flawed reasoning, and requests that the Commission reject PECO Exception No. 9.

ALJ Pell correctly recommended that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase.<sup>42</sup>

The ALJ correctly reasoned that a 36% increase to the customer charge violates the principle of gradualism.<sup>43</sup> Noting further, "this monthly charge cannot be avoided or reduced."<sup>44</sup> Adding, "no matter what PECO customers do to try to bring their residential gas bills down, they must pay this customer charge or risk losing their gas service."<sup>45</sup>

The ALJ also noted that I&E indicated that while the Company's proposed customer charge is supported by the customer cost analysis; I&E also acknowledged that the 36% increase is a significant increase that cannot be ignored.<sup>46</sup> Further, I&E disagreed with the Company that the customer charge of other natural gas distribution companies should be the determining factor for the rates of PECO customers.<sup>47</sup> Finally, I&E proposed that the customer charge be included in the scale back of rates if the Commission grants less than the full requested increase.<sup>48</sup>

---

<sup>40</sup> PECO Exceptions, p. 32.

<sup>41</sup> *Id.*

<sup>42</sup> R.D., p. 409.

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*, pp. 305, 409.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*, pp. 303-304, 409.

ALJ Pell was correct to recommend that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase.

**J. I&E Reply to PECO Gas Exception No. 10: The ALJ properly recommended that the total allowable depreciation expense [be reduced by] \$804,000. R.D. at 134.**

PECO argues simply that the Commission should reject the RD's proposed adjustment to depreciation expense for the reasons set forth in Exception No. 1.<sup>49</sup> I&E disagrees and requests that the Commission reject PECO Exception No. 10.

ALJ Pell correctly recommended that the total allowable depreciation expense [be reduced by]<sup>50</sup> \$804,000.<sup>51</sup>

The ALJ correctly reasoned, while discussing the I&E reduction of \$47,624,803 to PECO's claimed plant additions for the FPFTY,<sup>52</sup> that the linearly determined I&E calculations are reasonable and are supported by the record.<sup>53</sup> Further, the ALJ correctly concluded, this reduction to the claimed FPFTY plant additions results in a "corresponding impact on the Company's depreciation reserve, requiring that overall accumulated depreciation be decreased by approximately \$804,000 as proposed by I&E."<sup>54</sup>

ALJ Pell was correct to recommend that the total allowable depreciation expense [be reduced by] \$804,000.

---

<sup>49</sup> PECO Exceptions, p. 32.

<sup>50</sup> R.D., p. 134. The R.D. appears to contain a misstatement. The R.D. states on page 134 the total allowable depreciation expense "is" \$804,000. This, however, is inconsistent with the I&E recommendation cited on pages 31-32 of the R.D. stating that the total depreciation expense be "reduced" by \$804,000. *See also* PECO Exceptions, p. 4, fn. 3.

<sup>51</sup> R.D., p. 134.

<sup>52</sup> *Id.*, pp. 46-47.

<sup>53</sup> *Id.*, p. 47.

<sup>54</sup> *Id.*



**K. I&E Reply to PECO Gas Exception No. 11: The ALJ properly recommended that the Commission deny the Company’s request for an adder of 0.25% for management performance. R.D. at 216.**

PECO asserts the Commission should approve PECO’s requested 25 basis point increase to the cost of equity recommended by the ALJ arguing that its management performance was more than just “adequate.”<sup>55</sup> I&E disagrees with PECO’s claim and requests that the Commission reject PECO Exception No. 4.

ALJ Pell correctly recommended the Commission deny the Company’s request for an adder of 0.25% for management performance.<sup>56</sup>

The ALJ correctly agreed with I&E, the OCA and the OSBA that PECO should not be awarded 25 basis points for superior management performance.<sup>57</sup> ALJ Pell noted “I am particularly persuaded by I&E’s argument that awarding the Company management effectiveness points would cost the customer money for the Company to provide the adequate, efficient, safe, and reasonable service that is required by the Public Utility Code and Commission regulations.”<sup>58</sup> Stating further, “even a modest increase in the cost of equity by an additional 25 basis points translates to an additional \$3,285,458 that would flow through to the ratepayers.”<sup>59</sup> Concluding, “rather, any savings from effective operating and maintenance cost measures should flow through to ratepayers and investors.”<sup>60</sup>

ALJ Pell was correct to recommend the Commission deny the Company’s request for an adder of 0.25% for management performance.

---

<sup>55</sup> PECO Exceptions, pp. 34, 35.

<sup>56</sup> R.D., p. 216.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

<sup>59</sup> *Id.*

<sup>60</sup> *Id.*

- L. I&E Reply to PECO Gas Exception No. 12: The ALJ properly recommended that that the Commission adopt I&E’s recommendation that PECO provide an update to the competitive alternative analysis for any customer that has not had their alternative fuel source verified for a period of 5 years or more at the point when PECO files a base rate case. R.D. at 416.**

PECO Gas opposes this ALJ recommendation because customers are not required to have an alternative fuel source to be eligible for Rate NGS; a customer can also be eligible for Rate NGS as a result of a pipeline bypass or a relocation opportunity; and therefore, it would not be reasonable to require PECO to evaluate all Rate NGS customers based on a verification of alternative fuel sources.<sup>61</sup> I&E disagrees with PECO’s reasoning and requests that the Commission reject PECO Exception No. 12.

ALJ Pell correctly recommended that the Commission adopt I&E’s recommendation that PECO provide an update to the competitive alternative analysis for any customer that has not had their alternative fuel source verified for a period of 5 years or more at the point when PECO files a base rate case.<sup>62</sup> Further, the ALJ’s recommendation was clear and un-ambiguous. ALJ Pell also noted that I&E recommended that the Company cease NGS service to any customer that does not have a verified alternative supply and switch those customers to the appropriate tariffed rate.<sup>63</sup> Finally, the ALJ noted, I&E recommended that, in future base rate cases, PECO separate the costs and revenues of customers discounted or reduced rates in their own class in the cost-of-service study.<sup>64</sup>

---

<sup>61</sup> PECO Exceptions, p. 36.

<sup>62</sup> R.D., p. 416.

<sup>63</sup> *Id.*, p. 415.

<sup>64</sup> *Id.*

Additionally, the ALJ correctly agreed with the reasoning of I&E which relied on the recent *Columbia Gas* decision.<sup>65</sup> As I&E reiterated it is important to periodically analyze competitive alternatives to ensure that the rates of flex rate customers are not discounted lower than is necessary to avoid the customer choosing the alternative supply.<sup>66</sup> Providing excessive discounts to customers would be harmful to both the Company and its customers since the other customers make up the revenue shortfall that results when flex-rate customers pay less than tariff rates.<sup>67</sup> The rates of non-negotiated customers will always be higher than if the negotiated customers were paying non-discounted rates whether the Company is providing service to those customers or not.<sup>68</sup> Finally, the ALJ noted that I&E concluded, the only safeguard that customers have to protect them from absorbing the costs from excessively discounted rates is the verification of competitive alternatives for the negotiated rate customers.<sup>69</sup>

ALJ Pell was correct to recommend that the Commission adopt I&E's recommendation that PECO provide an update to the competitive alternative analysis for any customer that has not had their alternative fuel source verified for a period of 5 years or more at the point when PECO files a base rate case.

### **III. I&E REPLIES TO EXCEPTIONS OF OCA**

#### **A. I&E Reply to OCA Exception No. 1: The ALJ properly weighed the evidence presented regarding the impacts of the COVID-19 Pandemic while applying traditional ratemaking methodologies. R.D. at 17.**

OCA argues that ALJ Pell erred by not adopting the OCA's position that PECO should not receive a rate increase at this time because the ALJ did not give full weight to the hardships

---

<sup>65</sup> *Id.*, p. 415, citing *Columbia Gas* at 240.

<sup>66</sup> *Id.*, p. 307.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> *Id.*

faced by many of PECO's customers due to the COVID-19 Pandemic when evaluating PECO's need for a rate increase under traditional ratemaking methods.<sup>70</sup> I&E disagrees and requests the Commission reject OCA Exception No. 1.

ALJ Pell correctly reasoned that he carefully examined the evidence and positions presented by PECO and the opposing parties with regard to PECO's cost of service and other ratemaking concerns raised using the traditional ratemaking methodologies.<sup>71</sup> As a result of the ALJ's examination, ALJ Pell recommended that the Company receive a reduced revenue increase of \$23,892,217.<sup>72</sup> The ALJ noted, the Commission addressed similar COVID-19 arguments in the recent *Columbia Gas* case.<sup>73</sup> The ALJ concluded, the COVID-19 Pandemic has clearly had a tremendous negative impact on the citizens and businesses of Pennsylvania.<sup>74</sup> Stating further, "however, pursuant to the Commission's decision in *Columbia Gas*, the pandemic alone is not sufficient reason to outright deny PECO's request for rate relief."<sup>75</sup>

ALJ Pell was correct to recommended that the Company receive a reduced revenue increase of \$23,892,217.

**B. I&E Reply to OCA Exception No. 2: The ALJ properly recommended that the Company's claim for plant additions in the FPFTY be reduced by \$47,624,803. R.D. at 47.**

OCA argues that the ALJ erred when he denied the OCA's adjustment to remove from PECO's rate base its planned plant additions for the FPFTY.<sup>76</sup> Further, the OCA argued, while the OCA agrees with ALJ Pell's decision to remove a portion of the natural gas reliability project from rate base, as proposed by I&E, that adjustment does not adequately recognize that PECO's

---

<sup>70</sup> OCA Exceptions, pp. 2,3.

<sup>71</sup> R.D., p. 17.

<sup>72</sup> *Id.*

<sup>73</sup> *Id.*, p. 15, citing *Columbia Gas* at 48-51.

<sup>74</sup> *Id.*, p. 17.

<sup>75</sup> *Id.*

<sup>76</sup> OCA Exceptions, p. 6.

projections fail to support the plant additions identified by the OCA's expert witness. I&E disagrees and requests the Commission reject OCA Exception No. 2.

I&E's response to PECO Exception No. 1 is incorporated herein by reference as if fully set forth. Additionally, as stated in I&E's response to PECO Exception No. 1 above, ALJ Pell correctly recommended that that the Company's claim for plant additions in the FPPTY be reduced by \$47,624,803 (from \$82,481,428 to \$34,856,625).<sup>77</sup>

**D. I&E Reply to OCA Exception No. 4: The ALJ properly recommended that the Commission accept I&E's proposal to reduce the Company's claimed gas EE&C expenses by \$1,772,500. R.D. at 131.**

The OCA excepted to ALJ Pell's R.D. to the extent that the OCA provides the Company an increase to its existing residential EE&C budget of approximately \$720,000, contrary to the ALJ's stated recommendation.<sup>78</sup> Moreover, the OCA had other programmatic recommendations that were not adopted in the R.D.<sup>79</sup> I&E disagrees and requests the Commission reject OCA Exception No. 4.

ALJ Pell correctly agreed with I&E that the Company should not be permitted an increase for its annual funding for its gas EE&C programs.<sup>80</sup> The ALJ noted, the record reflects that past customer participation levels have not met projections and that program expenditures have been significantly less than the budgeted amounts.<sup>81</sup> Because PECO has historically underspent its EE&C budget, the ALJ also agreed with I&E's position that the Company should accommodate any and all new program costs within its existing budget.<sup>82</sup> Moreover, ALJ Pell

---

<sup>77</sup> R.D., p. 47.

<sup>78</sup> OCA Exceptions, p. 12.

<sup>79</sup> *Id.*

<sup>80</sup> R.D., p. 130.

<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

agreed with I&E that the Company's projected increase in customer participation in the FPPTY is speculative, unreasonable, and not supported by historic participation levels.<sup>83</sup>

ALJ Pell was correct recommend that the Commission accept I&E's proposal to reduce the Company's claimed gas EE&C expenses by \$1,772,500.

**E. I&E Reply to OCA Exception No. 5: The ALJ properly recommended that the Commission accept the Company's capital structure; I&E's proxy group; and, I&E's cost of common equity; resulting in a recommended overall cost of capital of 7.26%. R.D. at 211-215.**

The OCA excepted to ALJ Pell's capital structure recommendation (53.38% equity, 46.62% debt), adoption of I&E's proxy group for determination of a cost of equity, and adoption of I&E's 10.24% equity cost rate, resulting in a recommended overall cost of capital of 7.26%.<sup>84</sup> The OCA argued that the ALJ did not reach a reasonable balance of the interests of ratepayers and shareholders, as required by "legal and constitutional standards."<sup>85</sup> I&E disagrees and requests the Commission reject OCA Exception No. 5.

ALJ Pell correctly recommended the Commission accept the capital structure proposed by the Company.<sup>86</sup> The ALJ noted, the Company demonstrated that as an operating public utility that issues its own debt directly in the capital markets, PECO's own capital structure ratios should be used to determine its overall rate of return.<sup>87</sup> The ALJ correctly referenced I&E's argument in support of the Company's capital structure, in that the Company's claimed capital structure falls within the range of the I&E proxy group's 2019 capital structures, which I&E

---

<sup>83</sup> *Id.*, p. 130-131.

<sup>84</sup> OCA Exceptions, pp. 14-15.

<sup>85</sup> *Id.*, p. 15.

<sup>86</sup> R.D., p. 211, 213.

<sup>87</sup> *Id.*, pp. 211-212.

indicated is the most recent information available at the time of its analysis.<sup>88</sup> The ALJ found I&E's testimony particularly persuasive.<sup>89</sup>

Further, ALJ Pell correctly recommended the Commission use of I&E's proxy group finding that I&E's proxy group is most comparable to the Company in developing an appropriate cost of equity.<sup>90</sup> Accordingly, the ALJ agreed with I&E's proposal to calculate the recommended cost of equity pursuant to the Discounted Cash Flow methodology while using the Capital Asset Pricing Model as an alternative means to verify the reasonableness of the return.<sup>91</sup> Further, as recently accepted in the *Columbia Gas* proceeding, ALJ Pell recommended the Commission approve the use of the DCF method as the primary method of determining the cost of common equity and to use the results of the CAPM as a comparison to the DCF results.<sup>92</sup> Accordingly, the ALJ correctly recommended that the Commission adopt the 10.24% cost of equity as determined by I&E.<sup>93</sup>

ALJ Pell's reasoning is sound and he was correct to recommend the Commission accept the Company's capital structure; I&E's proxy group; and, I&E's cost of common equity; resulting in a recommended overall cost of capital of 7.26%.

**G. I&E Reply to OCA Exception No. 7: The ALJ recommended the Commission adopt the Average and Excess (A&E) Cost of Service Study (COSS) offered by the Company in this proceeding. R.D. at 404.**

The OCA argued that ALJ Pell erred in his conclusion to recommend adoption of the Company's A&E COSS.<sup>94</sup> Arguing further, the Company's COSS is not consistent with cost causation, allocates distribution mains investment almost entirely based on 'excess' demand,

---

<sup>88</sup> *Id.*, p. 212.

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*, p. 215.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*

<sup>94</sup> OCA Exceptions, p. 24.

unfairly burdens the residential and small commercial classes requiring them to subsidize the higher load factor customer classes, and is inconsistent with longstanding Commission precedent.<sup>95</sup>

ALJ Pell recommended that the Commission use the Average and Excess (A&E) COSS, as offered by the Company, in this base rate proceeding, agreeing with the Company that this methodology is reasonable because it aligns with industry standards, Commission precedent, and cost causation.<sup>96</sup>

I&E offers the following reply regarding the position taken by I&E in this proceeding. I&E agreed with using the Average and Excess methodology, as presented by the Company, as a reasonable method to allocate costs and revenues in this proceeding.<sup>97</sup> The OCA disagreed with I&E's position, with the OCA noting I&E's support of the Peak and Average allocation methodology in previous rate cases in support of OCA's objections to the Average and Excess methodology in this case.<sup>98</sup>

ALJ Pell noted further that I&E stated:

[T]he OCA is correct in that I&E has supported the Peak and Average methodology in previous cases. However, I&E has also supported the Average and Excess methodology when it was presented in other cases. I&E believes that both COSS methodologies are reasonable solutions when performing a COSS for natural gas utilities. Similarly, I&E has supported a 50% peak / 50% average mains allocation in previous cases and as recommended by OSBA in this case as well. However, in this case, I&E determined that the Company's proposed allocation methodology is reasonable.<sup>99</sup>

---

<sup>95</sup> *Id.*

<sup>96</sup> R.D., p. 404.

<sup>97</sup> R.D., p. 301, *citing* I&E St. No. 3-SR, pp. 15-16.

<sup>98</sup> *Id.*, *citing* I&E St. No. 3-SR, p. 16.

<sup>99</sup> *Id.*, *citing* I&E MB at 66.



**H. I&E Reply to OCA Exception No. 8: The ALJ properly recommended the Commission adopt the revenue allocation of I&E, which proposes, inter alia, to allocate approximately \$62,074,000 to the residential customer class. R.D. at 406.**

The OCA notes that it largely agrees with the findings of ALJ Pell, but disagrees to the extent he adopts I&E's position on revenue allocation because, OCA argues, it relies on the Company's erroneous COSS.<sup>100</sup> Rather, the OCA argues that the Commission should adopt the proposed revenue allocation of the OCA as set for in OCA witness Watkins' Rebuttal Testimony.<sup>101</sup> I&E disagrees and requests the Commission reject OCA Exception No. 8.

ALJ Pell correctly agreed with I&E and recommended that if the Commission determines to approve less than the full requested increase, then all usage rates should be scaled back proportionately based on the cost-of-service study ultimately approved by the Commission.<sup>102</sup> Additionally, the ALJ recommended that the Commission order a proportional scale back of rates if less than the full increase is granted.<sup>103</sup> Further, the ALJ recommended that, if the Commission determines that a rate increase is justified, that the Commission use I&E's proposed revenue distribution, as set forth in I&E Exhibit No. 3-SR, Schedule 3.<sup>104</sup> Finally, ALJ Pell noted that he agreed with I&E that the 389% rate increase for the L Class is excessive and violates the concept of gradualism and could result in rate shock for L Class customers while also agreeing with I&E and the OCA regarding the fairness of certain rate classes receiving rate increases, some excessively so, while other rate classes are receiving rate decreases.<sup>105</sup>

---

<sup>100</sup> OCA Exceptions, p. 31.

<sup>101</sup> *Id.*

<sup>102</sup> R.D., p. 406.

<sup>103</sup> *Id.*

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

ALJ Pell was correct to recommend that, if the Commission determines that a rate increase is justified, that the Commission use I&E's proposed revenue distribution, as set forth in I&E Exhibit No. 3-SR, Schedule 3.

**J. I&E Reply to OCA Exception No. 10: The ALJ properly recommended that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409.**

OCA argues that ALJ Pell erred in declining to adopt the OCA's recommendation to limit PECO's customer charge increase to \$13.00 if PECO's full increase were to be granted.<sup>106</sup> Further, the OCA excepted to the decision of ALJ Pell to the extent it relies on a proportional scale back to address the overstatement of the customer charge arguing that the OCA proffered substantial testimony demonstrating the impacts any increase on the residential customer charge can have upon low-income customers.<sup>107</sup> I&E disagrees and requests the Commission reject OCA Exception No. 10.

ALJ Pell correctly recommended that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase reasoning that a 36% increase to the customer charge violates the principle of gradualism.<sup>108</sup> Stating further, this monthly charge cannot be avoided or reduced.<sup>109</sup> No matter what PECO customers do to try to bring their residential gas bills down, they must pay this customer charge or risk losing their gas service.<sup>110</sup>

ALJ Pell was correct to recommend that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested

---

<sup>106</sup> OCA Exceptions, p. 37.

<sup>107</sup> *Id.*, pp. 37-38.

<sup>108</sup> R.D., p. 409.

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

increase. Additionally, I&E incorporates its response to PECO Exception No. 9 above by reference as if fully set forth.

#### **IV. I&E REPLIES TO EXCEPTIONS OF OSBA**

**A. I&E Reply to OSBA Exception No. 1: The ALJ properly recommended that the Commission adopt the 10.24% cost of equity as determined by I&E. R.D. at 215.**

The OSBA excepts to the same ALJ recommendation as the OCA did in OCA Exception No. 5 above.<sup>111</sup>

I&E disagrees and requests the Commission reject OSBA Exception No. 1. Further, I&E incorporates its response to OCA Exception No. 5 above by reference as if fully set forth.

**B. I&E Reply to OSBA Exception No. 2: The ALJ recommended the Commission adopt the Company's cost of service study methodology for allocating mains costs. R.D. at 405.**

The OSBA excepts to the recommendation the Commission adopt the Company's cost of service study methodology for allocating mains costs.<sup>112</sup> OSBA argued the ALJ has further confused the issue of what cost of service study methodology should be employed by a Pennsylvania natural gas distribution company for allocating main costs.<sup>113</sup>

ALJ Pell recommended that the Commission use the Average and Excess (A&E) COSS, as offered by the Company, in this base rate proceeding, agreeing with the Company that this methodology is reasonable because it aligns with industry standards, Commission precedent, and cost causation.<sup>114</sup>

I&E offers the following reply regarding the position taken by I&E in this proceeding. The ALJ noted that I&E agreed with using the Average and Excess methodology, as presented

---

<sup>111</sup> OSBA Exceptions., p. 2.

<sup>112</sup> OSBA Exceptions, p. 3.

<sup>113</sup> *Id.*

<sup>114</sup> R.D., p. 404.

by the Company, as a reasonable method to allocate costs and revenues in this proceeding.<sup>115</sup>

The OCA disagreed with I&E's position, with the OCA noting I&E's support of the Peak and Average allocation methodology in previous rate cases in support of OCA's objections to the Average and Excess methodology in this case.<sup>116</sup>

ALJ Pell noted further that I&E stated:

[T]he OCA is correct in that I&E has supported the Peak and Average methodology in previous cases. However, I&E has also supported the Average and Excess methodology when it was presented in other cases. I&E believes that both COSS methodologies are reasonable solutions when performing a COSS for natural gas utilities. Similarly, I&E has supported a 50% peak / 50% average mains allocation in previous cases and as recommended by OSBA in this case as well. However, in this case, I&E determined that the Company's proposed allocation methodology is reasonable.<sup>117</sup>

## V. I&E REPLIES TO EXCEPTIONS OF CAUSE-PA

### D. I&E Reply to CAUSE-PA Exception No. 4: The ALJ properly recommended that the Commission accept I&E's proposal to reduce the Company's claimed gas EE&C expenses by \$1,772,500. R.D. at 131.

CAUSE-PA argues that the ALJ failed to indicate which portion of the proposed programming would be scaled back to achieve this reduction in funding.<sup>118</sup> Moreover, the ALJ failed to address CAUSE-PA's recommendations regarding PECO's EE&C plan that would help address identified deficiencies in PECO's EE&C program reach for low-income consumers.<sup>119</sup>

I&E disagrees and requests the Commission reject CAUSE-PA Exception No. 4.

ALJ Pell correctly agreed with I&E that the Company should not be permitted an increase for its annual funding for its gas EE&C programs.<sup>120</sup> ALJ Pell noted, the record reflects

---

<sup>115</sup> R.D., p. 301, *citing* I&E St. No. 3-SR, pp. 15-16.

<sup>116</sup> *Id.*, *citing* I&E St. No. 3-SR, p. 16.

<sup>117</sup> *Id.*, *citing* I&E MB at 66.

<sup>118</sup> CAUSE Exceptions, pp. 19-20.

<sup>119</sup> *Id.*, p. 20

<sup>120</sup> R.D., p. 130.

that past customer participation levels have not met projections and that program expenditures have been significantly less than the budgeted amounts.<sup>121</sup> Noting further, because PECO has historically underspent its EE&C budget, the ALJ also agreed with I&E's position that the Company should accommodate any and all new program costs within its existing budget.<sup>122</sup> Presumably, this would include any and all CAUSE-PA recommendations. Finally, I&E incorporates its response to OCA Exception No. 4 above by reference as if fully set forth.

**F. I&E Reply to CAUSE-PA Exception No. 6: The ALJ properly recommended that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. R.D. at 409.**

CAUSE-PA recommended against increasing the fixed charge explaining that increasing the fixed charge as proposed will undermine the ability for consumers to control costs through energy conservation, thus undermining the explicit goals of the Low-Income Usage Reduction Program (LIURP).<sup>123</sup> CAUSE-PA argued further, the customer cost analysis should not outweigh the public interest in protecting the ability of low income households to lower their utility costs by reducing consumption and preserving the effectiveness of the LIURP program.<sup>124</sup> I&E disagrees and request that the Commission reject CAUSE-PA Exception No. 6.

ALJ Pell did indeed agree that a 36% increase to the customer charge violates the principle of gradualism, adding this monthly charge cannot be avoided or reduced.<sup>125</sup> No matter what PECO customers do to try to bring their residential gas bills down, they must pay this customer charge or risk losing their gas service.<sup>126</sup> However, the ALJ added, "upon review of the record, I agree with I&E that the Company's proposed customer charge is supported by the

---

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> CAUSE Exceptions, p. 29.

<sup>124</sup> *Id.*

<sup>125</sup> R.D., p. 409.

<sup>126</sup> *Id.*

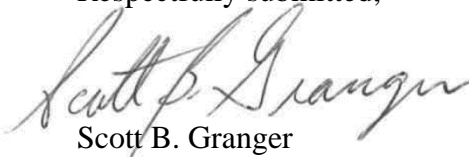
customer cost analysis, and recommend that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase."<sup>127</sup>

ALJ Pell was correct to recommend that PECO's residential customer charge be included in the scale back of rates if the Commission ultimately grants PECO less than the full requested increase. Additionally, I&E incorporates its responses to PECO Exception No. 9 and OCA Exception No. 10 above by reference as if fully set forth.

## **VI. CONCLUSION**

Wherefore, I&E respectfully submits that for all the foregoing reasons, the Bureau of Investigation and Enforcement respectfully requests that the Recommended Decision of Deputy Chief Administrative Law Judge Christopher P. Pell, issued on April 12, 2021, be adopted by the Commission pursuant to the I&E Replies to Exceptions set forth above.

Respectfully submitted,



Scott B. Granger  
Prosecutor  
PA Attorney ID No. 63641

Dated: May 3, 2021

---

<sup>127</sup> *Id.*

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No.: R-2020-3018929
	:	
PECO Energy Company – Gas Division	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Replies to Exceptions** dated May 3, 2021, in the manner and upon the persons listed below.

**Served via Electronic Mail Only**

Hon. Christopher P. Pell  
Pamela McNeal, Legal Assistant  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, PA 19107

Charis Mincavage, Esq.  
Adeolu A. Bakare, Esq.  
Jo-Anne S. Thompson, Esq.  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
[cmincavage@mcneeslaw.com](mailto:cmincavage@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[jthompson@mcneeslaw.com](mailto:jthompson@mcneeslaw.com)  
*Counsel for PAIEUG*

Elizabeth R. Marx, Esq.  
John W. Sweet, Esq.  
Ria M. Pereira, Esq.  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
[pulp@palegalaid.net](mailto:pulp@palegalaid.net)  
*Counsel for CAUSE-PA*

Kenneth M. Kulak, Esq.  
Mark A. Lazaroff, Esq.  
Catherine G. Vasudevan, Esq.  
Morgan, Lewis & Bockius, LLP  
1701 Market Street  
Philadelphia, PA 19103  
[ken.kulak@morganlewis.com](mailto:ken.kulak@morganlewis.com)  
[mark.lazaroff@morganlewis.com](mailto:mark.lazaroff@morganlewis.com)  
[catherine.vasudevan@morganlewis.com](mailto:catherine.vasudevan@morganlewis.com)  
*Counsel for PECO*

Anthony E. Gay, Esq.  
Jack R. Garfinkle, Esq.  
Brandon J. Pierce, Esq.  
PECO Energy Company  
2301 Market Street  
P.O. Box 8699  
Philadelphia, PA 19101  
[anthony.gay@exeloncorp.com](mailto:anthony.gay@exeloncorp.com)  
[jack.garfinkle@exeloncorp.com](mailto:jack.garfinkle@exeloncorp.com)  
[brandon.pierce@exeloncorp.com](mailto:brandon.pierce@exeloncorp.com)  
*Counsel for PECO*

Steven C. Gray  
Office of Small Business Advocate  
Forum Place  
555 Walnut Street, 1st Floor  
Harrisburg, PA 17101-1923  
[sgray@pa.gov](mailto:sgray@pa.gov)

Phillip D. Demanchick, Esq.  
Christy M. Appleby, Esq.  
Barrett C. Sheridan, Esq.  
Laura J. Antinucci, Esq.  
Darryl A. Lawrence, Esq.  
Office of Consumer Advocate  
Forum Place  
555 Walnut Street, 5th Floor  
Harrisburg, PA 17101-1923  
[OCAPECOGAS2020@paoca.org](mailto:OCAPECOGAS2020@paoca.org)

Glenn Watkins  
Technical Associates, Inc.  
6377 Mattawan Trail  
P.O. Box 1690  
Mechanicsville, VA 23116  
[OCAPECOGAS2020@paoca.org](mailto:OCAPECOGAS2020@paoca.org)  
*Consultant for OCA*

Kevin W. O'Donnell  
Nova Energy Consultants, Inc.  
1350 SE Maynard Road, Suite 101  
Cary, NC 27511  
[OCAPECOGAS2020@paoca.org](mailto:OCAPECOGAS2020@paoca.org)  
*Consultant for OCA*

Lafayette K. Morgan  
Exeter Associates  
10480 Little Patuxent Parkway, Suite 300  
Columbia, MD 21044-3575  
[OCAPECOGAS2020@paoca.org](mailto:OCAPECOGAS2020@paoca.org)  
*Consultant for OCA*

Roger D. Colton  
Fisher Shehan & Colton  
34 Warwick Road  
Belmont, MA 02478  
[OCAPECOGAS2020@paoca.org](mailto:OCAPECOGAS2020@paoca.org)  
*Consultant for OCA*

Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140  
[rdk@indecon.com](mailto:rdk@indecon.com)  
*Consultant for OSBA*

Mitchell Miller  
Mitch Miller Consulting LLC  
60 Geisel Road  
Harrisburg, PA 17112  
[mitchmiller77@hotmail.com](mailto:mitchmiller77@hotmail.com)  
*Witness for OSBA*

Jeffrey Pollock  
J. Pollock Inc.  
12647 Olive Boulevard, Suite 585  
St. Louis, MO 63141  
[jcp@jpollockinc.com](mailto:jcp@jpollockinc.com)  
*Consultant for PAIEUG*



Scott B. Granger  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 63641