peco[SM]
AN EXELON COMPANY

Anthony E. Gay
Vice President and General Counsel
2301 Market Street / S23-1
Philadelphia, PA 19103

Direct Dial: 215-841-4635
Email: Anthony.Gay@Exeloncorp.com

September 19, 2022

VIA eFILING

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-2022-3031113

Dear Secretary Chiavetta:

Enclosed for filing is the **Joint Petition for Settlement of Rate Investigation** ("Joint Petition") in the above-referenced matter.

As indicated on the Certificate of Service, copies of the Joint Petition have been served upon Administrative Law Judge F. Joseph Brady and all parties of record.

If you have any questions regarding this filing, please do not hesitate to contact me at 215.841.4635.

Very truly yours,

Anthony E. Gay

Enclosures

c: Per the Certificate of Service (w/encls.)

DB1/ 132267064.1

peco[SM]
AN EXELON COMPANY

Anthony E. Gay
Vice President and General Counsel
2301 Market Street / S23-1
Philadelphia, PA 19103

Direct Dial: 215-841-4635
Email: Anthony.Gay@Exeloncorp.com

September 19, 2022

VIA ELECTRONIC MAIL

Administrative Law Judge F. Joseph Brady
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street
Philadelphia, PA 19107

Re: Pennsylvania Public Utility Commission v. PECO Energy Company – Gas Division Docket No. R-2022-3031113

Dear Judge Brady:

Enclosed please find the **Joint Petition for Settlement of Rate Investigation** ("Joint Petition") in the above-captioned proceeding.

As evidenced by the Certificate of Service, copies of the Joint Petition are being served upon all parties of record.

If you have any questions, please do not hesitate to contact me directly at 215.841.4635.

Very truly yours,

Anthony E. Gay

Anthony E. Gay

Enclosures

c: Per the Certificate of Service (w/encls.)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
PECO ENERGY COMPANY – GAS DIVISION	:	

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Joint Petition for Settlement of Rate Investigation** on the persons listed below in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA CLIENTSITE

Administrative Law Judge F. Joseph Brady
Pennsylvania Public Utility Commission
Philadelphia District Office
801 Market Street
Philadelphia, PA 19107
fbrady@pa.gov
pmcneal@pa.gov

Scott B. Granger
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
sgranger@pa.gov

Mackenzie C. Battle
Barrett C. Sheridan
Darryl A. Lawrence
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAPECOGAS2022@paoca.org

Steven C. Gray
Pennsylvania Office of Small Business
Advocate
555 Walnut Street – First Floor
Harrisburg, PA 17101
sgray@pa.gov

Ria M. Pereira
Lauren N. Berman
John W. Sweet
Elizabeth R. Marx
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org
Counsel for Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

Charis Mincavage
Adeolu A. Bakare
Diamond U. Wade
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
dwade@mcneeslaw.com
Counsel for PAIEUG

Robert D. Knecht
Industrial Economics, Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
rdk@indecon.com
Consultant for OSBA

Harry Geller
118 Locust Street
Harrisburg, PA 17101
hgeller@pautilitylawproject.org
Consultant for CAUSE-PA

Dante Mugrace
Karl Pavlovic
PCMG and Associates, LLC
22 Brookes Avenue
Gaithersburg, MD 20877
OCAPECOGAS2022@paoca.org
Consultant for OCA

David Garrett
Resolve Utility Consulting
101 Park Avenue
Suite 1125
Oklahoma City, OK 73102
OCAPECOGAS2022@paoca.org
Consultant for OCA

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
OCAPECOGAS2022@paoca.org
Consultant for OCA

Lisa Gumby
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
lgumby@pa.gov
Consultant for I&E

Robert Horensky
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
rhorensky@pa.gov
Consultant for I&E

Joseph Kubas
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
jkubas@pa.gov
Consultant for I&E

Christine Wilson
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
cswilson@pa.gov
Consultant for I&E

Terri Cooper-Smith
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
tcsmith@pa.gov
Consultant for I&E

Brian LaTorre
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
brlatorre@pa.gov
Consultant for I&E

Anthony Spadaccio
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
aspadaccio@pa.gov
Consultant for I&E

Esyan Sakaya
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
esakaya@pa.gov
Consultant for I&E

Elena Bozhko
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
ebozhko@pa.gov
Consultant for I&E

Billie LaConte
Kitty Turner
J. Pollock, Incorporated
12647 Olive Boulevard - Suite 585
St. Louis, MO 63141
kat@jpollockinc.com
Consultant for PAIEUG

Kenneth M. Kulak (Pa. No. 75509)
Catherine G. Vasudevan (Pa. No. 210254)
Brooke E. McGlinn (Pa. No. 204918)
Mark A. Lazaroff (Pa. No. 315407)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5384 (bus)
215.963.5001 (fax)
ken.kulak@morganlewis.com
catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com
mark.lazaroff@morganlewis.com

Dated: September 19, 2022

Counsel for PECO Energy Company

DB1/ 132266974.1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	**DOCKET NO. R-2022-3031113**
	:	
PECO ENERGY COMPANY – GAS DIVISION	:	

JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

September 19, 2022

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Statement E Statement in Support of Joint Petition for Settlement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

Statement F Statement in Support of Joint Petition for Settlement of the Philadelphia Area Industrial Energy Users Group

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
PECO ENERGY COMPANY-GAS DIVISION	:	

JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE F. JOSEPH BRADY:

PECO Energy Company ("PECO"), the Pennsylvania Public Utility Commission's ("Commission") Bureau of Investigation and Enforcement ("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") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Settlement ("Settlement") in the above-captioned proceeding and request that Administrative Law Judge F. Joseph Brady (the "ALJ") approve the Settlement without modification.

In support of this Settlement, the Joint Petitioners state as follows:

I. BACKGROUND

1. On March 31, 2022, PECO filed with the Commission Tariff Gas – Pa. P.U.C. No. 5 ("Tariff No. 5"). Tariff No. 5 reflects an increase in annual natural gas distribution revenue of approximately $82.1 million, or 9.1% of PECO's total Pennsylvania jurisdictional gas operating revenues. Accompanying Tariff No. 5, PECO filed the supporting data required by the

Commission's regulations (52 Pa. Code §§ 53.52 et seq.) for a historic test year ended December 31, 2021, a future test year ("FTY") ending December 31, 2022 and a fully projected future test year ("FPFTY") ending December 31, 2023. PECO's supporting information included the prepared direct testimony of ten initial witnesses and the various exhibits sponsored by those witnesses.

2. By Order entered April 14, 2022, the Commission instituted a formal investigation at Docket No. R-2022-3031113 to determine the lawfulness, justness and reasonableness of the Company's existing and proposed rates, rules and regulations. Accordingly, Tariff No. 5 was suspended by operation of law until December 30, 2022 unless permitted by Commission order to become effective at an earlier date. The case was then assigned to the ALJ for purposes of conducting hearings and issuing a Recommended Decision.

3. On April 4, 2022, the OCA filed a Formal Complaint, Public Statement Verification and Notices of Appearance and I&E entered a Notice of Appearance. On April 8, 2022, the OSBA filed a Formal Complaint, Verification, Public Statement and Notice of Appearance.

4. A Petition to Intervene was filed by CAUSE-PA on April 13, 2022.

5. On April 25, 2022, PAIEUG filed a Formal Complaint. On April 26, 2022, PAIEUG filed a Motion for Admission *Pro Hac Vice* of Diamond U. Wade that was subsequently granted by the ALJ. Formal Complaints were also filed by Byron Goldstein and individual customers who did not elect to be active parties in this case.

6. A telephonic Prehearing Conference was held on April 27, 2022. Consistent with Commission practice, a schedule was adopted whereby all case-in-chief, rebuttal and surrebuttal testimony would be submitted in writing in advance of hearings. As memorialized in a

Prehearing Conference Order issued by the ALJ on April 20, 2022, and Prehearing Order No. 2 issued on May 11, 2022, telephonic evidentiary hearings were scheduled for August 11-12, 2022 at which all testimony and exhibits would be placed in the record and all witnesses presented for oral rejoinder and cross-examination, if any.

7. On April 26, 2022, PECO notified the ALJ and the parties that it would rely upon 52 Pa. Code § 5.61(d), which provides that answers to Complaints docketed in Commission-instituted investigations of rates are not required except as directed by the Commission or presiding officer. Neither the Commission, nor the ALJ, directed the Company to submit answers to any complaints.

8. Two telephonic public input hearings were scheduled and held on June 1, 2022 at 1:00 p.m. and 6:00 p.m.

9. In accordance with the schedule established in Prehearing Order No. 2, I&E, the OCA, the OSBA, CAUSE-PA, and PAIEUG submitted a total of 11 written statements of direct testimony and accompanying exhibits on June 22, 2022. On July 21, 2022, PECO, I&E, the OCA, the OSBA, and PAIEUG submitted a total of 13 written statements of rebuttal testimony with accompanying exhibits. On August 4, 2022, I&E, OCA, OSBA, CAUSE-PA, and PAIEUG, submitted a total of 11 written statements of surrebuttal testimony with accompanying exhibits. On August 9, 2022, PECO submitted an Oral Rejoinder Outline for four witnesses.

10. A telephonic evidentiary hearing was held on August 12, 2022. At the hearing, PECO witnesses Robert J. Stefani, Michael J. Trzaska, Paul R. Moul and Kelly Colarelli presented oral rejoinder testimony. The written testimony and exhibits of all parties were also admitted into evidence.

11. The parties engaged in discussions to negotiate a settlement of some or all the issues in this case. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein, which resolves all issues in this proceeding.

12. The Joint Petitioners acknowledge that, except to the extent specifically set forth herein, they have not sought, nor would they be able, to agree upon the specific rate case adjustments that support their respective conclusions. Nonetheless, they are in full agreement that this Settlement is in the best interest of customers and of the Company and, therefore, is in the public interest.

II. TERMS AND CONDITIONS OF SETTLEMENT

13. The Settlement consists of the following terms and conditions:

A. Revenue Requirement

14. PECO will be permitted to charge, effective for service rendered on and after January 1, 2023, the Settlement Rates set forth in Appendix A. The Settlement Rates are designed to produce an annual increase in gas distribution revenues of $54.8 million, in addition to the Distribution System Improvement Charge ("DSIC") revenue of approximately $7 million that will be added into base distribution rates and the DSIC rate will be reset to zero.

15. The Joint Petitioners agree that the Settlement Rates reflect a 2023 statutory state income tax rate of 8.99% and a nine-year amortization of the Accumulated Deferred Income Tax regulatory liability balance based on the difference between the current 9.99% state income tax rate and the expected 4.99% state income tax rate in 2031. The Company will reflect the incremental impact of subsequent decreases to the state income tax rate for the post-2023 tax years through the Company's existing State Tax Adjustment Clause. If the law regarding this tax decrease changes, is modified or is no longer in effect prior to PECO's next base rate case, the

parties to that proceeding will have the right to revisit this term and take any position there that they so choose.

16. PECO agrees not to seek rate recovery of COVID-19 related incremental expenses incurred during the calendar years of 2020 and 2021 in a future gas base rate case.

B. Gas Base Rate Stay Out

17. PECO will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its gas operations prior to March 15, 2024.

C. Revenue Allocation and Rate Design

18. The Settlement Rates reflect the allocation of the annual net increase in gas distribution revenue to each rate class agreed to by the Joint Petitioners, as set forth in Table 1 below:

Table 1

Rate	**Net Distribution Revenue[1]**	
	Increase	% Increase
Residential ("GR")	$39,315,400	14.6%
General Service ("GC")	$10,000,000	10.0%
Large High Load Factor ("L")	$0	0%
Outdoor Lighting ("OL")	$0	0%
Motor Vehicle Service-Firm ("MV-F")	$56,600	12.3%
Motor Vehicle Service-Interruptible ("MV-I")	$0	0%
Interruptible Service ("IS")	$0	0%

[1] The net revenue figures presented in Table 1 exclude an increase of approximately $2,828,000 in operating costs recovered through the Company's Gas Procurement Charge and Merchant Function Charge.

Temperature Controlled Service ("TCS")	$0	0%
Gas Transportation – Interruptible ("TS-I")	$200,000	2.1%
Gas Transportation – Firm ("TS-F")	$2,400,000	16.0%
Total	$51,972,000	13.2%

19. The Settlement Rates reflect the agreement among the Joint Petitioners with respect to PECO's monthly Fixed Distribution Service (Customer) Charges for Rates GR and GC, as follows:

Rate GR	$14.25
Rate GC	$29.86

For Rates GR and GC, the Variable Distribution Charges were scaled back to produce the class revenues shown in the table in Paragraph 18 above. For all other rate classes, the Fixed Distribution Service Charges under the Settlement Rates were not adjusted, and the Variable Distribution Charges were scaled back to produce the class revenues shown in Table 1 above.

20. The Settlement Rates reflect the agreement among the Joint Petitioners to the following declining block Variable Distribution Charges for Rate GC:

First 200 thousand cubic feet ("mcf")	$4.4248
Over 200 mcf	$3.5201

21. For its next gas base rate filing, the Company agrees to present a cost analysis and rate design proposal for Rate GC that evaluates (a) the potential for differentiated customer charges and (b) the cost basis for any declining block commodity charge differentials proposed in the Company's next gas base rate case.

22. For its next gas base rate filing, the Company agrees to present a cost analysis of the relative cost to serve customers above and below 18 mmcf/year in the TS-F and TS-I rate

classes. At a minimum, the Company will undertake the load factor analysis referenced at PECO Statement No. 7-R, page 20.

23. In its next gas base rate case filing, PECO will provide one cost-of-service study and also provide a good-faith calculation of the costs (both directly assigned and allocated) to serve negotiated rate customers, which may be produced under an applicable protective order.

D. Fully Projected Future Test Year Reports

24. PECO will provide the Commission's Bureau of Technical Utility Services, I&E, the OCA, and the OSBA with an update to PECO Exhibit MJT-2, Sch. C-2, no later than April 1, 2023, which will include actual capital expenditures, plant additions, and retirements by month from January 1, 2022 through December 31, 2022. Then, no later than April 1, 2024, another update of PECO Exhibit MJT-1, Sch. C-2 will be submitted showing actuals from January 1, 2023 through December 31, 2023. In PECO's next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2023 to its projections in this case.

E. Distribution System Improvement Charge

25. The Company will not implement a DSIC during the calendar year ending December 31, 2023 (except to implement any reconciliation of DSIC amounts in accordance with the Supplemental Implementation Order referenced below). The first DSIC in 2024 will be effective no earlier than March 31, 2024, based on DSIC-eligible expenditures during the period from January 1, 2024 to February 29, 2024. In any event, the Company will not begin to impose a DSIC until the total aggregate gross plant costs (before retirement, depreciation or amortization in 2022 and 2023) associated with the eligible property that has been placed in service exceed the following total aggregate plant costs claimed by the Company in the FPFTY: $4,043,796,000, shown in detail in Appendix C.

26. In compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, the amount of $4,043,796,000 shown in Appendix C constitutes the baseline of gross plant balances to be achieved in order to restart charges under the Company's DSIC. This provision relates solely to the calculation of the DSIC during the time that the Settlement Rates are in effect and is not determinative for future ratemaking purposes of the projected plant additions to be included in rate base in a fully projected future test year filing.

27. For purposes of calculating its DSIC, PECO shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

F. Gas Safety

(1) Gas Mapping Program

28. PECO agrees to accelerate its gas mapping program from its original 20-year commitment[2] to a 15-year commitment, to be completed by December 31, 2032.

(2) Distribution Integrity Management Plan ("DIMP")

29. PECO will continue its comprehensive analysis of its DIMP threat rankings and will commit to creating additional threat categories. PECO will communicate its findings and resulting changes to the Commission's Gas Safety Division.

[2] *See Pa. P.U.C. v. PECO Energy Co.*, Docket No. C-2015-2479970 (Opinion and Order entered Oct. 27, 2016), p. 5.

30. PECO will host a collaborative to update I&E Safety on or before March 1, 2023 regarding the creation of new threat categories into PECO's DIMP prior to the anticipated 2023 Commission's DIMP Audit in the Spring of 2023.

G. Customer Programs

(1) Gas Energy Efficiency and Conservation ("EE&C") Program

31. PECO will maintain the original $2.008 million budget for Residential rebates under PECO's Gas EE&C Program along with the two originally proposed additional rebates. The Company agrees to perform an analysis of Residential and Small Commercial natural gas EE&C measures in 2023. The analysis will include items such as cost effectiveness, projected impact, adoption estimates, costs of incentives, and savings to ensure that PECO promotes reasonable measures to reduce natural gas use among residential and small commercial customers. PECO will also retain the ability to add measures and adjust incentive levels and energy efficiency requirements.

(2) Safe and Efficient Heating Program ("SEHP")

32. PECO agrees to withdraw its request to change its existing SEHP budget in this proceeding.

H. Universal Service Programs

(1) Low-Income Usage Reduction Program ("LIURP")

33. PECO will provide an additional $650,000 in annual LIURP funding, which will increase program costs from the as-filed budget of $2.5 million to $3.15 million. In addition to this overall LIURP budget increase, PECO will also establish a three-year pilot program with an additional $100,000 annual budget ($300,000 total) to support health and safety remediation for natural gas customers who are deferred for participation in LIURP due to health and safety issues with their home. PECO will share relevant pilot data on an annual basis with its Universal

Service Advisory Committee ("USAC") regarding participation rates, spending levels, and the extent to which participants were able to receive full LIURP services after receiving health and safety remediation through the pilot.

34. Any unused LIURP budget will roll over and be added to the budget for the following year. If the amount of a carry-over from one year to the next exceeds 10% of the total budget, PECO will file a letter at the then-current Universal Service and Energy Conservation Program docket notifying the parties to this proceeding of the reason for the underspend and identifying the steps it will take to fully expend the remaining budget without impacting LIURP spending for the subsequent program year.

35. PECO agrees to track and report annually to its USAC on the number of LIURP jobs deferred due to health and safety issues with the home or other extenuating circumstances, and the specific reason(s) for deferral.

36. Within 12 months of a Commission Order approving this Settlement, PECO agrees to establish a multifamily working group comprised of members from its USAC to review multifamily usage data for its low-income customers, and will work in good faith with members of the multifamily working group to determine (1) if it is necessary to establish a LIURP pilot program designed to serve multifamily residents whose usage is comparatively high but does not meet PECO's high usage threshold and (2) how such pilot program would be funded.

(2) Matching Energy Assistance Program ("MEAF")

37. PECO agrees to contribute $300,000 of shareholder funds annually to its MEAF program to provide grant assistance for its customers. At the end of each program year, PECO will allocate any funds for which it has not received a customer match – up to $300,000 annually – to the MEAF agencies (in proportion to the number of low-income customers in each county within PECO's service territory) to support the distribution of additional MEAF grant assistance.

All MEAF contributions will be used by MEAF agencies for the sole purpose of providing MEAF assistance to PECO customers. These provisions do not preclude an order or agreement in another case or context for additional MEAF funding.

(3) Outcome Objectives

38. Beginning in 2025, PECO will provide an annual report to its USAC that will include measurable outcome objectives/metrics aimed at: (1) improving how confirmed low-income customers are identified (as a percentage of estimated low-income customers); and (2) increasing enrollment of confirmed low-income customers into the Company's Customer Assistance Program ("CAP") (by Poverty Level). These metrics will be measured against calendar year 2024 data as reported to the Commission's Bureau of Consumer Services. PECO will provide an opportunity for parties to respond to and discuss its proposed outcome objectives in the last USAC meeting of 2024.

39. In addition, PECO agrees to have at least two collaborative meetings to discuss possible avenues for reducing CAP defaults due to a failure to recertify. PECO will invite all of the parties to this proceeding and any interested USAC members to these meetings. PECO will host at least one of the collaborative meetings within 12 months from the date rates approved in this proceeding are effective and another within 24 months from the date that rates are effective. In order to aid the discussion, prior to each collaborative PECO will provide CAP failure to recertify default rates broken down by Poverty Level for the preceding 12 months. PECO will consider the recommendations of the collaborative members in good faith as it considers any appropriate modifications to its CAP.

40. Nothing in Paragraphs 38 and 39 of this Settlement limits the rights of any party to suggest future outcome objectives in any future proceeding.

(4) Outreach

41. PECO's Gas Division will continue its simplified application process for Low-Income Home Energy Assistance Program recipients seeking to enroll in CAP. PECO will report annually to its USAC about the number of gas customers who are able to enroll through this process.

42. PECO's low-income programs brochure, which describes CAP and LIURP in both English and Spanish, will be provided at outreach events and upon request to customers, community partners, and other interested parties. It will also be provided to all new residential gas customers as part of the customer welcome packet. Within three months of a Commission Order approving this Settlement, PECO will provide the draft brochure to its USAC members so the members can review and provide suggested edits.

43. As part of PECO's Natural Gas Conversion Program, the Company will provide the brochure described in Paragraph 42 above to inform those customers of PECO's low-income assistance programs.

I. Tariff Changes

44. As shown on Appendix A, the Company will remove the following language: "In the case of fraud, the reconnection charge will also include allocated overheads, all investigative costs and administrative costs as determined by the Company" and the column "Reconnect Fees" with $370.00 from existing Rule 17.6. The Joint Petitioners agree to the Company's other originally proposed tariff changes set forth in PECO Exhibit JAB-2.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

45. PECO, I&E, the OCA, the OSBA, CAUSE-PA and PAIEUG have each prepared, and attached to this Joint Petition, Statements in Support identified as Statements A through F,

respectively, setting forth the bases upon which they believe that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

46. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- The Settlement provides for an annual net increase in gas distribution revenues of $54.8 million, or approximately 6.0% (based on total Pennsylvania jurisdictional operating revenue), in lieu of the $82.1 million, or 9.1% (based on total Pennsylvania jurisdictional operating revenue), increase originally requested. The effect of the increases under the Settlement Rates on a typical customer in each major rate class is set forth in Appendix D.
- The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.
- The Settlement Rates will allocate the agreed-upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure/cost of service positions of all Joint Petitioners.

47. The Joint Petitioners arrived at the Settlement terms after conducting discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by substantial record evidence.

IV. ADDITIONAL TERMS AND CONDITIONS

48. Each term and condition set forth in this Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized or otherwise emphasized, or set forth in the body, a footnote, or parenthetical, or appendix, is a material consideration to the entry into this Settlement by the Joint Petitioners.

49. The Commission's approval of the Settlement will not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. Accordingly, this Settlement may not be cited as legal precedent in any future proceeding, except to the extent required to implement this Settlement.

50. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated.

51. This Settlement is being presented only in the context of this proceeding in an effort to fully resolve the issues presented in this proceeding in a manner that is fair and reasonable. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

52. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, will be of no

force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw from the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

53. If the ALJ, in his Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement or any additional matters proposed by the ALJ in his Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge F. Joseph Brady approve the Settlement embodied in this Joint Petition, including all terms and conditions thereof; and

2. That the Commission find the Settlement Rates to be just and reasonable and grant the Company permission to file the Tariff attached hereto as Appendix A to become

effective for service rendered on and after January 1, 2023, which Tariff, inter alia, is designed to produce an annual net increase in gas distribution revenue of $54.8 million.

Respectfully submitted,

Anthony E. Gay (Pa. No. 74624)
Jack R. Garfinkle (Pa. No. 81892)
Brandon J. Pierce (Pa. No. 307665)
Caroline S. Choi (Pa. No. 320554)
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
Phone: 215.841.4608
Fax: 215.568.3389
anthony.gay@exeloncorp.com
jack.garfinkle@exeloncorp.com
brandon.pierce@exeloncorp.com
caroline.choi@exeloncorp.com

Kenneth M. Kulak (Pa. No. 75509)
Catherine G. Vasudevan (Pa. No. 210254)
Brooke E. McGlinn (Pa. No. 204918)
Mark A. Lazaroff (Pa. No. 315407)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Phone: 215.963.5384
Fax: 215.963.5001
ken.kulak@morganlewis.com
catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com
mark.lazaroff@morganlewis.com

Dated: September 19, 2022

Counsel for PECO Energy Company

Scott B. Granger
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
sgranger@pa.gov
Counsel for Bureau of Investigation and Enforcement

Mackenzie C. Battle
Barrett C. Sheridan
Darryl A. Lawrence
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAPECOGAS2022@paoca.org
Counsel for Office of Consumer Advocate

Steven C. Gray
Pennsylvania Office of Small Business Advocate
555 Walnut Street – First Floor
Harrisburg, PA 17101
sgray@pa.gov
Counsel for Office of Small Business Advocate

Ria M. Pereira
Lauren N. Berman
John W. Sweet
Elizabeth R. Marx
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org
Counsel for Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

Charis Mincavage
Adeolu A. Bakare
Diamond U. Wade
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
dwade@mcneeslaw.com
Counsel for Philadelphia Area Industrial Energy Users Group

Appendix A

Proposed Tariff (Settlement Rates)

Supplement No. 1 to
Gas-Pa. P.U.C. No. 5

SUPERCEDES GAS PA P.U.C. NO. 4 AND ALL SUPPLEMENTS THERETO

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PECO ENERGY COMPANY

GAS SERVICE TARIFF

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19103

For List of Communities Served, See Page 3.

Issued xxx x, 2022 Effective January 1, 2023

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ISSUED BY: M. A. Innocenzo - President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19103

NOTICE.

The application of rates proposed in Original Tariff Gas Pa. P.U.C. No. 5 filed to become effective May 30, 2022 and is hereby suspended until December 30, 2022 at Docket No. R-2022-3031113. Presently effective rates contained in Tariff Gas Pa. P.U.C. No. 4 and supplements thereto, will continue in effect until otherwise amended.

PECO Energy Company **Gas-Pa. P.U.C. No. 5**
Original Page No. 1

LIST OF CHANGES MADE BY THIS SUPPLEMENT

DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS - Original Page No 6 - Delivery Point definition updated.

RULES AND REGULATIONS 3.3 METER LOCATION - Original Page No 10 – "Cross reference" Rule 10.5 for clarity.

RULES AND REGULATIONS – 3.6 EXCESS FLOW VALVES ("EFVs") Original Page No 10 – Definition updated.

RULES AND REGULATIONS - 10.5 RIGHT OF ACCESS - Original Page No 16 - Add references to the Commission regulation.

RULES AND REGULATIONS - 15.1 METER TESTS - Original Page No 24 - Add references to the Commission regulation.

RULES AND REGULATIONS - 17.6 - Original Page No 27 - Removed theft/fraud language. Removed column "Reconnect Fees".

RULES AND REGULATIONS 17.7 – Original Page No 27 - New rule added.

PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT (TARC) – Page deleted.

UNIVERSAL SERVICE COST RECOVERY MECHANISM (USFC) - Original Page No. 42 – Reflects changes for the Energy Efficiency Program and changes to the recovery of LIURP costs. Updated language.

SALES SERVICE COSTS (SSC) – Original Page No. 43 – The Commodity Charges are increased.

GAS PROCUREMENT CHARGE – Original Page No. 46 – The Gas Procurement Charge is increased.

MERCHANT FUNCTION CHARGE AND PRICE TO COMPARE – Original Page No. 47 and Original Page No. 48 – The Merchant Function Charges and Write-Off Factors are changed. The Prices to Compare are increased.

CONSUMER EDUCATION CHARGE (CEC) - Original Page No. 51 - Revised to recover the cost of low and moderate income customer outreach. Updated recovery/reconciliation formula, definitions and filing schedule.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) - Original Page No. 52 – Set to zero.

Rate GR General Service - Residential. Original Page No. 58 – Distribution prices updated. TARC language removed.

Rate GC General Service - Commercial and Industrial. Original Page No. 59 – Distribution prices updated. TARC language removed.

Rate OL Outdoor Lighting. Original Page No. 60 – Distribution prices updated. TARC language removed.

Rate L Large High Load Factor Service - Original Page No. 61 – Distribution prices updated. TARC language removed.

Rate MV-F Motor Vehicle Service-Firm - Original Page No. 63 – Distribution prices updated. TARC language removed.

Rate MV-I Motor Vehicle Service-Interruptible Original Page No. 64 – Distribution prices updated. TARC language removed.

Rate IS-Interruptible Service. Original Page No. 66 – TARC language removed.

Rate TCS-Temperature Controlled Service. Original Page No. 68 - TARC language removed.

Rate TS-I Gas Transportation Service - Interruptible Original Page No. 75 – Distribution prices updated. TARC language removed.

Rate TS-F Gas Transportation Service-Firm Original Page No. 76 – Distribution prices updated. TARC language removed.

Issued xxx x, 2022 Effective January 1, 2023

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SALES SERVICE COSTS (SSC) – Original Page No. x – The Commodity Charges are increased.¶
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GAS PROCUREMENT CHARGE – Original Page No. x – The Gas Procurement Charge is increased.¶
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MERCHANT FUNCTION CHARGE AND PRICE TO COMPARE – Original Page No. x and Original Page No. y – The Merchant Function Charges and Write-Off Factors are changed. The Prices to Compare are increased. ¶
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Gas-Pa. P.U.C. No. 4¶
PECO Energy Company Original Page No. 1A¶
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LIST OF CHANGES MADE BY THIS SUPPLEMENT - continued¶
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RATE IS - INTERRUPTIBLE SERVICE - Original Page No. 63¶
Added language in the QUALITY OF SERVICE section for clarity and consistency.¶
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RATE TCS TEMPERATURE CONTROLLED SERVICE – Original Page No. 65¶
Added language in the QUALITY OF SERVICE section for clarity and consistency.¶
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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS – Original Page No. 69¶
Rule 2.7 removed.¶
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RATE TS-I GAS TRANSPORTATION SERVICE-INTERRUPTIBLE – Original Page No. 72¶
Added language in the QUALITY OF SERVICE section for clarity and consistency. Distribution prices updated.¶
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LIST OF COMMUNITIES SERVED

BUCKS COUNTY:
BOROUGHS: Bristol, Chalfont, Doylestown, Dublin, Hulmeville, Ivyland, Langhorne, Langhorne Manor, Morrisville, New Britain, New Hope, Newtown, Penndel, Telford, Tullytown, Yardley.

FIRST-CLASS TOWNSHIP: Bristol.

SECOND-CLASS TOWNSHIPS: Bedminster, Bensalem, Bridgeton, Buckingham, Doylestown, Falls, Hilltown, Lower Makefield, Lower Southampton, Middletown, New Britain, Newtown, Northampton, Plumstead, Solebury, Tinicum, Upper Makefield, Upper Southampton, Warminster, Warrington, Warwick, West Rockhill, Wrightstown.

CHESTER COUNTY:
CITY: Coatesville.

BOROUGHS: Atglen, Avondale, Downingtown, Elverson, Honey Brook, Kennett Square, Malvern, Modena, Oxford, Parkesburg, Phoenixville, South Coatesville, Spring City, West Chester, West Grove.

FIRST-CLASS TOWNSHIP: Caln.

SECOND-CLASS TOWNSHIPS: Birmingham, Charlestown, East Bradford, East Brandywine, East Caln, East Coventry, East Fallowfield, East Goshen, East Marlborough, East Nantmeal, East Nottingham, East Pikeland, Easttown, East Vincent, East Whiteland, Elk, Franklin, Highland, Honey Brook, Kennett, London Britain, Londonderry, London Grove, Lower Oxford, New Garden, Newlin, New London, North Coventry, Penn, Pennsbury, Pocopson, Sadsbury, Schuylkill, South Coventry, Thornbury, Tredyffrin, Upper Oxford, Upper Uwchlan, Uwchlan, Valley, Wallace, Warwick, West Bradford, West Brandywine, West Caln, West Fallowfield, West Goshen, West Marlborough, West Nantmeal, West Nottingham, West Pikeland, West Sadsbury, Westtown, West Vincent, West Whiteland, Willistown.

DELAWARE COUNTY:
CITY: Chester.

BOROUGHS: Aldan, Brookhaven, Chester Heights, Clifton Heights, Collingdale, Colywn, Darby, East Lansdowne, Eddystone, Folcroft, Glenolden, Haverford, Lansdowne, Marcus Hook, Media, Millbourne, Morton, Norwood, Parkside, Prospect Park, Radnor, Ridley Park, Rose Valley, Rutledge, Sharon Hill, Swarthmore, Trainer, Upland, Yeadon.

FIRST-CLASS TOWNSHIPS: Aston, Darby, Lower Chichester, Marple, Nether Providence, Ridley, Springfield, Tinicum, Upper Chichester, Upper Darby.

SECOND-CLASS TOWNSHIPS: Bethel, Chadds Ford, Chester, Concord, Edgmont, Haverford, Middletown, Newtown, Radnor, Thornbury, Upper Providence,

LANCASTER COUNTY:
BOROUGH: Christiana

SECOND-CLASS TOWNSHIPS: Sadsbury, Salisbury.

MONTGOMERY COUNTY:
BOROUGHS: Ambler, Bridgeport, Bryn Athyn, Collegeville, Conshohocken, East Greenville, Green Lane, Hatboro, Hatfield, Jenkintown, Lansdale, Narbeth, Norristown, North Wales, Pennsburg, Pottstown, Red Hill, Rockledge, Royersford, Schwenksville, Souderton, Telford, Trappe, West Conshohocken.

FIRST-CLASS TOWNSHIPS: Abington, Cheltenham, Hatfield, Lower Merion, Lower Moreland, Lower Pottsgrove, Plymouth, Springfield, Upper Dublin, Upper Gwynedd, Upper Moreland, Upper Pottsgrove, West Norriton, West Pottsgrove.

SECOND-CLASS TOWNSHIPS: East Norriton, Franconia, Horsham, Limerick, Lower Frederick, Lower Gwynedd, Lower Providence, Lower Salford, Marlborough, Montgomery, Perkiomen, Salford, Skippack, Towamencin, Upper Frederick, Upper Hanover, Upper Merion, Upper Providence, Upper Salford, Whitemarsh, Whitpain, Worcester.

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HOW TO USE LOOSE LEAF-TARIFF

1. This Tariff is issued on the loose-leaf plan. Each page will be issued as "original page", consecutively numbered, commencing with the title page, which in all cases will be considered as Page No. 1. For example: "Original Page No. 2", "Original Page No. 3," etc.

2. All changes in, additions to, or eliminations from, original pages, will be made by the issue of consecutively numbered supplements to this Tariff and by reprinting the page or pages affected by such change, addition, or elimination. Such supplements will indicate the changes which they effect and will carry a statement of the make-up of the Tariff, as revised. The Table of Contents will be reissued with each supplement.

3. When a page is reprinted the first time, it will be designated under the P.U.C. number as "First Revised Page No...," the second time as "Second Revised Page No. ..." etc. First revised pages will supersede original pages; second revised pages will supersede first revised pages, etc.

4. When changes or additions to be made require more space than is available, one or more pages will be added to the Tariff, to which the same number will be given with letter affix. For example: If changes were to be made in Original Page No. 2 and, to show the changed matter, more than one page should be required, the new page would be issued as "First Revised Page No. 2, superseding Original Page No. 2"; and the added page would be issued as "Original Page No. 2A." If a second added page should be required, it would be issued as "Original Page No. 2B." Subsequent reprints will be consecutively designated as "First Revised...," "Second Revised...," etc.

5. On receipt of a revised page, it will be placed in the Tariff immediately following the page which it is to supersede, and the page which is to be superseded thereby plainly marked "See following page for pending revision." On the date when such revised page becomes effective, the page superseded should be removed from the Tariff.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS

Aggregation Services Fee - A charge of 1¢/mcf applicable to all Low Volume Sales and Transportation Customers to be added to such Customers' Variable Distribution Service Charge effective January 1, 2001.

Available rate - A rate which may be obtained by a Customer if the use of service conforms to the character of service contemplated in the rate, and the Customer's location is such that this service can be supplied from existing facilities of the Company.

Bad credit (for deposit purposes) - A customer shall be deemed by the Company to have bad credit if the customer has been delinquent on payment of two consecutive bills or three or more bills in the last twelve billing cycles or tendered two or more checks that are subsequently dishonored by a payee according to 13 Pa.C.S. §3502, within the last twelve billing cycles. Industrial and commercial customers also shall be deemed by the Company to have bad credit if the customer is insolvent, (as evidenced by a credit report prepared by a reputable credit bureau or credit reporting agency or public financial data, liabilities exceeding assets or generally failing to pay debts as they become due) or has a class of publicly-traded debt outstanding that is rated to be below investment grade, or tendered two or more checks that are subsequently dishonored by a payee according to 13 Pa.C.S. §3502, within the last twelve billing cycles.

Balancing Service Cost or ("BSC") – Charge to all Low Volume Customers, both Sales and Transportation, included in Variable Distribution Charges, for fixed and variable storage costs for each Mcf of gas delivered under Rate Schedules GR, CAP, GC, OL, L, and MV-F of this Tariff, or the successors thereto.

British thermal unit (Btu) - The quantity of heat necessary to raise the temperature of one pound of water one degree Fahrenheit from 58.5 to 59.5 degrees Fahrenheit under standard pressure of 30 inches of mercury at or near its point of maximum density. One Btu equals 252 calories, (gram), 778 foot-pounds, 1,055 joules or 0.293 watt hours

Ccf – 100 cubic feet. This is a measure of gas usage.

Chapter 56 – The PUC regulations that govern metering, billing and collections for residential gas and electricity service.

Commodity Charge ("CC") – The "C" factor component of the Sales Service Cost representing the charge to Low Volume Sales Customers for purchased gas costs for each McF of Sales Service gas supplied under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff, or the successors thereto.

Commission or PAPUC– The Pennsylvania Public Utility Commission.

Company – PECO Energy Company

Competition Act - the Natural Gas Choice and Competition Act, 66 Pa.C.S. §2201, et seq.

Competitive Natural Gas Supply - firm natural gas provided by an NGS to Low Volume Transportation Customers under the Company's Gas Choice program.

Consolidated NGDC Billing – Billing provided by the Company that contains both the Company's charges for its services and the NGS's separate charges for gas supply services.

Creditworthy - A creditworthy customer pays the Company's charges as and when due and otherwise complies with the Rules and Regulations of this Tariff or the PaPUC. To determine whether a customer is creditworthy with respect to a particular account, the Company will evaluate the customer's record of paying Company charges for all of the customer's other Company accounts, and may also take into consideration the customer's general credit.

cu. ft. - Cubic foot.

Customer - Any person, partnership, association, or corporation, lawfully receiving service at a single meter location from the Company. In addition, unless explicitly prohibited by the Public Utility Code or the Commission's Rules or Regulations, an NGS may act as an agent for a Customer upon written authorization to PECO Energy, which authorization may be included in the notice of NGS selection.

Daily quantity - The quantity of gas used in a 24-hour period beginning at 10:00 a.m., Eastern Standard Time or Daylight Savings Time, whichever is in common use.

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Delivery point - That point at which the Customer's facilities are connected to the Company's facilities which is typically the first fitting after the outlet side of the meter connection. or in certain cases the first fitting after the outlet side of the regulator or relief valve if located downstream of the meter.

Firm Service - Natural gas service offered to Customers under tariffs or contracts that anticipate no interruption of natural gas service.

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Fixed Distribution Service Charge – A charge to recover costs caused by the presence of the Low Volume Customer on the system, other than the costs associated with the Customer's usage.

Gas Choice – Program under which Suppliers provide Competitive Natural Gas Supply to Low Volume Transportation Customers.

Gas Cost Adjustment ("GCA") Charge – The "E" factor component of the Sales Service Cost representing the net overcollection or undercollection of purchased gas costs, charged to Low Volume Sales Customers for each Mcf of Sales Service gas supplied under Rate Schedules GR, GC, CAP, OL L, and MV-F or the successors thereto.

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High Volume Transportation (HVT) - PECO Energy's Gas program as administered by this tariff for Suppliers providing Competitive Natural Gas Supply to High Volume Transportation Customers.

High Volume Transportation Customers - Customers who purchase natural gas from an alternative Supplier under Rates Schedules TS-F, TS-I and/or the successors thereto, and not under the Company's Gas Choice program.

Holidays - Company holidays include: New Year's Day, Martin Luther King, Jr.'s Birthday, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Friday after Thanksgiving, Christmas, and Sundays

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Initial Contract Term - The Customer's initial contract term, or in the case of transportation service, any renegotiation of an existing contract, for a service location shall be the Customer's first term of contract for service as specified under a given tariff rate or contract agreement to a location and shall also be the first term of contract after the Customer changes service at a location to a different rate, or in case of transportation service, any renegotiation of an existing contract.

Low Volume Customers – Customers served under Rate Schedules GR, GC, CAP, OL, L, and MV-F or successors thereto.

Low Volume Sales Customer – Low Volume Customers served under Rate Schedules GR, GC, CAP, OL, L, and MV-F who purchase their gas from the Company.

Low Volume Transportation Customers ("LVT Customers") - Low Volume Customers who purchase Competitive Natural Gas Supply from a Supplier pursuant to the Company's Gas Choice program, under Rates Schedules GR, GC, OL, MV-F or the successors thereto, and not under Rate Schedules CAP, L, TCS, IS, MV-I, TS-F, TS-I, and/or the successors thereto.

Master Meter System - a pipeline system for distributing gas within, but not limited to, a definable area, such as a mobile home park, housing project, or apartment complex, where the operator purchases metered gas from an outside source for resale through a gas distribution pipeline system. The gas distribution pipeline system supplies the ultimate consumer who either purchases the gas directly through a meter (i.e., Master Meter) or by other means, such as by rents.

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Mcf – 1,000 cubic feet. This is a measure of gas usage.

Month - A month under this Tariff means 1/12 of a year, or the period of approximately 30 days between two regular consecutive meter readings dates of the Company's meter or meters installed on the Customer's premises.

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Natural Gas Distribution Company ("NGDC") - a public utility that owns natural gas distribution facilities, used at times in this Tariff to refer to the role of the Company as the distributor of Competitive Natural Gas Supply pursuant to the Competition Act.

Natural Gas Supplier ("Supplier" or "NGS") - A natural gas supplier as defined in 66 Pa.C.S. § 2202, that has been licensed by the Pennsylvania Public Utility Commission to sell Competitive Natural Gas Supply to Low Volume Transportation Customers on the Company's system under the Company's Gas Choice program, to sell natural gas to Customers under Rates TCS, IS and/or MV-I or to sell natural gas to High Volume Transportation Customers under Rate Schedules TS-F, TS-I, and/or any other entity that takes title to gas as defined in 52 Pa. Code § 62.101

Natural Gas Supplier Coordination Tariff – The Tariff, setting forth the basic requirements for interactions and coordination between the Company, as the natural gas distribution company, and Suppliers necessary for maintaining the delivery of Competitive Natural Gas Supply from Suppliers to their Low Volume Transportation Customers under the Company's Gas Choice program.

Principal Office - The Company's Main Office Building located at 2301 Market Street, Philadelphia, Pa. 19103.

Property line - The division line between land held in, or for, private use, and land in which the public or the Company has a right of use; or the division line between separately owned or occupied land.

Sales Service Cost ("SSC") - Cost of commodity and non-storage interstate pipeline firm transportation capacity to delivery such commodity to the city gate for Low Volume Sales Customers.

Rate - The rates are CAP, GR, GC, OL, L, MV-F, MV-I, IS, TCS, TS-I, TS-F, and NGS or the successors thereto.

Separate NGS Billing ("Dual Billing") – Separate Billing by an NGS of its charges for gas supply service.

Service - The distribution of gas for use by the Customer, including all things done by the Company in connection with such distribution.

Service-Supply Pipe - The pipe extending from the Company's supply main to a metered delivery point or, in the case of installations comprised exclusively of outdoor gas lights, to the first such light.

Summary Billing Accounts - An aggregate bill prepared at the option of the Company for Customers with multiple accounts that are related within the same partnership, association, corporation or governmental agency.

Supplier of Last Resort Service ("SLR Service" or "Sales Service") - Natural gas supply service provided by the Company as supplier-of-last-resort to residential, small commercial, small industrial and essential human needs Customers who: (1) do not choose a Supplier or chose to be served by their supplier of last resort; (2) who are refused service by a Supplier; (3) whose Supplier has defaulted or exited the system; or (4) who return to SLR service after having obtained Competitive Natural Gas Supply.

System Maintenance Order ("SMO") – operational directive issued by the Company in its sole discretion to protect the operational integrity of its systems in terms of line pressure and adequacy of supply, which orders directly affect the quantity of gas to be delivered on the same gas day or other near-term gas days and may require a Customer or class of Customers, or a Customer's natural gas supplier or agent, to maintain, decrease or increase the quantity of natural gas delivered to the Company's system.

Tariff – This Gas Service Tariff comprising the rates, rules and regulations that apply to the distribution of natural gas, including all things done by the Company in connection with such distribution and/or the supply of natural gas under Supplier of Last Resort (Sales) Service.

Transportation Service – Natural gas supply service provided to HVT Customers, by an alternative Natural Gas Supplier as further detailed in Rule 1.1 of the Gas Transportation Service General Terms and Conditions Section of this Tariff.

Variable Distribution Service Charge – The variable charges on a Mcf basis for the provision of unbundled distribution service, including all things done by the Company in connection with such distribution service.

Volume Adjustment - the current adjustable factor applied to all rate classes to account for: a) reduction for system losses of 2.3% and b) thermal correction, the latter being determined by dividing the daily average Btu content per cubic foot of gas for the Company's system by a reference Btu content of 1,000 Btu per cubic foot.

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RULES AND REGULATIONS

1. THE GAS SERVICE TARIFF

1.1 FILING AND POSTING. A copy of this Tariff, which comprises the Rates, Rules and Regulations under which service and SLR (Sales) Service will be supplied to its Customers by PECO Energy Company, is on file with the Pennsylvania Public Utility Commission and is posted and open to inspection at the Principal Office of the Company. A copy of this Tariff also is available on the Company's website at: peco.com

1.2 REVISIONS. This Tariff may be revised, amended, supplemented or otherwise changed from time to time in accordance with the Pennsylvania "Public Utility Law", and such changes, when effective, shall have the same force as the present Tariff.

1.3 APPLICATION. The Tariff provisions apply to everyone lawfully receiving service from the Company, under the rates therein, and receipt of service shall constitute the receiver a Customer of the Company as the term is used herein, whether service is based upon contract, agreement, accepted signed application, or otherwise. A Customer will receive service under this Tariff effective with their first scheduled billing cycle beginning after July 1, 2000.

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1.4 BASIS OF CHARGE. Time elapsed is a factor in the supply of service and the rates and minimum charges named in this Tariff, while predicated on periods of supply of not less than one year, are stated in values for direct application only to monthly periods of service provision and will be adjusted for application to service provided during other time intervals.

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1.5 RULES AND REGULATIONS. The Rules and Regulations, filed as a part of this Tariff, are a part of every contract for service made by the Company and govern all classes of service where applicable, unless specifically modified by a rate or rider provision. The obligations imposed on customers in the Rules and Regulations apply as well to everyone receiving service unlawfully and to unauthorized use of service.

1.6 USE OF RIDERS. The terms governing the provision of service under a particular rate may be modified or amended only by the application of standard riders, filed as part of this Tariff.

1.7 STATEMENT BY AGENTS. No representative has authority to modify a Tariff rule or provision, or to bind the Company by any promise or representation contrary thereto.

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RULES AND REGULATIONS - Continued

2. SERVICE SPECIFICATIONS

2.1 CHARACTER. This Tariff applies only to the distribution and/or supply of natural gas, or its equivalent. Supply pressures will be limited in accordance with Company specifications.

2.2 SINGLE-POINT DELIVERY. The rates named in this Tariff are based upon the Company's distribution and/or supply through a single delivery point. Separate distribution and/or supply for the same Customer at other points of delivery shall be billed separately unless otherwise specifically provided for under a rate or rider statement.

2.3 SINGLE-POINT AVAILABILITY. Service delivered at a single point is available to one or more buildings or units devoted essentially to a single purpose, provided and so long as:

a. Such buildings or units are:
   (1) held, possessed, and either utilized or operated as a single establishment by a single responsible entity, and
   (2) unified on the basis of family, business, industry, enterprise, or governmental agency or through conveniences and services, such as heat, elevator, janitor, care of halls, walks and lawns, etc., furnished by such entity, and
   (3) situated on a single or on contiguous land parcels except where such buildings or units constitute interdependent parts of a single industrial enterprise. In determining "contiguity" hereunder of parcels abutting opposite sides of public or private ways, the boundaries of such parcels shall be considered as extending to the center of such ways.

b. There is granted and maintained to the Company easement or other rights, adequate in the Company's reasonable judgment to supply service direct to any such buildings or units if, as and when a cessation of any one or more of the conditions stated in paragraph lettered "a" above should occur, or there should arise in any manner a Company duty of such direct supply.

c. The distribution and other facilities on the Customer's side of the delivery point are:
   (1) furnished, installed and maintained at the expense of the Customer, and
   (2) owned or leased by the Customer, and
   (3) operated and controlled by or at the expense of the Customer.

d. The Company is under no legal obligation of direct supply to any portion of said buildings or units or their appurtenances.

e. A guarantee by deposit or otherwise is given and maintained to the Company sufficient in its reasonable judgment to insure it against loss in distribution and other investment in the event of change in the nature of holding and possession of such buildings or units, or in the occupancy thereof, or in the type of service delivered thereto.

f. All utilization equipment on the Customer's side of the Company delivery point is furnished, installed, operated and maintained by the operator of the buildings or units supplied or by the tenants of such operator whose use of gas is dependent upon the single point delivery and metering of service.

g. Any use of public highways by such operator for the latter's distribution facilities does not conflict or interfere with the franchise rights of the Company.

2.4 COMPLIANCE WITH AVAILABILITY. The use of the Company's service shall not be for any purpose other than that covered by the availability provisions of the rate or rider under which service is supplied.

2.5 COMPLIANCE WITH BUILDING ENERGY CONSERVATION ACT STANDARDS. Prior to furnishing permanent residential service for heating or cooling purposes to new residential buildings, a copy of the Compliance Certification from the Pennsylvania Department of Community Affairs indicating proof of compliance with, or exemption from, the insulation standards set forth in the Building Energy Conservation Act and the regulations promulgated thereunder, will be required for residential buildings located in municipalities that have not elected to administer the Act.

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RULES AND REGULATIONS - Continued

3. CUSTOMER'S INSTALLATION

3.1 INFORMATION FROM APPLICANT FOR SERVICE. The Company should be advised by the applicant for service in writing, preferably on a form supplied by the Company, of premises to be equipped for gas, giving exact location, and details of all gas appliances to be installed.

The applicant for service shall supply the Company information regarding potential or actual contamination, waste or other materials or other adverse environmental conditions on the Customer's premises on or near where the Company facilities are to be located. The Customer has a continuing obligation to provide the Company with copies of any environmental assessment relating to the premises. The Company also has a continuing right to inspect the Customer's premises for the purposes of performing an environmental assessment.

3.2 DELIVERY POINT. The Company will designate in writing, upon request, a satisfactory point at which the Customer shall terminate the Customer's piping for connection to the facilities of the Company. The failure to request and obtain such information may result in refusal of service pending rearrangement of Customer's facilities, but the designation of a termination point does not constitute an agreement or obligation on the part of the Company to furnish service.

In establishing a point of delivery, the Company has the right to avoid areas known or suspected to contain contamination waste or other materials or other adverse environmental conditions.

The Company may waive this right upon agreement from the Customer or applicant to indemnify, defend and hold harmless the Company (its successors, assigns, trustees, officers, employees and agents) from and against all actions, causes of action, claims and demands whatsoever, and from all costs, damages, expenses, losses, charges, debts and liabilities whatsoever (including attorney's fees), whether known or unknown, present or future, that arise from such conditions. This indemnification provision shall survive the termination or expiration of this Agreement and the termination of the business relationship of the parties hereto.

3.3 METER LOCATION. There shall be provided, free of expense to the Company, at a location outdoors, unless otherwise designated by the Company, which the Company will designate in writing upon request, a suitable place for the regulator or regulators, meter or meters, and any other supply, protective or control equipment of the Company which may be required in the delivery of gas service. Meters and regulators must be located outside and above ground in accordance with 52 Pa. Code § 59.18. However, meters and service regulators cannot be installed in locations specified in 52 Pa. Code § 59.18(a)(8)(i-vi). Inside meter and service regulator locations shall be considered by the Company, but only in accordance with the exceptions contained in 52 Pa. Code §59.18(d). The Company may also consider other meter or regulator locations (such as a specially constructed cabinet recessed in the building wall, sealed from inside the building and vented to and accessible from outside the building) per 52 PA Code §59.18(e). The customer shall provide access (see Rule 10.5) and space, in an amount deemed necessary by the Company, to install and maintain its meter(s) and equipment. This location shall be convenient, unimpeded and easily accessible to the Company's employees, contactors and agents. The Customer shall also minimize any risk for damage and/or harm to the Company's employees, contractors, agents and equipment at the meter location. There also must not be any impediment or obstruction of the Company's ability to receive, an adequate communication signal from its meter(s) for remote reading purposes. The meter(s) location also shall be situated so that the meter(s) are not concealed, but shall be situated in a manner acceptable to the Company.

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3.4 NONSTANDARD SERVICE. The Customer shall pay the cost of any special installation necessary to meet any peculiar requirements for service.

The Customer shall pay all costs to the Company of performing environmental assessments, including consultant costs and the costs of removal and disposal of hazardous materials associated with either the initial installation of service, modifications to the service or repair and maintenance of service.

3.5 REVERSE FLOW. The Customer may be required to install check-valves, or other devices, to prevent compressed air or other gases from entering the Company's mains.

3.6 EXCESS FLOW VALVES ("EFVs"). For new and replaced service line installations, the Company will install an Excess Flow Valve (EFV) at its own expense pursuant to 49 C.F.R. § 192.383, (defined in § 192.383(a), as required in (b) with exceptions in (c)). Eligible customers who request installation of an EFV on existing service lines (per § 192.383(d)), must pay the installation costs before any work begins.

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RULES AND REGULATIONS - Continued

4. APPLICATION FOR SERVICE

4.1 PLACE OF APPLICATION. Applications for service may be made at any commercial office of the Company or, in some cases, over the telephone.

4.2 SERVICE CONTRACT. Every applicant for service may be required to sign a contract, agreement, or other form, then in use by the Company, covering the special circumstances of the use of gas, and shall abide by these Rules and Regulations and the standard requirements of the Company.

4.3 CONTRACT DATA. The application shall contain a statement of the premises to be served, the rate under which service is desired, and such conditions or riders as are applicable to the special circumstances of the case.

4.4 RIGHT TO REJECT. The Company may place limitations on the amount and character of service it will supply or may reject applications for service not available under a standard rate, or which might affect the supply of service to other Customers, or to be delivered at a location which involves excessive cost; for bad credit; for the applicant's' failure to provide identifying documentation; when an applicant's self-identification cannot be verified; or for other good and sufficient reasons. Customer can be denied SLR (Sales) Service or new service for failure to pay an NGS's charges.

The Company has the right to restrict service to only those locations which will not expose the Company to liability for known or suspected contaminated waste or materials or other adverse environmental conditions.

4.5 ACCEPTANCE. When an application is accepted, or when service is supplied according thereto either without modification or with supplemental agreement, it constitutes the contract between the Customer and the Company, subject to the Rules and Regulations.

4.6 SPECIAL CONTRACTS. Standard contracts shall be for terms as specified in the statement of the rate, but where large or special investment is necessary for the supply of service, or where service is to be used for an emergency or temporary replacement of another method of operation, contracts of longer term than specified in the rate, or with special guarantees of revenue, or both, may be required.

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4.7 UNAUTHORIZED USE. Unauthorized connection to the Company's service-supply facilities, and/or unauthorized use of utility service, may be terminated by the Company without notice. Unauthorized use of utility service means unreasonable interference or diversion of service, including meter tampering any act which affects the proper registration of service through a meter, by-passing (unmetered service that flows through a device connected between a service line and Customer-owned facilities), and unauthorized service restoral. In cases of tampering or by-passing, the use of service without notifying the Company and enabling it to read its meter will render the user liable for any amount due for service supplied to the premises from the time of the last reading of the meter, immediately preceding the Customer's occupancy, as shown by the Company's books.

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4.8 WITHDRAWAL OF APPLICATION BY NON-RESIDENTIAL CUSTOMERS. In the event the Customer or potential Customer withdraws, in whole or in part, an application for either new or modified service, the Customer will reimburse the Company for all reasonable costs incurred by the Company in anticipation of supplying the new or modified service where such costs were described by the Company to the Customer at or before the time application was made. This provision does not apply to individual residential service applicants.

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RULES AND REGULATIONS - Continued

5. CREDIT

5.1 PAYMENT OBLIGATION. The provision of service for any purpose, at any location, is contingent upon payment of all charges provided for in this Tariff as applicable to the location and the character of service.

5.2 PRIOR DEBTS. Service will not be furnished to applicants or former customers until any indebtedness to the Company for previous service of the same or similar classification has been satisfied or a payment arrangement has been made on the debt. The Company may, at its discretion, determine liability for prior debts or past due balances by: (1) the use of company records that contain information provided to the Company; (2) information contained on a valid mortgage, lease, deed or renter's license; (3) the use of commercially available public records databases; (4) Government and property ownership records. This rule does not apply to the disputed portion of disputed bills under investigation. The Company will apply this rule to the disputed portion of disputed bills, if, and only if: (1) the Company has made diligent and reasonable efforts to investigate and resolve the dispute; (2) the result of the investigation is that the Company determines that the customer's claims are unwarranted or invalid; (3) the Commission and/or the Bureau of Consumer Services has decided a formal or informal complaint in the Company's favor and no timely appeal is filed; and (4) the customer nevertheless continues to dispute the same matter in bad faith.

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5.3 GUARANTEE OF PAYMENTS. The Company may charge a security deposit before it will render service to an applicant or before the Company will continue to render service to a customer for whom the Company provides Consolidated EDC Billing or Separate EDC Billing. The Company may charge deposits to applicants and customers if they have bad credit, lack creditworthiness or as otherwise permitted by Commission statutes, rules, regulations, and as required by Federal Bankruptcy Law. The applicant or customer may be required to provide a cash deposit, letter of credit, surety bond, or other guarantee, satisfactory to the Company. The Company will hold the deposit as security for the payment of final bills and in compliance with the Company's Rules and Regulations. In addition, the Company may require industrial and commercial customers to post a deposit at any time if the Company determines that the customer is no longer creditworthy or has bad credit or as otherwise permitted by Commission statutes, rules, regulations and as required by Federal Bankruptcy Law. The Company retains the right to charge customers additional deposits based upon continued bad credit or lack of creditworthiness and increased usage.

5.4 AMOUNT OF DEPOSIT. For residential customers the deposit will be equal to one-sixth of the applicant's or customers estimated annual bill for Company charges, based on applicable rates. A deposit from a residential customer shall conform to the requirements of 66 Pa. C.S. 1404(c) and applicable Pennsylvania Public Utility Commission regulations. For industrial and commercial accounts, the amount of the deposit shall be the Company's projection of the sum of the Company charges in the customer's two highest monthly bills in the 12 months following the deposit. The provisions of 11 U.S.C. §366(b) of the Federal Bankruptcy Code, or any successor statute or provision, shall, if inconsistent, supersede the provisions of this rule. Deposits required by the Company for Tariff regulated charges shall not be based on unpaid supplier charges.

. 5.5 RETURN OF DEPOSIT Deposits secured from a residential Customer shall be returned with accrued interest, in accordance with 66 Pa. C.S.§1404(C) and applicable Pennsylvania Public Utility Commission regulations In cases of discontinuance of service, deposits will be returned with accrued interest upon payment of all service charges and guarantees or with deduction of unpaid accounts. Effective July 1, 2011, PECO will return the deposit on a non-residential account if the account was assessed fewer than two late payments in the previous 24 months. The first annual review of the customer's payment status will occur 24 months after the initial deposit date. Any residential or commercial customer having secured the return of a deposit may be required to make another deposit, in accordance with Commission statutes, regulations, or Federal Bankruptcy Law, if the Customer demonstrates bad credit or lacks creditworthiness subsequent to the return of the initial deposit.

5.6 INTEREST ON DEPOSIT. The Company will allow simple interest on cash deposits calculated as follows:

(1) with respect to residential accounts:

(a) interest accrued prior to December 14, 2004, at an annual rate determined by the average of the 1-Year Treasury Bills for September, October and November of the previous year ("Interest Index");

(b) interest accrued on or after December 14, 2004, at an annual rate determined by the legal rate of interest pursuant to 66 Pa. C.S.A. § 1404(C)(6);

(2) with respect to commercial and industrial accounts, at the lower of the Interest Index or six percent; provided that interest accrued prior to April 14, 1995 shall be calculated at six percent. Deposits shall cease to bear interest upon discontinuance of service (or, if earlier, when the Company closes the account).

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5.7 CREDIT INFORMATION.

CUSTOMERS: In addition to information required otherwise hereunder, customers for whom the Company provides Consolidated NGDC Billing or Separate NGDC Billing shall be required to provide to the Company with such credit information, as the Company requires. The Company may report to a national credit bureau on credit history associated with past due amounts.

APPLICANTS: The Company's credit and application procedures for applicants are as follows: (1) positive identification of applicant obtained from previous customer record or through one of the major credit reporting bureaus or through in-person identification; (2) determination of liability for a past due balance; (3) determination if a deposit is required based upon applicant's previous account history if available or through third party credit scoring of applicant.

The Company's credit scoring methodology and standards are as follows: The Company uses a commercially recognized credit scoring methodology that is within the range of generally accepted industry practice. The applicant's or customer's utility payment history determines the credit score. The Company uses this customer-specific credit score to either request or waive a security deposit.

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RULES AND REGULATIONS - Continued

6. SERVICE-SUPPLY FACILITIES

6.1 COMPANY'S SERVICE-SUPPLY PIPE. The Company will install, own and maintain the required service-supply pipe with Company participation in the cost of installation determined by the Company in accordance with Section 7 Extensions.

6.2 SERVICE-SUPPLY ALTERATIONS. Changes in location of service-supply pipe, or meter and connections, for the accommodation of the Customer, shall be at the expense of the Customer. A customer or building owner requesting that a meter or regulator be moved shall pay the costs associated with relocation when the meter and regulator are currently situated in a suitable location under State and Federal regulations per PA 52 Code § 59.18(a)(11).

6.3 STUB-SERVICE PIPE. When supply mains are in place, service-supply pipe to a point beyond the curb line may be installed, at the option of the Company, ahead of paving, providing the owners of the abutting property shall request and pay for such stub-service pipe. The cost of any such stub-service pipe may be refunded to the Customer over a term of years, upon such basis or condition as may be determined by the Company and specified in the contract for service.

6.4 METERS AND REGULATORS. The Company will provide, own and maintain any meter or meters, regulator or regulators, required in the supply of service.

7. EXTENSIONS

7.1 SUPPLY MAIN CONSTRUCTION. The Company will install, own and maintain gas supply mains located on the highway or on rights-of-way acquired by the Company and used or usable as part of the Company's general supply system.

7.2 OBLIGATION TO EXTEND. Subject to the terms set forth herein, the Company will extend its facilities to a new point of delivery without charge to a potential customer making a valid request for natural gas service. For additional details see Section 7.3, Service Pipe and Main Extension Policy.

7.3 SERVICE PIPE AND MAIN EXTENSION POLICY. When gas is available for sale to new customers under one of the Company's firm sales or transportation rate schedules, main and service facilities will be extended to an applicant in accordance with the following provisions:

A. General Economic Test. For firm service customers the Company will make a capital investment in the total cost of new main and service facilities to serve the customer (including, but not limited to, allocated overheads and related system modifications) when the net present value (NPV) from a proposed project is greater than or equal to zero. Net present value shall be calculated based on the capital investment, exclusive of the costs of meter and meter installation, required to serve the applicant(s) and the estimated base annual revenues (EBAR) generated from the applicant(s). The "EBAR" shall be calculated by multiplying the applicable Variable Distribution Charge rate (excluding any applicable gross receipts tax or certain fixed TCS costs) times the estimated annual consumption, plus the portion of annualized Fixed Distribution Charge attributable to service line capital costs. In calculating the NPV, the following assumptions will be made: 1) a 40 year evaluation period, 2) the discount rate shall be the Company's after–tax cost of capital, 3) revenue shall be assumed to be collected throughout the year, and 4) capital is assumed to be invested at the beginning of the year. If the proposed project has a negative NPV, the Customer shall make a payment to bring the net present value to a zero value. This will enable the proposed project to support a reasonable rate of return to the Company.

B. Developments. Payments shall be required in advance for all lot developments. If a payment is required, the amount of payment shall be based on the General Economic Test set forth in Section 7.3A and shall incorporate known gas applications in buildings under construction or buildings not yet under construction but which are expected to be fully constructed within a five year period from the date of the original contract signing. This requirement may alternatively be satisfied by payment of at least 35 percent of the required contribution upon execution of the service agreement with the remainder subject to payment bond and interest (at prime rate) and is due no later than 6 months after PECO certifies, in writing, that service is available to the development. At the time of execution of the service agreement, the developer shall also post a letter of credit, surety bond, or other security, satisfactory to the Company equal to 50% of the value of the revenue stream as calculated by the Company under Section 7.3A. If the developer does not fully develop the lots within five years, including, but not limited to, installing all required appliances and flowing natural gas to them, the Company reserves the right to use the security as payment for the contract amount. Lot developments are defined as tracts subdivided for sale as individual lots or groups of lots to more than one builder or buyer.

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C. Interruptible Service Installations. The Company will make a capital investment in the total cost of new main, service facilities and dual fuel installations, (including, but not limited to allocated overheads and related system modifications) to serve Customers with interruptible service installations, up to an amount equal to three times the additional Estimated Base Annual Revenue (EBAR) attributable to the Customer. The Customer shall pay the cost, if any, in excess of the above limit exclusive of the costs of the meter and, meter installation.

D. After-tax cost of capital (discount rate) shall be determined on the basis of (1) the Company's capital structure and cost of long-term debt set forth in the Company's latest year-end Quarterly Earnings Report submitted to the Commission by March 31 of a year for the period ending December 31 of the previous year; and 2) the cost of equity approved in the most recent base rate case or, in the absence of a Commission determination or Commission approval of a stipulated cost of equity, the cost of equity that the Commission has determined should apply to Distribution System Improvement Charge ("DSIC") investment.

7.4 EXTENSION REFUNDS. Upon receipt of a written request by a Customer or developer made no earlier than the end of the third year following the date of an agreement for new gas service, PECO will: (a) review its records to determine if a refund is due the customer or the developer for additional customers beyond those used to calculate the projected revenue stream as determined in the General Economic Test above that attached to the facilities paid for by the customer or the developer within three (3) years after the execution date of the agreement for new gas service, and (b) within sixty (60) days of receipt of such request, (i) make payment to the customer or developer of any refund due and (ii) provide the customer or developer with documentation substantiating the refund calculations and identifying the attached loads for which the developer was credited. Customer or developer contributions may be refunded if, within three years of the date of the service agreement, new loads are added to facilities paid for by the contributing Customer or developer. Revenue and cost computations shall simulate that the original and new loads were installed at the same time. Refunds will be paid only to the contributing Customer or developer, and the original contribution shall be the maximum refund.

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7.5 TAX ACCOUNTING OF CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER ADVANCES. All contributions in aid of construction (CIAC), customer advances or other like payments received by the Company shall constitute taxable income as defined by the Internal Revenue Service. The income taxes on such CIAC or customer advances will be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with CIAC or customer advances will not be charged to the specific contributor of the capital.

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RULES AND REGULATIONS - Continued

8. RIGHTS-OF-WAY

8.1 TERM AND RENTALS. When the premises of a Customer is so located that the Customer can be served only by facilities extending over the property of another, the Customer shall accept service for such term as is provided in the permit or agreement covering the location and the maintenance of service equipment, and the Customer shall reimburse Company for any and all special or rental charges that may be made for such rights by said permit or agreement.

8.2 PROCUREMENT BY CUSTOMER. Customers applying for the construction of an extension may be required to secure to, and for, the Company, all necessary and convenient rights-of-way and to pay the costs incident thereto.

8.3 DELAYS. Applications for service from an extension to be constructed where a right-of-way is not owned by the Company will only be accepted subject to delays incident to obtaining a satisfactory right-of-way.

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9. INTRODUCTION OF SERVICE

9.1 COMPANY'S RIGHT TO INSPECT. The Company shall have the right, but shall not be obliged, to inspect any installation before service is introduced or at any later time, and reserves the right to reject any piping or appliances not in accordance with the Company's standard requirements; but such inspection, or failure to inspect, or to reject, shall not render the Company liable or responsible for any loss or damage, resulting from defects in the installation, piping, or appliances, or from violation of Company rules, or from accidents which may occur upon the premises of the Customer.

9.2 DEFECTIVE INSTALLATION. The Company may refuse to connect if, in its judgment, the Customer's installation is defective, or does not comply with such reasonable requirements as may be necessary for safety or is in violation of the Company's standard requirements.

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9.3 UNSATISFACTORY INSTALLATION. The Company may refuse to connect if, in its judgment, the Customer's equipment, or use thereof, might injuriously affect the equipment of the Company, or the Company's service to other Customers.

9.4 INITIAL SERVICE. In all cases gas shall be introduced to the Customer's installation by, or under the supervision of, a representative of the Company.

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RULES AND REGULATIONS - Continued

10. COMPANY EQUIPMENT

10.1 COMPANY MAINTENANCE. The Company shall keep in repair and maintain its own property installed on the premises of the Customer.

10.2 CUSTOMER'S RESPONSIBILITY. The Customer shall be responsible for safekeeping of the Company's property while on the Customer's premises. In event of injury or destruction of any such property the Customer shall pay the costs of repairs and replacement. Any changes made to the Customer's premises after the Company completes its service and meter installation that, in the opinion of the Company, creates an unsafe condition, shall be the Customer's responsibility to pay any costs associated with remedying the unsafe condition including but not limited to any required protective measures and/or relocations of Company property. Customers with privately owned or operated underground utility facilities on their premises may have obligations as facility owners under the Underground Utility Line Protection Act, 73 P.S. Section 176 et. seq. These include becoming a member of Pennsylvania One Call, maintaining said facilities, and providing approximate locations of said facilities with temporary markings within the required time period in response to Pennsylvania One Call notifications. Customers should create and retain as-built drawings reflecting the locations of said facilities on the premises and revise these drawings as necessary to reflect any changes made following installation. If said facilities are insufficiently marked prior to the lawful start date of any Company excavation or construction work, the Company has the right to require the associated customer to bear all incremental costs necessary to ensure safe digging by the Company, including but not limited to subsurface utility excavation and engineering, materials, supplies, transportation, labor, and overhead. If 1) said facilities are insufficiently marked prior to the lawful start date of any Company excavation or construction work or 2) the Company is unable to notify a facility owner of its intent for excavation or similar work covered under the Act because the facility owner is not a member of the Pennsylvania One Call system, the Company shall not be liable to customers or any other third parties for any damages, including property damage, economic damages, costs, associated consequential damages or personal injuries.

10.3 PROTECTION BY CUSTOMER. The Customer shall protect the equipment of the Company on the Customer's premises, and shall not permit any person, except a Company employee having a standard badge of the Company or other Company identification, to break any seals upon, or do any work on, any meter, service-supply pipe or other equipment of the Company located on the Customer's premises.

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10.4 TAMPERING. In the event of the Company's meters or other property being tampered or interfered with, the Customer being supplied through such equipment shall pay the amount which the Company may estimate is due for service used but not registered on the Company's meter, and for any repairs or replacements required, as well as for costs of inspections, investigations, and protective installations.

10.5 RIGHT OF ACCESS. The Company's identified employees shall have access to the premises of the Customer at all reasonable times for the purpose of reading meters and disconnecting service, and for installing, testing, inspecting, repairing, removing or changing any or all equipment belonging to the Company. See 52 Pa. Code § 59.24.

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10.6 OWNERSHIP AND REMOVAL. All equipment supplied by the Company shall remain its exclusive property, and the Company shall have the right to remove the same from the premises of the Customer at any time after the termination of service from whatever cause.

10.7 RELOCATION OF COMPANY FACILITIES REQUESTED BY NON-RESIDENTIAL PROPERTY OWNERS. Except as otherwise provided by law (e.g., 66 Pa. C.S. Section 2704 et seq.), a non-residential property owner, such as a builder, developer or contractor (Owner), shall compensate the Company for the costs of relocation of Company facilities or equipment, made for the accommodation of the Owner or in fulfillment of the Owner's obligation to any public authority.

If the facility relocation is made to accommodate the Owner's project or in fulfillment of the Owner's obligation to any public authority, then the Owner shall be responsible to pay PECO for the relocation costs even if the relocation request is made by an entity other than the Owner. A request for relocation of Company facilities shall be in writing. The relocation cost shall include labor (including overhead), materials, storeroom expense and transportation, less the depreciated value of any equipment replaced.

Where the relocation is done in conjunction with construction of a supply line to a development, the Company shall include in the relocation cost those costs caused by the Owner's request. Such relocation costs are not part of the capital investment toward supplying service and are, therefore, not included in the revenue test with which the line extension contribution is calculated.

The Company will notify the Owner in writing of the relocation cost. Advance payment of relocation costs will be required before the Company will commence the work, except, at the sole discretion of the Company, under special circumstances.

10.8 RECOVERY FOR PROPERTY DAMAGE. If Company equipment is damaged through the negligence or intentional act(s) of any individual(s) or entity(s), the one(s) responsible for causing the damage shall reimburse the Company for all aspects of the resulting damages. The reimbursement shall include costs related to: labor, material, transportation and tools. "Labor" shall include benefit and administrative overheads based on the Company's current standard schedule, including third party contract repairs or modifications. Additionally, "Labor" may be calculated using a "blended" or average pay rate consistent with the above referenced standards. "Materials" may include an added stores expense calculated using the above referenced standards.

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RULES AND REGULATIONS - Continued

11. TARIFF OPTIONS ON APPLICATIONS FOR SERVICE

11.1 CHOICE OF RATE. Where the classes of service-supply or conditions of use are such that two or more rates are available, an applicant shall select the rate or rates to be applied to the applicant's service.

11.2 COMPANY ASSISTANCE. The Company upon request will, to a reasonable extent, assist an applicant in selecting the most advantageous rate or rate application.

11.3 RATE CHANGES. A Customer may not change rates during the "initial contract term" as defined in the "Definition of Terms and Explanation of Abbreviations" section above. At any other time, a Customer may change to a rate for which the Customer qualifies upon 30 days' notice to the Company. The new rate will be effective the next meter reading date after Company approval.

The Company will not make any rate change retroactive, unless the Company failed to adequately respond to a Customer's request for assistance or modification at the time of such request.

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RULES AND REGULATIONS – Continued

12. SERVICE CONTINUITY

12.1 REGULARITY OF SUPPLY. The Company will use reasonable diligence to provide a continuous, regular and uninterrupted supply of service.

12.2 CURTAILMENT OF SERVICE.

a. Authority to Curtail. In the event of a natural gas emergency, the Company may curtail the availability of natural gas service to its Customers in accordance with this Rule 12.2.

b. Priority of Service. Following are the service priority categories listed in descending order of priority (highest to lowest):

Priority 1

(1) Residential and firm critical commercial essential human needs.

Priority 2

(2) Firm small commercial requirements, excluding critical essential human needs requirements in Category 1, and firm large commercial and industrial requirements for plant protection.

(3) Firm small industrial requirements.

(4) Firm large critical commercial and industrial requirements, excluding firm critical commercial essential human needs requirements in Category 1.

(5) Firm large non-critical commercial and industrial requirements other than requirements for boiler fuel use.

(6) Firm large non-critical commercial and industrial requirements for boiler fuel use.

Priority 3

(7) Contractually interruptible use.

c. Definitions Applicable. The definition for terms used in the Curtailment of Service Rule are as follows:

(1) Alternate Fuel Capability. The installed and operable ability to use any fuel other than natural gas on a time sensitive basis. For purposes of this definition, alternate fuel means any fuel other than natural gas or its equivalent.

(2) Commercial Use. Gas usage by Customers engaged primarily in the sale of goods or services including, but not limited to, consumption by office buildings, institutions and governmental agencies and shall include Customers in Standard Industrial Classification Codes 01 through 09, 15 through 19, and 49 through 99. Commercial use shall not include use of gas for manufacturing or electric power generation.

(3) Critical Use. Gas usage where natural gas, or its equivalent, is the only feasible form of energy due to its combustion characteristics, controllability or chemical properties.

(4) Essential Human Needs Use. Gas usage in any building where persons normally dwell, including residences, apartment houses, dormitories, hotels, hospitals, and nursing homes, where the Customer does not have alternate fuel capability.

(5) Firm Service. Natural gas service offered to Customers under tariffs or contracts that anticipate no interruption of natural gas service.

(6) Industrial Use. Gas usage by Customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power and shall include Customers in Standard Industrial Classification Codes 10 through 14 and 20 through 39.

(7) Interruptible Service. Natural gas services that can be temporarily discontinued under terms and conditions specified by tariff or contract.

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RULES AND REGULATIONS – Continued

12. SERVICE CONTINUITY – Continued

(8) Large Customer. A customer with annual usage of at least 18,000 Mcf during the prior calendar year.

(9) Natural Gas Emergency. Whenever the aggregate demand of firm service customers on the Company's system or portion of the Company's system, for any reason, exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess creates an immediate threat to the Company's system operating integrity or the ability of the Company to satisfy the demand requirements of its Priority 1 Customers (including when continued delivery of gas to Customers would prevent the Company to arrange for the injection of gas into underground storage pools necessary for the protection of winter season supply requirements).

(10) Non-Critical Use. Gas usage where natural gas is not the only feasible form of energy; i.e., where the Customer has alternate fuel capability.

(11) Small Customer. A customer with annual usage of less than 18,000 Mcf during the prior calendar year.

(12) System Maintenance Order ("SMO") – as defined in the definitions section of the tariff.

(13) Plant Protection Use. Minimum usage of natural gas required to prevent physical harm to an industrial or commercial customer's facility, or danger to personnel at the facility, when the protection cannot be afforded through the use of an alternative fuel. Plant protection requirements includes usage necessary for the protection of the material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.

(14) Residential Use. Gas usage in a residential dwelling or unit for space heating, air conditioning, cooking, water heating, or other domestic purposes.

d. Curtailment Process.

(1) Reservation of Company Right to Curtail. The Company reserves the right to reduce or eliminate the availability of firm natural gas service to Customers during a natural gas emergency, on a system-wide or localized basis ("curtailment"), when, in the Company's sole judgment, curtailment of natural gas service is necessary to protect the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets. When necessary, the Company may curtail service to Priority 1 customers.

(2) Pre-Curtailment Procedures. To avoid curtailment of service, the Company will use reasonable business and operational efforts to interrupt all Priority 3 services; issue appropriate system maintenance orders (SMO) to HVT and LVT Customers, their Natural Gas Suppliers or other agents; and/or request customers to institute voluntary usage reductions.

(3) Curtailment Directive. In the event that Pre-Curtailment Procedures are not practicable or fail to protect the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets, the Company may issue a curtailment directive. The curtailment directive should be reasonably well-tailored by the Company to require Customers of lower priority services to reduce usage by an amount calculated by the Company, as necessary to minimize the potential threat to public health and safety and to minimize the effect of a natural gas emergency on the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets, but may be issued without regard to priorities of service. During the period specified by the curtailment directive, Customers directed to curtail usage must comply with the directive or face physical shut-off by the Company and/or the assessment of penalties elsewhere set forth in this Rule 12.

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RULES AND REGULATIONS – Continued

12. SERVICE CONTINUITY – Continued

(4) Curtailment Sequence. Curtailment of a customer class of a higher priority shall not be initiated until all Customers falling into the lower classifications have been completely curtailed. Where only partial curtailment of any one classification is required, customer usage should be reduced pro rata to the extent reasonably possible. As applied to High Volume Transportation Customers served under Rate TS-F, pro rata reductions will be based on a percentage of the Customer's Transportation Contract Quantity unless the Customer has alternative fuel capability.
If the Customer has alternative fuel capability, a pro rata reduction shall be based on a percentage of the Customer's Transportation Contract Quantity less the daily alternative fuel capability. The Company shall restore service as soon as practicable to any gas-fired generation facility that is deemed critical to electric system reliability by the applicable electrical system's control area operator.

(5) Customer Notification. The Company shall provide maximum notice possible of a curtailment directive or of a change in curtailment amount or priority level set forth in a curtailment directive. In the curtailment directive, the Company shall specify the authorized consumption for a specified period or until further notice. The Company reserves the right to provide notice by any reasonable means, including by telephone, pager, e-mail, facsimile or personal contact. If such notice is by telephone, then it will be followed by a written notice to the Customer, specifying the Customer's curtailment percentage and resulting peak day, daily, monthly, seasonal or annual authorized entitlement, as the case may be. An emergency curtailment may be made after oral notice to the Customer, effective when so given, but such oral notice will be confirmed in writing within 48 hours.

(6) Commission Notification. The Company shall notify the Commission as soon as practicable after the issuance of a curtailment directive.

(7) Curtailment Directive Exceeding 5 Days. The Company must obtain Commission authorization before it may extend a curtailment directive beyond a maximum duration of 5 business days. Business days shall be all days except Saturdays, Sundays, and federal holidays.

(8) Natural Gas Emergency Plan. This Rule 12 is supplemented by Company procedures referenced in the Company's Natural Gas Emergency Plan filed by the Company in compliance with Commission Regulations, 52 Pa. Code § 59.63 and 59.71 et seq., and such procedures may be modified from time to time.

e. Unauthorized Use.

(1) Penalties. A Customer determined to have used natural gas in violation of a SMO issued pursuant to Rule 12.2.d(3) or a curtailment directive issued by the Company ("unauthorized use") shall pay the Company a penalty charge based on the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. Also, included will be the actual, additional cost incurred by the Company as a result of such unauthorized gas usage, as reasonably determined by the Company.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-Non NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

(2) Disposition of Penalties. As of December 31, of each year, the Company shall subtract the total of all penalties paid that year to the Company's suppliers from penalties collected that year from Customers. The Company will then distribute all remaining penalties collected by the Company to its curtailed Customers who did not incur penalties under e(i) above.

(3) To determine the amount of reimbursement due a Customer, the total amount to be redistributed shall be divided by the total volume of sales during the twelve-month period to all Customers eligible for reimbursement. This quotient shall represent the factor, which when multiplied by an eligible Customer's total purchase volume during the twelve-month period will equal the amount to be credited to that Customer. However, no reimbursement shall be made to Customers who have terminated service during the year.

(4) The Company will make periodic reports to the Commission containing itemized statements, status of penalty accounts and the extent and nature of disbursements from such accounts made during that period.

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RULES AND REGULATIONS – Continued

12. SERVICE CONTINUITY - Continued

12.3 LIMITATION OF LIABILITY. Should the supply of service be curtailed or interrupted by the Company because of gas shortage, or for the purpose of making repairs, changes or improvements, in any part of its system for the general good of the service or the safety of the public, or should the supply of service be interrupted, curtailed or fail, by reason of accident, weather, strike, legal process, state or municipal interference, or any cause whatsoever the Company shall not be liable for damages, direct or consequential, resulting from such interruption or failure unless such interruption or failure resulted from the Company's wanton or willful misconduct. If the supply of service to a firm service Customer is interrupted for more than seven consecutive days as a result of the Company's wanton or willful misconduct, the Customer's bill will be prorated for the month during which this interruption occurs.

In all other circumstances, including but not limited to failure to furnish a sufficient supply of gas or failure to transport the customer's gas to the customer, the liability of the Company to customers or other persons for damages, direct or consequential, including damage to equipment and appliances, loss of business, or loss of production caused by any interruption or variation in supply or pressure, or any other failure in the supply of natural gas shall in no event, unless caused by the willful and/or wanton misconduct of the Company, exceed an amount in liquidated damages equivalent to the greater of $1000 or two times the charge to the customer for the service affected during the period in which such interruption or variation in supply or pressure, or any other failure in the supply of natural gas occurs.

The Company makes no warranty as to merchantability or fitness for a particular purpose, express or implied, by operation of law or otherwise. To the extent applicable under the Uniform Commercial Code or on any theory of contract or products liability, the Company limits its liability in accordance with the previous paragraph to any Customer or third party for claims involving and including, but not limited to, strict products liability, breach of contract, and breach of actual or implied warranties of merchantability or fitness for an intended purpose.

12.4 ADDITIONAL LIMITATIONS OF LIABILITY IN CONNECTION WITH CUSTOMER CHOICE. Other than its duty to deliver natural gas, the Company shall have no other duty or liability to a Customer receiving Competitive Natural Gas Supply arising out of or relating to a contract or other relationship between such Customer and an NGS. The Company shall implement Low Volume Customer selection of an NGS consistent with applicable rules of the Commission and shall have no liability to a Low Volume Customer receiving Competitive Natural Gas Supply arising out of or relating to switching NGSs unless the Company is negligent in switching or failing to switch a Customer. The Company shall have no duty or liability with respect to natural gas before it is delivered by an NGS to a point of delivery on the Company's distribution system. After its receipt of natural gas at the point of delivery the Company shall have the same duty and liability for distribution service to Customers receiving Competitive Natural Gas Supply as to those purchasing natural gas from the Company.

12.5 NOTICE OF TROUBLE. The Customer must immediately notify the Company if there is any defect, leak, trouble or accident affecting the supply of gas.

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RULES AND REGULATIONS - Continued

13. CUSTOMER'S USE OF SERVICE

13.1 RESALE OF SERVICE. As of January 5, 1980, the resale of gas and/or service provided by the Company is prohibited for Customers who receive gas service from the Company through a master meter and resell it to individual dwelling units by the use of submeters. Customers receiving service prior to January 5, 1980, may resell gas purchased from the Company through a single master meter in accordance with 66 Pa.C.S. § 1313 if the purchased gas is: (1) for the total requirements of the premises served and (2) the use of the resold gas conforms to the availability requirements of this tariff for the Customer's own account.

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13.2 FLUCTUATIONS. Gas and/or service must not be used in such a manner as to cause unusual fluctuations or disturbances in the Company's supply system, and, in the case of violation of this rule, the Company may discontinue service, or require the Customer to modify the installation and/or equip it with approved controlling devices.

13.3 ADDITIONAL LOAD. Any additional loads, either connected to existing equipment or new equipment, will not be allowed except by consent of the Company.

13.4 FAILURE TO GIVE NOTICE. Failure to give notice of additions or changes in load or location shall render the Customer liable for any damage to the regulator, meters, or other equipment of the Company, caused by the additional or changed installation.

14. MEASUREMENT

14.1 SUPPLY OF METERS. The measurement of gas usage shall be by meters furnished and installed by the Company. The Company will select the type and make of metering equipment, and may, from time to time, change or alter the equipment, its sole obligation being to supply meters that will accurately and adequately furnish records for billing purposes.

14.2 SPECIAL MEASUREMENTS. The Company shall have the right, at its option and its own expense, to place demand meters, pressure gauges, special meters, or other instruments, on the premises of any Customer for the purpose of determining the adequacy of the Company's service or for making tests of all or any part of the Customer's load.

14.3 METER READING INTERVALS. The Company will read its meters at scheduled regular intervals of one or more months and will render standard bills for the recorded gas usage based upon the time interval between meter readings. Only those bills which cover a period of service of less than 27 days or more than 34 days will be prorated.

14.4 ESTIMATED USAGE. The Company may estimate the amount of gas usage at the premises where access to the meter is not available, or to installations at remote locations, for such number of months as the type of installation, normal regularity of usage, or other circumstances may warrant, and will render bills in standard form based on such estimate and so marked, for the Customer's acceptance. Meter readings will be secured from time to time and billing will be revised when they disclose that the estimate failed to approximate the actual usage. For residential Customers, an actual meter reading will be obtained at least every six months, in accordance with Commission regulations.

14.5 CORRECTION TO STANDARD CONDITIONS. The quantities of gas used may be corrected to standard conditions, namely 60 degrees Fahrenheit temperature and 30 inches of mercury barometric pressure. All methods employed in correcting measurements of gas volume to said standard conditions shall be in accordance with established industry standards.

14.6 TELEMETRY AND TELEPHONE EQUIPMENT

(a) Customer shall permit PECO to install and operate telemetering equipment to remotely read PECO's meter.

(b) Customer shall provide and pay for telephone service required for the operation of PECO's equipment and/or the transmittal of data from PECO's meter, as directed by PECO. Customer must maintain either a dedicated non-digital telephone line or telephone equipment that converts the digital signal to analog. Customer shall provide telephone service for this purpose at least fifteen (15) working days prior to the commencement of service under this agreement.

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(c) Service will not be provided prior to the date on which Customer installs the required telephone service. Customer is responsible to maintain the telephone service in working order at all times.

(d) PECO will read the meter on the last day of the month if a reading is not transmitted. If PECO determines that the phone line is not functioning, Customer will be notified that the phone line must be repaired within thirty (30) days.

(e) If more than thirty (30) days elapse and the telephone service is not restored to working order to PECO's satisfaction, then the following steps will be taken:

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(1) If PECO has sufficient capacity in its gas supply system to supply Customer, then Customer's Account will be served as firm service on PECO's Rate GC-General Service–Commercial and Industrial, for a minimum of twelve (12) months.

(2) If PECO does not have sufficient capacity in its gas supply system to supply Customer, then PECO will disconnect Customer's facility from the PECO gas supply system for a minimum of twelve (12) months. During any such period of disconnection, Customer will use an alternate fuel to meet its heating and process needs.

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RULES AND REGULATIONS - Continued

15. TESTS

15.1 METER TESTS. The Company, at its expense, will make periodic tests and inspections of its meters in order to maintain them at a high standard of accuracy. See 52 Pa. Code § 59.21.

15.2 REQUEST TESTS. The Company will make additional tests or inspections of its meters at the request of a Customer, or an NGS providing Competitive Natural Gas Supply to a Customer, but reserves the right to charge the Customer or NGS, as applicable, any Commission-approved charge as provided in the Commission's Gas Regulations.

15.3 ADJUSTMENT FOR ERROR. Should any meter become defective or fail to register correctly, the quantity of gas consumed shall be determined by a test of the meter, or by the registration of a meter set in its place during the period next following, or by averaging the amount of gas used for the nearest meter reading period preceding and the meter reading period immediately following the date when the meter was found not be to registering, taking into consideration the character of use by the Customer.

15.4 RESIDENTIAL METER ERRORS. Meter errors in residential service may be determined on the basis of the registration of the corresponding period during the preceding year, if records are available and conditions of use remain the same.

15.5 ADMINISTRATION TESTS. The Company, at its own expense, will make only such tests as it deems necessary for the proper administration of its rates, or as are required by law.

15.6 TESTING SERVICE. The Company will, upon request by the Customer, make tests to supply special information regarding the Customer's use of service, provided that the estimated cost of such special tests shall be paid by the Customer to the Company at the Company's discretion.

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RULES AND REGULATIONS - Continued

16. PAYMENT TERMS

16.1 BILLING PERIOD. Billing for service will be based upon the amount of use and the time interval of its supply. Rate values stated for direct application to monthly periods will be adjusted when the time elapsed between readings is substantially greater or less than a month.

16.2 BILLING OPTIONS. A Low Volume Customer may select one of the following two billing options as communicated to PECO by the customers' supplier: (1) Consolidated NGDC Billing; or (2) Separate NGS Billing.

16.3 PAYMENT PERIOD. Bills are payable upon presentation, and payment may be made at any commercial office of the Company or at any authorized payment agency. Payment for service received must be made on or before the due date shown on the bill, which shall be not less than 20 days from the date of transmittal of the bill for Rate GR, GC and OL (excluding Summary Billing Accounts); not less than 15 days from the date of transmittal of the bill for all other rates, including Summary Billing Accounts, with the exception of accounts (including Summary Billing Accounts) with the United States of America or the Commonwealth of Pennsylvania or any of their departments or institutions for which 30 days will be allowed. If a normal due date should fall on a Saturday, Sunday, bank holiday, or any other day when the offices of the Company which regularly receive payments are not open to the general public, the due date shall be extended to the next business day. The payment period will not be extended because of the Customer's failure to receive a bill unless said failure is due to the fault of the Company.

16.4 FINANCE CHARGE. If payment may be made at a Company office or authorized payment agency after the due date shown on the bill, a finance charge will be added to the unpaid balance until the entire bill is paid. If payment is made by mail, the finance charge will be added if the payment is received by the Company more than 5 days after the due date shown on the bill. For Rates GR, GC and OL, this finance charge will be 1-1/2% per month; for all other rates the finance charge will be 2% per month.

16.5 BUDGET BILLING

(a) At the option of a Customer receiving service under Rates GR, GC, and OL, an estimated total bill for all service to be received by the Customer over a twelve-month period may be budgeted over the period and an average bill rendered monthly for payment each month. Any difference between the budgeted amounts so paid and the actual charges for a twelve-month budget period will at the customer's option, either be amortized over the next twelve months or incorporated into the twelfth month bill. Absent an indication of preference from the customer, the debit or credit will be amortized. Budget billing may be discontinued upon the customer's request at which time any difference between budget billing amounts and actual charges becomes due and payable. If a monthly budget bill is not paid, a late fee will be added to the unpaid balance of actual charges on the next billing date in accordance with Rule 16.4. Any such late fee will be calculated based on the lesser of budget billing arrears and arrears from actual charges.

(b) When the Company provides Consolidated NGDC Billing, the NGSs charges will be included in the Customer's Budget Billing Plan.

16.6 CALCULATION OF FINANCE CHARGE. Where a finance charge is applicable, the amount of the finance charge to be added to the unpaid balance shall be calculated by multiplying the unpaid past due balance, exclusive of any previous unpaid finance charges, by the appropriate finance charge rate. Finance charges shall be applied to all charges when the Company is providing Supplier of Last Resort service and to the Fixed Distribution Service Charges, Variable Distribution Service Charges and any applicable service charges when the Customer has selected an NGS. The Company will apply finance charges to NGS charges at the NGS's electronic request when the Company is performing billing services for the NGS.

16.7 APPLICATION OF PAYMENT. When the Company provides Consolidated NGDC Billing or SLR (Sales) Service and a Low Volume Customer remits a partial payment to the Company, the payment will be applied as follows:

1. Any past due balances including those for prior PECO basic service charges, for prior NGS receivables purchased by the Company, for prior installment amounts on payment agreements, and also for any reconnection charges.
2. Any current charges including those for PECO basic service charges, for current NGS receivables purchased by the Company, and for current installment amounts on payment agreements.
3. Non-basic service charges.

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16.8 RETURNED CHECK CHARGE. If a check received in payment of a Customer's account is returned to the Company unpaid by the Customer's bank and cannot be redeposited by the Company for payment on the second attempt, a $20.00 charge for the returned check will be added to the Customer's account.

16.9 BILLING ERRORS. When the Company provides Consolidated NGDC Billing, the Company shall not be responsible for billing errors resulting from incorrect information received from an NGS.

16.10 PAYMENT TERMS. The Company will negotiate payment arrangements with Sales Service Customers The Company will also negotiate payment arrangements for customers served under Consolidated NDGC Billing which includes NGS charges. If the NGS is providing Separate NGS Billing ("dual billing"), the Company will not negotiate agreements on behalf of those NGS charges.

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RULES AND REGULATIONS - Continued

17. TERMINATION BY THE COMPANY

17.1 NON-PAYMENT SHUT-OFF. On reasonable notice, the Customer is subject to collection action, including termination of service (in accordance with the Pennsylvania Public Utility Code or the Commission's regulations,) on the portion of the past due amount attributable to the Company's charges for service and/or gas commodity. Upon termination of service, the Company may also remove its equipment. Notice that complies with applicable Commission regulations shall conclusively be considered "reasonable hereunder". Consistent with 52 PA Code §56.100, the Company will accept the following most current and valid documents as proof of household income: (1) income tax returns; (2) pay stubs; (3) benefit letters and governmental agency verification; (4) other forms to be accepted at the Company's discretion. The customer must provide this information within 10 days of the Company's request. This information may also be used by the company to determine deposit requirements, payment arrangements, and any other income specific program.

17.2 SHUT-OFF FOR CAUSE. The Company may terminate on reasonable notice if entry to its meter or meters is refused or if access thereto is obstructed or hazardous; or if utility service is taken without the knowledge or approval of the Company; or for other violation of these Rules and/or applicable Commission rules in accordance with the Pennsylvania Public Utility Code or the Commission's regulations.

17.3 SAFETY SHUT-OFF. The Company may terminate without notice if the Customer's installation has become hazardous or defective.

17.4 DEFECTIVE EQUIPMENT SHUT-OFF. The Company may terminate without notice if the Customer's equipment or use thereof might injuriously affect the equipment of the Company, or the Company's service to other Customers.

17.5 SHUT-OFF FOR FRAUD. The Company may terminate without notice for abuse, fraud, material misrepresentation of the customer's identity or tampering with the connections, meters, or other equipment of the Company.

17.6 RECONNECTION CHARGE. If service is terminated or discontinued by reason or act of the Customer, the same Customer, whether an applicant or a customer as defined at 66 Pa. C.S. § 1403, shall pay a reconnection charge, prior to restoration of service at the same address within twelve months after discontinuance or termination. The reconnection charges, listed below, are based on the Company's current standard schedule of reconnection fees, which include direct labor costs, contractor costs, and material/transportation costs.

	Reconnect Fees For Non-Payment
Gas Reconnect at Meter	$80.00
Gas Reconnect at Curb	$70.00

17.7 **THEFT INVESTIGATION CHARGE**. If the Company establishes that there has been confirmed active theft resulting from tampering with the Company meter on the customer's premises, and the customer is or was a customer as defined at Pa. C.S. § 1403 the customer shall pay a theft investigation charge in addition to any amount that the Company establishes is due for service used, but not registered on the Company's meter. The Company reserves the right to assess theft investigation charges as a precedent to reconnection of service as well as the right to assess a separate reconnection charge as described in Rule 17.6.

	Theft Investigation Fees
Gas Theft at Meter	$400.00

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18. UNFULFILLED CONTRACTS

18.1 NOTICE OF DISCONTINUANCE BY CUSTOMER. Notice to discontinue service prior to the expiration of a contract term will not relieve a Customer from any minimum, or guaranteed, payment under any contract or rate.

18.2 COMPLETION OF TERM. If, by reason of any act, neglect or default of a Customer, the Company's service is suspended, or the Company is prevented from supplying service in accordance with the terms of any contract it may have entered into with the Customer, the minimum charge for the unexpired portion of the contract term shall become due and payable immediately as liquidated damages in lieu of the anticipated returns from the said contract. These liquidated damages may, at the option of the Company, be offset by any estimated revenues from a succeeding Customer at the same location if such exists.

18.3 TEMPORARY SUSPENSION OF SERVICE. A residential or commercial Customer may elect to have service temporarily disconnected at the start of a period of suspension and then reconnected at the end of the period by paying a charge of $115.00. During the period of suspension, the Customer will be relieved of the payment of minimum bills.

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RULES AND REGULATIONS - Continued

19. CANCELLATION BY CUSTOMER

19.1 TERMINATION NOTICE. Customers who have fulfilled their initial contract term and wish to discontinue service must give at least 7 days' notice to that effect, unless otherwise provided for in a rate schedule or service agreement.

19.2 FINAL BILL. The Customer is liable for service taken after notice to terminate the contract until the meter is read and gas shut off. The final bill for service is then due and payable within 20 days from the date of transmittal of the bill for residential customers and 15 days for non-residential customers.

19.3 EXIT FEES. A Customer, other than a Low Volume Customer, taking firm sales service that transfers to an interruptible service or to firm Transportation Service without firm standby sales service will be required to continue payment of the firm gas supply demand costs allocable to Customer's firm sales service until the Company is able to reduce its contract demand level or otherwise utilize the contract demand allocable to Customer's firm sales service.

20. GENERAL

20.1 OFFICE OF THE COMPANY. Wherever, in this Tariff, it is provided that notice be given or sent to the Company, or the office of the Company, such notice, delivered or mailed, postage prepaid, to any commercial office, shall be deemed sufficient, unless the Main Office of the Company at 2301 Market Street, Philadelphia, is expressly mentioned.

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20.2 NO PREJUDICE OF RIGHTS. The failure by the Company to enforce any of the terms of this Tariff shall not be deemed a waiver of its right to do so.

20.3 GRATUITIES TO EMPLOYEES. The Company's employees are strictly forbidden to demand or accept any personal compensation, or gifts, for service rendered by them while working for the Company on the Company's time.

20.4 BILLING CHANGES. Where billing changes are made as the result of an investigation made at Customer's request or by routine inspection, the change of billing may be applied to the bill for the regular meter reading period preceding such investigation, and will in any event apply to the bill for the period during which the check is made.

20.5 EXCEPTIONAL CASES. Sales and/or Transportation service shall be subject to the provisions of this Tariff; but where special conditions or problems arise for which provision is not otherwise made, the Company may modify or adapt its terms to meet the peculiar requirements of such case, provided that such modified terms are a rational expansion of standard tariff provisions.

20.6 ASSIGNMENT. Subject to the Rules and Regulations, all contracts made by the Company shall be binding upon, and oblige and ensure to the benefit of, the successors and assigns, heirs, executors, and administrators of the parties thereto.

20.7 OTHER CHARGES. Except as where otherwise provided in this tariff the Company may where feasible, provide and charge for services requested by the Customer or his agent. The Company is not obligated to provide such services. The Company will, if possible, give the Customer an advance written estimate of the costs to provide the service.

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21. **GAS CHOICE PROGRAM ENROLLMENT AND SWITCHING**

In accordance with all applicable final Commission Orders:

21.1 All LVT Customers will be eligible to obtain Competitive Natural Gas Supply starting with their first regularly scheduled meter reading after July 1, 2000.

21.2 The Company will send Gas Choice Release of Information packets to all new LVT Customers, which information will provide Customers the opportunity to authorize the release of their confidential account information. PECO annually notifies customers that they can change this authorization. Every three years, in accordance with PUC Docket No. M-2012-2324075, PECO will re-solicit its entire customer base for the purpose of opting out of disclosing information.

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21.3 Customers may select a Supplier, as often as monthly, in accordance with Commission Orders and the procedures contained in this Tariff and in the Supplier Coordination Tariff.

21.4 If a Customer, or agent authorized to act on the Customer's behalf, contacts the Company via telephone to select a Supplier, the Company will advise the Customer or agent to contact the selected Supplier to submit the required electronic enrollment file.

21.5 For a Customer's enrollment to become effective on the Customer's next regularly scheduled meter read date, the Supplier must submit the required electronic file at least eleven (11) days prior to said meter read date.

21.6 If, in any month, a Customer selects more than one Supplier, the Supplier that submitted to the Company, before the end of the applicable Supplier selection period, the Supplier enrollment file with the latest valid Supplier contract will become the Customer's Supplier of record.

21.7 The Company will send a confirmation notice to all Customers who have made a Supplier selection by the next business day after receiving the Customer's enrollment file from the Supplier. This confirmation shall include notification of a five (5) day waiting period in which the Customer may cancel its selection of a Supplier. The waiting period shall begin on the date the Company confirmation is mailed to the Customer. If the five (5)-day waiting period expires, and the Customer has not contacted the Company to cancel the Supplier selection, the Supplier will become the Customer's Supplier of record.

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21.8 If the Customer elects to cancel its Supplier selection, the Company will notify the rejected Supplier electronically via an approved EDI transaction. In the event the Customer cancels its Supplier selection after the five (5) day waiting period, the Customer will be required to remain with the selected Supplier for a minimum of one billing cycle.

21.9 If at least eleven (11) days prior to the Customer's next regularly scheduled meter read date, a Customer contacts the Company to request a switch from a Supplier to the Company's (SLR) Sales Service, the request will be effective as of that meter read date and the Company as the supplier of-last resort will become the Supplier of record for delivery.

21.10 In the event the Customer requests a switch less than eleven (11) days before the Customer's next regularly scheduled meter read date, the switch will be effective as of the next following meter read date.

21.11 If, other than at the end of a billing cycle, and because of an NGS's default, an NGS terminates sales to a Customer prior to the end of the Customer's contract with the NGS, for gas supply provided through the end of the relevant billing cycle, said Customer will pay the NGS's contract rate in accordance with information filed by the NGS with the Commission.

22. USAGE DATA

At the request of the Customer, or at the request the Customer's designated Supplier or authorized agent, the Company will supply twelve (12) individual months of historical usage data for no charge. Any additional historical information requested will be provided, if available, for a fee of ninety-two dollars ($92.00) per provision.

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23. AFFILIATED MARKETER STANDARDS OF CONDUCT

PECO Energy and its affiliated natural gas supplier shall comply with the following requirements:

(1) A natural gas distribution company shall apply its tariffs in a nondiscriminatory manner to its affiliated natural gas supplier and any nonaffiliated natural gas supplier.

(2) A natural gas distribution company shall not apply a tariff provision in any manner that would give its affiliated natural gas supplier an unreasonable preference over other natural gas suppliers with regard to matters such as scheduling, balancing, transportation, storage, curtailment, capacity release and assignment, or non-delivery, and all other services provided to its affiliated natural gas supplier.

(3) Mandatory tariff provisions shall not be waived by a natural gas distribution company for any natural gas suppliers absent prior approval of the Commission.

(4) If a tariff provision is not mandatory or provides for waivers, a natural gas distribution company shall grant the waivers without preference to its affiliated natural gas supplier or non-affiliated natural gas supplier.

(5) A natural gas distribution company shall maintain a chronological log of tariff provisions for which it has granted waivers. Entries shall include the name of the party receiving the waiver, the date and time of the request, the specific tariff provision waived and the reason for the waiver. The chronological log shall be open for public inspection during normal business hours.

(6) A natural gas distribution company shall process requests for distribution services promptly and in a nondiscriminatory fashion with respect to other requests received in the same or a similar period. A natural gas distribution company shall maintain a chronological log showing the processing of requests for transportation services. The chronological log shall be open for public inspection during normal business hours.

(7) If a natural gas distribution company provides a distribution service discount, fee waiver or rebate to its favored customers, or to the favored customers of its affiliated natural gas supplier, the natural gas distribution company shall offer the same distribution service discount, fee waiver or rebate to other similarly situated customers. Offers shall not be tied to any unrelated service, incentive or offer on behalf of either the natural gas distribution company or its affiliated natural gas supplier. A chronological log shall be maintained showing the date, party, time and rationale for the action. The chronological log shall be open for public inspection during normal business hours.

(8) Subject to customer privacy or confidentiality constraints, a natural gas distribution company shall not disclose, directly or indirectly, any customer proprietary information to its affiliated natural gas supplier unless authorized by the customer. To the extent that a natural gas distribution company does disclose customer information without customer authorization, it shall contemporaneously provide this same information to other similarly situated natural gas suppliers in a similar fashion so as not to selectively disclose, delay disclosure, or give itself or its affiliated natural gas supplier any advantage related to the disclosure. A chronological log shall be maintained showing the date, time and rationale for the disclosure. The chronological log shall be open for public inspection during normal business hours.

(9) A natural gas distribution company shall justly and reasonably allocate to its affiliated natural gas supplier the costs or expenses for general administration or support services provided to its affiliated natural gas supplier.

(10) Natural gas distribution companies shall not condition or tie the provision of any product, service or price agreement by the natural gas distribution company (including release of interstate pipeline capacity) to the provision of any product or service by its affiliated natural gas supplier.

(11) A natural gas distribution company shall not give its affiliated natural gas supplier preference over a non-affiliated natural gas supplier in the provision of goods and services including processing requests for information, complaints and responses to service interruptions. Natural gas distribution companies shall provide comparable treatment in its provision of such goods and services without regard to a customer's chosen natural gas supplier.

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(12) A natural gas distribution company and its affiliated natural gas supplier shall maintain separate books and records. Further, transactions between the natural gas distribution company and its affiliated natural gas supplier shall not involve cross-subsidies. Any shared facilities shall be fully and transparently allocated between the natural gas distribution company function and the affiliated natural gas supplier function. The natural gas distribution company accounts and records shall be maintained such that the costs incurred on behalf of an affiliated natural gas supplier may be clearly identified.

(13) Natural gas distribution company employees who have responsibility for operating the distribution system, including natural gas delivery or billing and metering, shall not be shared with an affiliated natural gas supplier, and their offices shall be physically separated from the office(s) used by those working for the affiliated natural gas supplier. Such natural gas distribution company employees may transfer to an affiliated natural gas supplier provided such transfer is not used as a means to circumvent these interim standards of conduct.

(14) Neither the natural gas distribution company nor its affiliated natural gas supplier shall directly or by implication, falsely and unfairly represent to any customer, natural gas supplier or third party that an advantage may accrue to any party through use of the natural gas distribution company's affiliates or subsidiary, such as:

- That the Commission regulated services provided by the natural gas distribution company are of a superior quality when services is purchased from its affiliated natural gas supplier; or
- That the merchant services (for natural gas) are being provided by the natural gas distribution company when they are in fact being provided by an affiliated natural gas supplier;
- That the natural gas purchased from a non-affiliated natural gas supplier may not be reliably delivered;
- That natural gas must be purchased from an affiliated natural gas supplier to receive Commission regulated services.

(15) When affiliated natural gas supplier market or communicate to the public using the natural gas distribution company name or logo, it shall include a legible disclaimer that states:

- That the affiliated natural gas supplier is not the same company as the natural gas distribution company;
- That the prices of the affiliated natural gas supplier are not regulated by the Pa PUC; and
- That a customer does not have to buy natural gas or other products from the affiliated natural gas supplier in order to receive the same quality service from the natural gas distribution company.

When an affiliated natural gas supplier advertises or communicates verbally through radio or television to the public using the natural gas distribution company name or logo, the affiliated natural gas supplier shall include at the conclusion of any such communication a legible disclaimer that includes all of the disclaimers listed in this paragraph.

(16) Except in competitive bid situations a natural gas distribution company shall not (a) jointly market or jointly package its Commission regulated services with the services of an affiliated natural gas supplier or (b) offer or provide to its affiliated natural gas supplier products or services, including bill inserts in its natural gas distribution company bills promoting an affiliated natural gas supplier's services or a link from the natural gas distribution company's web-site, unless the natural gas distribution company offers or provides the products or service to all non-affiliated natural gas supplier on the same terms and conditions.

(17) A natural gas distribution company shall not offer or sell natural gas commodity or capacity to its affiliated natural gas supplier without simultaneously posting the offering electronically on a source generally available to the market or otherwise

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making a sufficient offer to the market. The natural gas distribution company shall maintain a chronological log of these public disseminations. The chronological log shall be open for public inspection during normal business hours.

(18) Natural gas distribution companies shall establish and file with the Commission a complaint procedure for dealing with any alleged violations of any of the standards of conduct, with the exception of paragraph (9), which are exclusively under the purview of the Commission. These procedures shall be developed in consultation with interested parties during consideration of any tariff guided by this section and §69.191 (relating to general). The Commission may grant an exception to these requirements if warranted by the facts or circumstances.

(19) A natural gas distribution company shall keep a chronological log of any complaints, excepting paragraph (9), regarding discriminatory treatment of natural gas suppliers. This chronological log shall include the date and nature of the complaint and the resolution of the complaint. The chronological log shall be open for inspection during normal business hours.

(20) Dispute Resolution Procedures: In addition to the procedure set forth in paragraph 18:

- Any dispute between a natural gas supplier, and/or an affiliated natural gas supplier, and a non-affiliated natural gas supplier alleging a violation of any of these Standards of Conduct provisions, the natural gas supplier must provide the natural gas distribution company and/or affiliated natural gas supplier, as applicable, a written Notice of Dispute that includes the names of the Parties and Customer(s), if any, involved and a brief description of the matters in dispute.

- Within five (5) days of a natural gas distribution company's and/or affiliated natural gas supplier's receipt of a Notice of Dispute, a designated senior representative of each of the Parties shall attempt to resolve the dispute on an informal basis.

- In the event the designated representatives are unable to resolve the dispute by mutual agreement within thirty (30) days of said referral, the dispute shall be referred for mediation through the Commission's Office of Administrative Law Judge. A party may request mediation prior to that time if it appears that informal resolution is not productive.

- If mediation is not successful, then the matter shall be converted to a formal proceeding before a Commission Administrative Law Judge.

- Any Party may file a complaint concerning the dispute with the Commission under relevant provisions of the Public Utility Code.

- Parties alleging violations of these standards may pursue their allegations through the Commission's established complaint procedures. A complainant bears the burden of proof consistent with 66 Pa. C.S. §332 (relating to Public Utility Code) in regard to the allegations and may impose penalties for such violations pursuant to 66 Pa.C.S.§ 3301.

(21) A natural gas distribution company shall file a compliance filing within sixty (60) days of the entry of an order approving or modifying a restructuring plan, which sets forth a detailed plan for compliance with this Standard of Conduct as well as the Commission separation and cost allocation requirements already ordered.

(22) Every natural gas distribution company and its affiliated natural gas supplier shall formally adopt and implement these provisions as company policy and shall take appropriate steps to train and instruct its employees in their content and application.

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RULES AND REGULATIONS – Continued

24 REQUESTS FOR ENERGY EFFICIENCY INFORMATION

Upon request of a Customer for energy efficiency information, the Company will provide a copy of its then current residential or commercial energy efficiency guide, as applicable.

25. CREDITWORTHINESS OF A NATURAL GAS SUPPLIER (NGS) SERVING HIGH VOLUME TRANSPORTATION CUSTOMERS

(a) Unless a mutual agreement is reached between the Company and a NGS, or other applicable entity as specified in 52 Pa. Code § 62.101 the amount and form of security shall be based on the criteria established in 52 Pa. Code §62.111. In accordance with §62.111, a NGS seeking to deliver natural gas supplies to the Company for the account of one or more of the Company's non-exempt HVT Customers must satisfy at least one of the following financial criteria:

(1) The NGS has a minimum credit rating of 3A2 from Dun & Bradstreet, a minimum bond rating of Baa2 from Moody's, or a rating of BBB from Standard & Poor's, Fitch ICBA or Duff & Phelps; or

(2) The NGS has furnished the Company with an irrevocable and binding form of security (e.g., surety bond, letter of credit, security interest in collateral acceptable to the Company, a corporate guaranty, or a written affirmation of financial support by a parent or affiliated company) issued by an obligor that has a minimum credit rating of 3A2 from Dun & Bradstreet, a minimum bond rating of Baa2 from Moody's, a minimum bond rating of BBB from Standard & Poor's, Fitch ICBA or Duff & Phelps, or, for an insurance company, an A.M. Best credit rating of no less than A-and in which the obligor designates the Company as the sole beneficiary and which otherwise is in a form and amount acceptable to the Company; or

(3) The NGS provides the Company with a cash deposit and/or a cash escrow arrangement in an amount and form acceptable to the Company, and agrees, in a writing furnished to the Company, to be responsible, as between the Company and the Supplier, for the payment of all deficient and excess delivery charges assessed in accordance with the Company's Gas Transportation Service – General Terms and Conditions that are caused by the NGS' excess or deficient deliveries. Such responsibility on the part of the NGS would not relieve the HVT Customer of its responsibility for the payment of the same charges in accordance with the Gas Transportation General Terms and Conditions. If the NGS is determined to have been responsible for the excess/deficient delivery and if the NGS pays the related charges to the Company, then the HVT customer would be relieved of such responsibility.

For the purposes of this subsection (a), the "amount acceptable to the Company" shall be a dollar amount ($US) equal to the monetary value obtained by multiplying 45 days of average daily winter usage for each HVT Customer supplied by the NGS times the then effective Commodity Charge.

(4) The NGS has furnished the Company with an acceptable amount of Security in the form of an escrow account or nets any gas supply sales that the NGS has made to the Company and for which the Company owes payment to the NGS against the amount of Security required. The amount of Security contained in either situation must be in an amount equal to the monetary value obtained by multiplying 45 days of average daily winter usage for each HVT Customer supplied by the NGS times the then effective Commodity Charge.

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RULES AND REGULATIONS – Continued

(b) The Company shall have the right to assess each NGS' creditworthiness on an annual basis. As such, the Supplier is required to furnish annual audited financial statements to the Company. In the event the Company does not receive any annual audited financial statements, unaudited financial statements may be acceptable. The Company also may perform more than one financial analysis for any Supplier during the course of the year when the Company reviews financial information of a Supplier and determines, in the Company's judgment that the Supplier's creditworthiness has materially changed.

(c) Unless a mutual agreement is reached, the amount of Security required may be modified based on one or more of the following criteria:

1. The NGS's past operating history on all other NGDC systems, including the duration that the NGS operated on each system, the number of customers served on each system and any supply reliability problems that occurred on each system.
2. An NGS's credit reports.
3. The number and class of customers being served.
4. Information that materially affects a NGS's creditworthiness such as:

a) a change in the NGS's recent operating history on the Company's system or on other NGDC systems that has materially affected NGDC system operation or reliability. Such a change may occur when a Supplier fails to deliver natural gas supply to meet its customers' needs or fails to comply with NGDC operational flow orders as defined at 52 Pa. Code § 69.11;

b) a change in the NGS's credit reports that materially affects its creditworthiness. Creditworthiness could be materially affected when 2 of the following credit rating companies change the Supplier's credit rating:
1. Dun & Bradstreet
2. Standard & Poor's Rating Services Inc.
3. Transunion LLC
4. Equifax Inc.
5. Experian Information Solutions, Inc;

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c) a significant change, defined as a 25% change over a 30-day period, in the number and class of customers served, the volume of gas delivered or the average unit price of natural gas;

d) a change in operational or financial circumstances that materially affects a NGS's creditworthiness. This can occur when 2 of the following investment rating companies change the NGS's rating of its issued securities from an investment grade or good rating to a speculative or moderate credit risk rating and vice versa:
1. Standard & Poor's Rating Services Inc.
2. Moody's Investment Service, Inc.
3. Fitch, Inc.
4. A.M. Best Company, Inc.
5. DBRS, Inc.;

e) a change in the NGS's demonstrated capability to provide the necessary volume of natural gas to meet its customers' needs that materially affects the Company's system operation or reliability. Such a change may occur when the NGS fails to deliver natural gas supply sufficient to meet its customers' needs on 5 separate occasions within a 30-day period or fails to comply with the Company's operational flow orders.

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RULES AND REGULATIONS – Continued

5. The NGS's demonstrated capability to provide the volume of natural gas necessary to meet its customers' needs.

(d) After it is reasonably determined by the Company that an adjustment to the amount of Security provided by the Supplier is required, the Company will adjust the Security amount in accordance with subsection (a)(3).

(e) The NGS shall have the affirmative obligation to inform the Company in writing of any material change in its financial condition in a timely manner.

(f) Notwithstanding anything to the contrary stated in this Rule 25, an NGS shall not be creditworthy if, for any reason, it owes a past due amount to the Company that is not subject to a good faith billing dispute and the payment has not been received by the Company within two business days after the Company has provided a past due notice, or if so determined by order of the Pennsylvania Public Utility Commission.

(g) When the Company determines that a Security adjustment is required, it will provide written notice to the NGS. The NGS shall comply with the Company's determination within 5 business days after the NGS is served with such notice. If the NGS disagrees with the Company's determination, it shall file a dispute in accordance with subsection (h). However, the NGS is still required to post the full amount of adjusted Security requested by the Company within 5 business days after the NGS is served with the Company's notice.
An NGS also may request, in writing, that the Company adjust its Security amount according to the criteria set forth in subsection (c). The Company will provide a written response to the NGS within 5 business days after receipt of the written request from the NGS. In the event that the Company agrees with the NGS's request, the NGS shall post the Security adjustment within 5 business days after the NGS is served with the Company's determination. In the event that the NGS disagrees with the Company's determination, it may file a dispute in accordance with subsection (h). However, if the Company requires an adjustment of Security, the NGS is still required to post the full amount of adjusted Security within 5 business days after the NGS is served with the Company's notice.

(h) An applicant, licensee or NGS shall notify the Company in writing of any dispute(s) it may have regarding the form and amount of Security or the adjustment of Security requested by the Company. If a resolution cannot be reached within 30 days after the Company receives the written notice, the applicant, licensee or NGS may do any of the following:

1. Request that the Secretary of the PUC initiate an informal mediation and resolution process. If the NGS is dissatisfied with the PUC's decision at the informal level, it may petition to appeal the decision or file a Formal Complaint.
2. File a Formal Complaint at the Commission.
3. File a Petition challenging the criteria used by the Company to determine the form and amount of Security requested or the Security adjustment amount.

If a NGS initiates a dispute or files a complaint related to an adjustment in Security by the Company, the following requirements exist during the pendency of the dispute:

1. The NGS is required to provide and maintain the full adjusted Security amount to the Company until the dispute is resolved.
2. The NGS must continue to operate in accordance with the Company's system operations and business rules and practices.
3. The NGS must continue to deliver natural gas volumes necessary to fulfill customer needs and provide customer support services.
4. The Company shall allow the NGS to continue to operate on the Company's system.

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RULES AND REGULATIONS – Continued

26. GAS QUALITY STANDARDS: Quality of Gas Delivered to the Company

A. Terms Defined. The following definitions shall apply throughout the Gas Quality Standards sections of this Tariff.

Biogas is a mixture of naturally produced gases resulting from the decomposition of organic matter under anaerobic conditions (in an oxygen-free environment). The principal constituents are methane and carbon dioxide.

Interconnect or interconnection is the physical connection between the Company's natural gas system and the physical equipment of another natural gas system associated with the interconnection point, which may include the interconnection metering, pressure control, filtration and odorization equipment.

Renewable Natural Gas (RNG) is a term used to describe Biogas that has been upgraded for use in place of fossil natural gas. The Biogas used to produce RNG may come from a variety of sources, including municipal solid waste landfills, digesters at water resource recovery facilities (wastewater treatment plants), livestock farms, food production facilities, and organic waste management operations.

RNG Counterparty is any individual, entity, Customer, or otherwise-described party that executes a Renewable Natural Gas agreement with the Company for purposes of injecting, transporting, using, or otherwise introducing or causing RNG to be introduced into the Company's natural gas system. This definition includes RNG producers and/or production facilities.

B. Quality of Gas at Point(s) of Receipt with an Interstate Pipeline.

Natural gas delivered by or caused to be delivered on behalf of Customer to the Company at point(s) of receipt with an interstate pipeline shall conform to the quality specifications of the pipeline(s) used to transport natural gas.

C. For Quality of Gas at Point(s) of Receipt for Renewable Natural Gas.

Gas Quality Standards are specifications meant to ensure that the RNG entering the Company's natural gas system will be interchangeable with the natural gas that the Company currently distributes and will not damage the Company's or the Company's customers' equipment. RNG being injected into the Company's natural gas system shall conform to the following quality specifications at the time of receipt at the interconnection point. With advance notice from RNG Counterparty in writing, the Company may allow deviations from these standards on a case-by-case basis at its sole discretion. With notice to RNG Counterparty in writing, the Company may require adherence to additional specifications, for good cause as determined by the Company on a case-by-case basis at its sole discretion.

C.1 General Specifications:

(a) The Company's interconnection equipment will have automatic and remote shut-off capabilities to ensure the following constituents and standards can be adequately monitored at the point of interconnection and the safety and reliability of the Company's natural gas system protected. The Company may temporarily discontinue the receipt of RNG without notice if it does not conform to the following specifications.

The following constituents and values will be monitored by the Company via chromatograph or other such measurement device as the Company may employ and will be monitored on a regular basis as the Company may determine from time to time (i.e., hourly):

(i) **Heating Value**: The following minimum and maximum heating values apply, both measured on a dry basis at a temperature of sixty degrees Fahrenheit (60° F) and a pressure of 14.73 pounds per square inch absolute (PSIA)—the minimum heating value is 970 Btu (gross) per standard cubic foot (SCF) and the maximum heating value is 1070 Btu (gross) per SCF.

(ii) **Delivery Temperature**: The RNG delivery temperature is not to be below fifty degrees Fahrenheit (50° F) or above one hundred and twenty degrees Fahrenheit (120° F).

(iii) **Methane:** The gas shall contain a minimum of 95% Methane.

(iv) **Propane**: The gas shall contain a maximum of 20% Propane.

(v) **Hydrogen Sulfide:** The gas shall contain no more than 0.5 grains per 100 SCF.

(vi) **Total Sulfur**: The gas shall contain no more than 5 grains per 100 SCF total sulfur. This includes Carbonyl Sulfide (COS) and Carbon Disulfide (CS_2), hydrogen sulfide, mercaptans, and mono, di- and poly-sulfides.

(vii) **Carbon Dioxide and Nitrogen**: The gas shall contain no more than 2% by volume of carbon dioxide (CO_2), not more than 3% by volume of nitrogen (N_2), and shall contain no more than 5% by volume of combined nonhydrocarbon gases including, but not limited to, CO2, N2, and O_2.

(viii) **Hydrogen:** The gas shall contain no more than 0.1% by volume of hydrogen.

(ix) **Oxygen:** The gas shall not contain in excess of 0.3% by volume of oxygen, and the parties agree to exercise every reasonable effort to keep the gas completely free of oxygen.

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RULES AND REGULATIONS – Continued

(x) **Hydrocarbons:** The RNG hydrocarbon dew point is not to exceed forty-five degrees Fahrenheit (45° F) at the delivery pressure.

(xi) **Water Vapor:** The gas shall not contain in excess seven (7) pounds (lbs.) of water vapor/1mcf.

C.2 RNG Constituents:

(a) RNG Counterparty shall complete laboratory testing, as described in Section C.3, for the trace constituents listed in the following table. If testing results do not meet the standards listed in the table below, the Company may temporarily interrupt RNG service as outlined in Section C.4.

Parameter	Symbol	Level (max unless noted otherwise)	Units
Siloxanes	Si	5	Mg Si/m³
Hydrogen	H_2	0.1	% vol
Ammonia	NH_3	0.00%	Mol%
Mercury	Hg	0.08	mg/m³
Arsenic	As	0.19	mg/m³
Copper	Cu	0.6	mg/m³
Oxygen	O_2	0.3	% vol
Propane	C_3H_8	20	% vol
Nitrogen	N_2	3	% vol
Methane	CH_4	95	% vol
Hydrogen Sulfide	H_2S	0.5	Grains per 100 SCF
Carbon Dioxide	CO_2	2	% vol
Carbon Monoxide	CO	0.1	% vol
Volatile Organic Compounds	VOCs	5	PPM
Moisture or Water Content	H_2O	7	Pounds per million cu ft
Total Sulfur	S	5	Grains per 100 SCF

(b) Additional Quality Requirements:

(i) **Wobbe Index**: The RNG shall have a minimum Wobbe Number of 1255 Btu/ft^3 and shall not have a maximum Wobbe Number greater than 1375 Btu/ft^3.

(ii) **Dust, Gums, etc.**: The gas shall be free of objectionable odors, dust, gum, dirt, impurities and other solid or liquid or hazardous matter which might interfere with proper operation of the facilities, lines, regulators, meters or other appliances through which it flows. Filters shall be installed on the RNG Counterparty's equipment (i.e., the supply side) to catch any debris.

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RULES AND REGULATIONS – Continued

(iii) **Bacteria:** The gas and any associated liquids shall not contain any active bacteria or bacterial agent capable of contributing to or causing operational problems.

C.3 Testing Requirements:

(a) To ensure adherence to the Gas Quality Standards, testing required under this section will be performed by RNG Counterparty using independent, certified third-party laboratories. The Company shall be notified at least five (5) calendar days in advance of the RNG sampling and tests and have the option to observe the samples being taken. Test results will be shared with the Company within five (5) calendar days of the test results being received by RNG Counterparty. Unless otherwise noted herein, the costs associated with the required testing shall be paid by RNG Counterparty.

In its discretion, the Company may, at its own cost and expense, collect samples for testing at the utility meter at the point of interconnection. Re-testing shall be allowed to verify and validate the results of any test. The cost of retesting shall be paid by the entity requesting the retest.

(b) **RNG Pre-Interconnection Testing:** Prior to the injection of RNG into the Company's natural gas system, RNG Counterparty shall conduct two (2) tests over a two (2)-to four (4)-week period for the Gas Quality Standards. If during pre-injection testing, the RNG is found to be non-compliant with the Gas Quality Standards, RNG Counterparty shall make necessary modifications to reduce constituent levels and restart pre-interconnection testing. Connection to the Company's natural gas system is subject to successfully passing these two (2) tests.

(i) **RNG Periodic Testing:** The Company will require RNG Counterparty to conduct periodic testing for the Gas Quality Standards on a quarterly basis (at least once in every three-month period).

C.4 Temporary Discontinuance of Gas Receipt:

(a) **Temporary Discontinuance:** The Company reserves the right to temporarily discontinue the receipt of gas on an immediate basis whenever the RNG is non-compliant with any of the specifications as detailed in the Gas Quality Standards and, as applicable, an RNG agreement, whenever there is an imminent safety risk (including any risk stemming from either Company or RNG Counterparty-owned facilities or equipment), or whenever Company reasonably determines it is necessary to maintain system integrity.

(i) The Company may temporarily disconnect RNG equipment from the Company's natural gas system in the event of an emergency condition as determined by the Company, for scheduled maintenance, construction or repair, or if it is reasonably determined to be necessary in order to maintain the safety and reliability of its system.

(ii) The Company shall notify RNG Counterparty promptly when it becomes aware of an emergency condition or any other condition that that may reasonably be expected to affect RNG Counterparty's operation of its RNG production facility. RNG Counterparty shall notify the Company promptly when it becomes aware of an emergency condition or any other condition that may reasonably be expected to affect the Company's natural gas system. To the extent information is known, the notification shall describe the emergency condition, the extent of the damage or deficiency, the expected effect on the operation of both parties' facilities and operations, its anticipated duration, and the necessary corrective action.

(iii) In the event the Company temporarily discontinues the receipt of RNG for any reason, RNG Counterparty is responsible for ceasing production or diverting RNG from the point of interconnection, as applicable.

(iv) The Company and the RNG Counterparty shall provide five (5) business days' notice prior to temporarily interrupting service for scheduled maintenance, construction, or repair. The Company shall use reasonable efforts to coordinate such temporary disconnection with RNG Counterparty.

(v) The Company and RNG Counterparty shall cooperate with each other to restore any production facility, interconnection facilities, and the Company's natural gas system to their normal operating state as soon as reasonably practicable following any disconnection pursuant to this section, as long as the safety and reliability of the Company's natural gas system is ensured, including ensuring that all Gas Quality Standards are met. During a temporary discontinuance of service, RNG Counterparty shall still be charged the Customer Charge.

(vi) The Company shall not be liable, under any circumstances or in any respect, to RNG Counterparties or any other person or entity for damages arising either directly or indirectly from temporary discontinuance of service.

(b) **Restart Procedures:**
(i) To restart RNG injection following a temporary discontinuance, RNG Counterparty will complete a minimum of one (1) test of the RNG in accordance with the testing requirements specified above. Injection may then resume if the test indicates the RNG complies with the Gas Quality Standards. This test must be reviewed and approved by both the Company and RNG Counterparty.

(ii) To restart RNG injection following a shut-off resulting from above concerns, RNG Counterparty shall notify the Company and may begin injections only once the Company has given approval.

(iii) When the Company's crews are required on-site to restart the RNG injection, including but not limited to on-site testing, the Company has the right to require the associated RNG Counterparty to bear all costs required for such activities, including but not limited to materials, transportation, labor, and overhead.

(iv) The Company and RNG Counterparty may agree to modify the restart procedures identified in this Section on a case-by-case basis, upon written agreement between each party.

RULES AND REGULATIONS – Continued

C.5 Changes Impacting Gas Quality:

The Company must be notified as soon as possible of any substantive expected change to the feedstock, raw gas quality or conversion process that has the potential to impact RNG quality, so that the Company can review whether any action is required including, but not limited to, additional testing, new or revised Gas Quality Standards or a suspension of the receipt of RNG into the Company's natural gas system.

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STATE TAX ADJUSTMENT CLAUSE

In addition to the net charges provided for in this Tariff, a surcharge value of 0.06% will apply to all service on and after January 1, 2022.

Whenever any of the tax rates used in the calculation of the surcharge are changed, the surcharge will be recomputed as prescribed by the Commission. The recalculation will be submitted to the Commission within ten days after the tax rates change occurs and the effective date shall be ten days after filing.

In addition, if a recalculation is submitted as a result of a tax rate change, the Company will thereafter file each year on December 21 annual updates with the Commission which will reflect only this tax change. These annual updates will be effective ten days after filing and will continue until such as the effect of the change in tax rates has been included in base rate.

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TCJA VOLUNTARY SURCHARGE

To implement the effects of the Tax Cuts and Jobs Act (TCJA), on March 15, 2018 the Pennsylvania Public Utility Commission (Commission) issued a Temporary Rates Order at Docket No. M-2018-2641242 directing PECO to file its current base rates and riders as temporary rates, pursuant to Section 1310(d) of the Public Utility Code. 66 Pa. C.S. § 1310(d). Subsequently, on May 17, 2018, the Commission entered an Order at Docket R-2018-3000512 superseding the March 15, 2018 Temporary Rates Order directing PECO to establish a surcharge effective July 1, 2018 to provide the benefits of the TCJA to customers.

A surcharge of 0.94% will apply to intrastate service to all customer bills rendered on and after March 1, 2022. This surcharge will be distributed equally among the utility's various customer classes and will be provided through a separate mechanism showing a line item on customer bills (e.g., Federal Tax Adjustment Credit – "FTAC").

PECO will file revised surcharges (or FTAC) as required at least thirty (30) days prior to the effective date of January 1st of each year reflecting an estimate of the savings for the TCJA from January 1 through December 31 exclusive of STAS and non-distribution automatic adjustment clause revenues.

This surcharge or FTAC will be reconciled at the end of each calendar year and will remain in place until PECO files and the Commission approves new base rates for PECO pursuant to Section 1308(d) that include the effects of the TCJA tax rate changes. Interest on the over or under collection shall be computed monthly at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, et seq.). The reconciliation shall be submitted by April 30th of each calendar year and shall be subject for review and audit by the Commission's Bureau of Audits.

The Company may file an interim rate adjustment in order to eliminate any over or under recovery of the surcharge outside of the annual filing period. Such adjustment would be filed on at least 10 days' notice.

A final reconciliation statement will be filed within 30 days after completion of the final over/under collection refund/recovery. The FTAC revenues and reconciliation will be subject to audit by the Commission's Bureau of Audits.

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PROVISIONS FOR RECOVERY OF UNIVERSAL SERVICE FUND CHARGE (USFC)

Variable Distribution Service Charge rates for gas service in Residential Rate Schedule GR of this Tariff shall include a credit of **($0.1516)** per Mcf (1,000 cubic feet) for recovery of Universal Service Fund Cost (USFC), calculated in the manner set forth below. The USFC rate for gas service shall be increased or decreased annually, to reflect changes in the level of Universal Service Fund costs, net of base rate recoveries, in the manner described below:

COMPUTATION OF USFC.
The USFC per Mcf ($x.xxxx), shall be computed in accordance with the formula set forth below:

$$USFC = \frac{(C+E-I)}{(S)}$$

The USFC, so computed, shall be included in distribution rates charged to Customers for service pursuant to the rate schedule identified above. The amount of USFC, per Mcf, will vary, if appropriate, based upon annual filings by the Company.

In computing the USFC, per Mcf, pursuant to the formula above, the following definitions shall apply:

"Reconcilable Customer Assistance Program (CAP) Costs" – The difference between discounts provided to CAP customers (CAP revenue shortfalls) recovered through base rates and total CAP discounts, net of a 27% offset factor.

USFC – Universal Service Fund Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each Mcf of Variable Distribution Service Charge calculated under Rate Schedule GR, to recover or refund Reconcilable CAP Costs and other items as addressed in the "E" factor.

C - Cost in dollars of the Reconcilable CAP Costs for the projected period.

E - the net (overcollection) or undercollection of Universal Service Fund Charges. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Included in the "E" factor will be Reconcilable CAP Costs, and up to $250,000 of LIURP expenditures above the $2.25 million threshold included in base rates. Also included in the "E" Factor will be any rate credit due customers to the extent PECO expends less than $3,227,500 annually in its Energy Efficiency Plan effective January 1, 2023.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous USFC.

I – Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the period such overcollection is refunded or undercollection is recouped. The interest calculation will not apply to the LIURP amounts.

S - projected Mcf of gas service to be billed under Rate GR (exclusive of CAP Rider) during the projected period when rates will be in effect. Mcf's shall be consistent with the projected residential throughput used in the applicable Purchased Gas Cost filing.

FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECONCILIATION.

The Company's annual USFC filing and its annual reconciliation statement shall be submitted to the Commission 120 days prior to new rates being effective December 1 of each year, or at such time as the Commission may prescribe. The USFC mechanism is subject to annual audit review by the Bureau of Audits.

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SALES SERVICE COSTS (SSC) - Section 1307(f)

PROVISIONS FOR RECOVERY OF GAS COSTS RELATED TO SALES SERVICE

Rates for all Sales Service gas supplied under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff shall include the Commodity Charge (CC) at **$4.9077** per Mcf (1,000 cubic feet) for Rate Schedules GR and CAP, **$4.8936** per Mcf for Rate Schedules GC and **$4.8892** per Mcf for Rate Schedules OL, L and MV-F for recovery of gas costs related to Sales Service, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code as well as procurement costs as reflected in the Gas Procurement Charge ("GPC") and uncollectable charge-offs as reflected in the Merchant Function Charge ("MFC"). In addition, the Gas Cost Adjustment Charge (GCA) in the amount of **$0.4985** per Mcf will be applicable to customers served under the above mentioned Rate Schedules. Such rates for Sales Service gas shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the Commission's regulations, to reflect changes in the level of recovery of gas costs related to Sales Service.

COMPUTATION OF CC AND GCA PER MCF.

The CC and GCA, per Mcf, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formulas set forth below:

$$CC = \frac{(C)}{(S)} \times \frac{1}{(1 - T)} + GPC + MFC \quad ; \text{and}$$

$$GCA = \frac{(E)}{(S)} \times \frac{1}{(1 - T)}$$

For March 1, June 1 and September 1 quarterly updates, CC is revised to:

$$CC = \left(CC1 + \frac{O}{S1} + \frac{C1)}{S2}\right) \times \frac{1}{(1-T)} + GPC + MFC$$

The CC and GCA so computed, shall be applicable to Customers receiving Sales Service pursuant to the rate schedules identified above. The CC and GCA, per Mcf, will vary, if appropriate, based upon annual filings by the Company pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the Commission's regulations adopted pursuant thereto.

In computing the Charges, per Mcf, pursuant to the formulas above, the following definitions shall apply:

"CC" - Purchased Gas Costs determined to the nearest one-hundredth cent (0.01¢) to be charged for each Mcf of-Sales Service gas supplied under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff.

"C" - Cost in dollars: (a) for all types of purchased gas, project the commodity and all non-storage interstate pipeline costs for each purchase (adjusted for net current gas stored) for the projected period when rates will be in effect; plus (b) the cost of gas provided from storage and LNG facilities, less (c) the new monthly cash-out result determined pursuant to Rule 10.11.3, or the successor thereto, of the Gas Choice Supplier Coordination Tariff .

"C1" - defined as the difference between the current projection of "C" and the projection of "C" used to establish the rates effective December 1 for the period starting with the month of the effective date of the quarterly rate change through the end of the PGC period.

"CC1" – defined as the Commodity Charge rate effective December 1 of the current PGC period.

"O" – defined as the difference between the current net over/under collections and the associated projected net over/under collections from the applicable PGC rate calculation, as defined by Commodity Charge revenues less associated gas costs, from December 1 of the current PGC year through the end of the month before the applicable quarterly rate change.

GCA - the "E" factor component of the CC, representing the net overcollection or undercollection of Purchased Gas Costs. Applicable to Sales Service and determined to the nearest one-hundredth cent (0.01¢) for service provided under Rate Schedules GR, GC, CAP, OL, L, and MV-F of this Tariff.

"E" - the net (overcollection) or undercollection of Purchased Gas Costs applicable to the CC.

The net overcollection or undercollection shall be determined for the most recent period permitted under law, which shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. The annual filing date shall be the date specified by the Commission for the Company's Section 1307(f) tariff filing.

Supplier refunds received after July 1, 2001 associated with Commodity Charges will be included in the calculation of "E" with interest added at the annual rate of six percent (6%) beginning with the month such refund is received by the Company.

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"GPC" – Gas Procurement Charge determined to the nearest one-hundredth cent (0.01¢) to be charged for each Mcf of Sales Service gas supplied under Rate Schedules GR, CAP, GC, OL, L, and MV-F of this Tariff.

"MFC" – Merchant Function Charge determined to the nearest one hundredth cent (0.01¢) to be charged for each Mcf of Sales Services gas supplied under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous 1307(f) GCA.

Interest shall be computed monthly at the prime rate for commercial borrowing in effect sixty days prior to the tariff filing in accordance with Section 1307(f) of the Public Utility Code as modified by PA Act 47. The interest rate will be based on that reported in the Wall Street Journal. Interest will be computed from the month that the overcollection or undercollection occurs to the effective month such overcollection is refunded or undercollection is recouped. The interest rate basis will become effective with the December 2016 billing cycle

"S" projected Mcf of gas to be billed to Customers receiving Sales Service under Rate Schedules GR, GC, CAP, OL, L & and MV-F during the projected period when rates will be in effect.

"S1" - defined as the applicable twelve month mcf sales billed to customers receiving Sales Service under Rate Schedules GR, GC, CAP, OL, L, and MV-F.

"S2" – defined as mcf sales billed to customers receiving Sales Service under Rate Schedules GR, GC, CAP, OL, L, and MV-F and for the period starting with the month of the effective date of the quarterly rate change through the end of the PGC period.

"T" the portion of any applicable state gross receipts tax rate recovered through base rates, expressed as a decimal. The tax rate, if any, shall be the one in effect when the computation is made.

"Purchased Gas Costs" - Include the direct costs paid by the Company for the purchase and delivery of natural gas (which also includes liquefied natural gas, synthetic natural gas, and natural gas substitutes, excluding propane, the cost of which is included in the Balancing Service Costs) to its system to supply its Customers (plus such portion of the Company's used and unaccounted for gas as the Commission permits), including costs paid under agreements to purchase natural gas from sellers; costs paid for transporting natural gas to its system; all charges, fees, taxes and rates paid in connection with such purchases, pipeline gathering, and transportation; and costs paid for employing futures, options and other risk management tools.

QUARTERLY UPDATES

The Company's rates for recovery of gas costs related to Sales Service are also subject to quarterly adjustments under procedures set forth in Section 1307 (f) of the Public Utility Code and in the Commission's regulations. Such updates shall reflect, adjustments for under or overcollections and, adjustments to the projected cost of gas related to Sales Service based upon more current versions of the same sources of data and using the same methods to project the gas costs related to Sales Service approved by the Commission in the Company's most recent annual proceeding for recovery of gas costs related to Sales Service under section 1307 (f).

OFF-SYSTEM SALES SHARING MECHANISM

The rate for Sales Service gas as determined above shall be adjusted to reflect the operation of the off-system sales sharing mechanism set forth herein. Revenues received by PECO Energy from third party storage management services and revenues from exchanges or swaps of gas, excluding the Customer's share of such revenue attributable to use or management of storage or related storage transportation capacity by customers not connected to the Company's system (which revenue shall be included in the Balancing Service Costs E factor, shall be included as off-system sales revenues). Effective April 1, 2001 through March 30, 2008, PECO Energy will be permitted to retain 25% of off system sales margin revenues up to the first $3.5 million in margin revenues, and PECO Energy will be permitted to retain 30% of off system sales margin revenues for margin revenues over $3.5 million. Subsequently, effective March 31, 2008 through November 30, 2024 and thereafter, until terminated or otherwise revised by Final Order of the Commission, PECO Energy will be permitted to retain 25% of off-system sales margin revenues. PECO Energy's share shall be computed on a pre-income tax basis, "below the line" for ratemaking purposes. The remaining off-system sales margin will be credited to the recovery of purchased gas costs. Margin revenues derived from sales of gas which is taken from system supply are defined as the unit revenue less the monthly weighted average commodity cost of gas, less any applicable taxes other than income taxes. Margin revenues derived from specific purchase sales (sales where a specific gas supply has been purchased to make a sale) shall be defined as the unit revenue less the specific purchase commodity cost of gas, less any applicable taxes other than income taxes. Specific purchase sales will have no impact on the cost of system supply. Off-system sales for operational purposes such as for meeting mandatory storage withdrawals are excluded from the mechanism. The calculations under this mechanism shall be subject to audit and to review in annual 1307(f) proceedings.

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SALES SERVICE COSTS (SSC) - Section 1307 (f) - Continued

FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECTIFICATION.

The Company's annual Section 1307(f) filing or its annual reconciliation statement shall be submitted to the Commission by June 1 of each year, or such other time as the Commission may prescribe by order or by regulation.

The Company shall notify the Commission of any change in the price of purchased gas from any supplier, which change would cause an increase or decrease of more than one per cent (1%) in the "C" factor, defined above. Such notification will be given within thirty (30) days after the effective date of such change in price, or as soon as reasonably practical thereafter.

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GAS PROCUREMENT CHARGE

PROVISIONS FOR RECOVERY OF GAS PROCUREMENT CHARGES

Rates for all Sales Service gas supplied under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff shall include the Gas Procurement Charge ("GPC") at **$0.0386** per Mcf (1,000 cubic feet) for recovery of gas procurement costs related to Sales Service, calculated in the manner set forth below and pursuant to the Final Orders at Docket No. P-2012-2328614 and Docket No. R-2022-3031113.

The GPC will be included in the Company's Commodity Charge ("CC") and the Price to Compare ("PTC").

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COMPUTATION OF GAS PROCUREMENT CHARGE

The GPC shall include gas procurement costs incurred by the Company on behalf of its Sales Service customers. The GPC shall include the following costs:

1. Natural gas supply service, acquisition and management costs, including natural gas supply bidding, contracting, hedging, credit, risk management costs and working capital.
2. Administrative, legal, regulatory and general expenses related to those natural gas procurement activities, excluding those related to the administration of firm storage and transportation capacity.

The GPC shall be computed as follows:

GPC = GPCC/S x 1/(1-T)

"GPCC" – applicable gas procurement costs as defined in Items 1 and 2 above.

"S" – defined as twelve months of Mcf sales billed to customers receiving Sales Service under Rate Schedules GR CAP, GC, OL, L, and MV-F.

"T" – the portion of any applicable state gross receipts tax rate recovered through base rates, expressed as a decimal. The tax rate, if any, shall be the one in effect when the computation is made.

The costs for the GPC shall remain in effect until reviewed and updated in each base rate case filed by the Company. The calculation of the GPC shall be updated in conjunction with updates in costs for the GPC. The GPC shall not be subject to reconciliation for any prior period over or under collections.

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MERCHANT FUNCTION CHARGE

PROVISIONS FOR RECOVERY OF MERCHANT FUNCTION CHARGES

Rates for all Sales Service gas supplied under Rate Schedules GR, CAP GC, OL, L and MV-F shall include the Merchant Function Charge ("MFC") at **$0.0205** per Mcf (1,000 cubic feet) for Rate Schedules GR and CAP, at **$0.0064** per Mcf for Rate Schedule GC and at **$0.0020** per Mcf for Rate Schedules OL, L and MV-F for recovery of gas uncollectible charge-offs related to Sales Service, calculated in the manner set forth below and pursuant to the Final Order at Docket No. P-2012-2328614 and at Docket No. R-2020-3018929. The MFC will be included in the Company's Commodity Charge ("CC") and the Price to Compare ("PTC") and shall be updated quarterly in conjunction with the calculation of the CC.

COMPUTATION OF MERCHANT FUNCTION CHARGE

The MFC shall include uncollectible charge-offs incurred by the Company on behalf of its Sales Service customers and calculated for Rate Schedules GR, CAP, GC, OL, L and MV-F. The MFC shall be computed as follows:

MFC = Write-Off Factor x CCEMFC x 1 / (1 – T)

"Write-Off Factor" - the write-off factors for Rate Schedules GR and CAP **(0.42%),** Rate Schedule GC **(0.13%)** and Rate Schedules OL, L and MV-F **(0.04%)** as determined at Docket No R-2022-3031113, the Company's 2022 gas base rate case. The write-off factors shall be updated as part of future base rate cases.

"CCEMFC" – the applicable quarterly CC including the GPC and excluding the MFC.

"T" – the portion of any applicable state gross receipts tax rate recovered through base rates, expressed as a decimal. The tax rate, if any, shall be the one in effect when the computation is made.

The calculation of the MFC shall be updated in conjunction with changes in the CC including the GPC and excluding the MFC and updates in the write-off factors. The MFC shall not be subject to reconciliation for any prior period over or under collections.

PRICE TO COMPARE

The Price to Compare ("PTC") is comprised of the Commodity Charge ("CC"), the Gas Cost Adjustment ("GCA"), the Gas Procurement Charge ("GPC") and the Merchant Function Charge ("MFC"). The Commodity Charge includes the Gas Procurement Charge and the Merchant Function Charge. The PTC will change whenever any components of the PTC change. The current PTC's are detailed below:

COMPONENT	RATES GR and CAP
Commodity Charge excluding GPC and MFC	$4.8486 per Mcf
Gas Cost Adjustment	$0.4985 per Mcf
Gas Procurement Charge	$0.0386 per Mcf
Merchant Function Charge	$0.0205 per Mcf
Price to Compare	$5.4062 per Mcf

COMPONENT	RATES GC
Commodity Charge excluding GPC and MFC	$4.8486 per Mcf
Gas Cost Adjustment	$0.4985 per Mcf
Gas Procurement Charge	$0.0386 per Mcf
Merchant Function Charge	$0.0064 per Mcf
Price to Compare	$5.3921 per Mcf

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COMPONENT	**RATES OL, L and MV-F**
Commodity Charge excluding GPC and MFC	$4.8486 per Mcf
Gas Cost Adjustment	$0.4985 per Mcf
Gas Procurement Charge	$0.0386 per Mcf
Merchant Function Charge	$0.0020 per Mcf
Price to Compare	$5.3877

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BALANCING SERVICE COSTS (BSC)- Section 1307(f)

PROVISIONS FOR RECOVERY OF BALANCING SERVICE COSTS.

Rates for Balancing Service for all gas delivered under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff shall be charged at **$0.4247** per Mcf (1,000 cubic feet) for recovery of those costs, calculated in the manner set forth below, pursuant to Section 1307(f) of the Public Utility Code. Such rates for Balancing Service shall be increased or decreased, from time to time, as provided by Section 1307(f) of the Public Utility Code and the Commission's regulations, to reflect changes in the level of recovery of Balancing Service Costs.

COMPUTATION OF BALANCING SERVICE COSTS PER MCF

Balancing Service Costs, per Mcf, shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formula set forth below:

$$BSC = \frac{(C - E)}{(S)} \times \frac{1}{(1 - T)}$$

For March 1, June 1 and September 1 quarterly updates, the BSC is revised to:

$$BSC = \left(CC1 + \frac{O}{S1} + \frac{C1}{S2} - \frac{E}{S1}\right) \times \frac{1}{(1 - T)}$$

Projected Balancing Service Costs, so computed, shall be charged to Customers for all gas delivered pursuant to the rate schedules identified above. The amount of those costs, per Mcf, will vary, if appropriate, based upon annual filings by the Company pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the Commission's regulations adopted pursuant thereto.

In computing the Balancing Service Costs, per Mcf, pursuant to the formula above, the following definitions shall apply:

"BSC" - Balancing Service Costs determined to the nearest one-hundredth cent (0.01¢) to be charged to each Mcf of gas delivered under Rate Schedules GR, CAP, GC, OL, L and MV-F of this Tariff.

"C" - Cost in dollars: for all types of storage and related services, project the cost for the projected period when rates will be in effect.

"C1" - defined as the difference between the current projection of "C" and the projection of "C" used to establish the rates effective December 1 for the period starting with the month of the effective date of the quarterly rate change through the end of the PGC period.

"CC1"- defined as the rate associated with "C" effective December 1 of the current PGC period.

"O" – defined as the difference between the current net over/under collections and the associated projected net over/under collections from the applicable PGC rate calculation, as defined by storage and related services revenues less associated storage and related services costs from December 1 of the current PGC year through the end of the month before the applicable quarterly rate change.

"E" - the net overcollection or undercollection of Balancing Service Costs.

The net overcollection or undercollection shall be determined for the most recent period permitted under law, which shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. The annual filing date shall be the date specified by the Commission for the Company's Section 1307(f) tariff filing.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous Balancing Service Costs Rate.

Interest shall be computed monthly at the prime rate for commercial borrowing in effect sixty days prior to the tariff filing in accordance with Section 1307(f) of the Public Utility Code as modified by PA Act 47. The interest rate will be based on that reported in the Wall Street Journal. Interest will be computed from the month that the overcollection or undercollection occurs to the effective month such overcollection is refunded or undercollection is recouped. The interest rate basis will become effective with the December 2016 billing cycle.

As otherwise described in the Sales Service Costs section "Off-System Sales Sharing Mechanisms", the portion of margin revenue attributable to certain balancing assets shall be included in the calculation of "E".

Supplier refunds received prior to July 1, 2001 will be included in the calculation of "E" with interest added at the annual rate of six per cent (6%) beginning with the month such refund is received by the Company.

"S"- projected Mcf of gas to be delivered to Customers during the projected period when rates will be in effect.

"S1"- defined as the applicable twelve months of mcf of gas to be delivered to customers.

"T"- the portion of any applicable state gross receipts tax rate recovered through base rates, expressed as a decimal. The tax rate, if any, shall be the one in effect when the computation is made.

"S2" – defined as mcf sales delivered to customers for the period starting with the month of the effective date of the quarterly rate change through the end of the PGC period.

"T"- the portion of any applicable state gross receipts tax rate recovered through base rates, expressed as a decimal. The tax rate, if any, shall be the one in effect when the computation is made.

Balancing Service Costs - fixed and variable storage costs and the cost of propane to be charged to all customers served under Rate Schedules GR, CAP, GC, OL, L, and MV-F of this Tariff.

QUARTERLY UPDATES

The Company's rates for recovery of Balancing Service Costs are also subject to quarterly adjustments under procedures set forth in the Commission's regulations at 52.Pa. Code 53.64 (1) (5). Such updates shall reflect adjustments for under or over collections and adjustments to the projected cost of Balancing Services based upon more current versions of the same sources of data and using the same methods to project the Balancing Service Costs approved by the Commission in the Company's most annual proceeding for recovery of Balancing Service Costs under section 1307 (f) of the Public Utility Code.

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FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECTIFICATION.

The Company's annual Section 1307(f) filing or its annual reconciliation statement shall be submitted to the Commission by June 1 of each year, or such other time as the Commission may prescribe by order or by regulation.

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Consumer Education Charge (CEC)

PROVISIONS FOR RECOVERY OF CONSUMER EDUCATION COSTS

Purpose - The purpose of this surcharge is to provide for full and current cost recovery of expenditures associated with the Company's approved gas consumer education costs.

Applicability - The surcharge shall be charge calculated to the nearest one-hundredth cent (0.01¢), which shall be added to the Variable Distribution rates for all Low Volume Customers for recovery of Consumer Education Costs associated with Gas Choice. The rate shall be calculated separately for each customer class. The current Consumer Education Plan Cost for each Class 1 is 1 is $0.0020 per Mcf for Rates GR and CAP, Class 2 is $0.0000 per Mcf for Rate GC and for Class 3 is $0.0000 per Mcf for Rates L and MV-F.

COMPUTATION OF CEC
The CEC per MCF shall be calculated on an annual basis using the following formula:

$$CEC(n) = \frac{(C+E+I)}{S(n)}$$

In computing the CEC, pursuant to the formula above, the following definitions shall apply:

C – the cost of the consumer education program includes the following:

Consumer Education Cost: Costs attributable to the Company's payment of the Commission's Statewide Education Assessment and all incremental external and incremental internal costs of the Company's own local customer choice education program. Such program costs may include outreach programs, paid media, direct mail, company call center, grass roots outreach and other costs as approved by the Commission.

CEC(n) - consumer education costs for Low Volume Customers in rate class "n" including over/(under) recovery and associated interest.

E – The estimated over or (under) recovery from the prior year. The reconciliation period shall be the 12 months ended December 31.

I Interest on any over or (under) recovery balance. Interest shall be a rate of 6% and shall be calculated from the month of over or under collection to the mid-point of the recovery period.

n – rate class where 1 = residential (Rate GR) 2 = small C&I (Rate GC) 3 = large C&I (Rate L).

S – projected MCF of gas, as included in the Balancing Service Costs (BSC) provided in the Company's most recent Commission approved annual 1307(f) Purchase Gas Cost (PGC) filing.

Filing Schedule:
The estimated surcharge shall be filed with the Commission by January 1 of each year to be effective on the following March 1. The application period shall be the 12 months that start the March 1 effective date of the surcharge. The CEC mechanism is subject to annual audit review by the Bureau of Audits.

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Education Costs associated with Gas Choice. The CEC for Gas service will be recomputed annually as needed, to reflect changes in the level of Consumer Education Costs associated with Gas Choice, in the manner described below.

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"CEC" - Consumer Education Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the Variable Distribution Charge calculated for Low Volume Customers to recover Gas Consumer Education Costs.¶

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.00% will apply consistent with the Commission Order dated September 3, 2015 at Docket No. P-2013-2347340, approving the DSIC.

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PECO Energy Company Original Page No. 48¶
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PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT (TARC)¶
¶
Purpose: The purpose of this credit is to provide customers a bill credit for the tax benefits gained as a result of a change in the method of tax accounting for certain expenditures. The Tax Accounting Repair Credit is as proposed in the Settlement at Docket No. R-2010-2161592 in Section II F(2).¶
¶
Applicability: The credit shall be calculated to the nearest one-hundredth of a cent for billing purposes for all customers. The TARC shall be credited to each rate schedule as follows:¶
¶
Rate GR, CAP $0.0000/Mcf ¶
Rate GC $0.0000/Mcf ¶
Rate OL $0.0000/Mcf ¶
Rate L $0.0000/Mcf ¶
Rate MV-F $0.0000/Mcf ¶
Rate MV-I $0.0000/Mcf ¶
Rate IS $0.0000/Mcf ¶
Rate TCS $0.0000/Mcf ¶
Rate TS-I $0.0000/Mcf ¶
Rate TS-F $0.0000/Mcf ¶
¶
The Variable Distribution Service charges, for the above rate schedules shall include the above listed TARC credits. ¶
¶
Calculation of TARC Credit:¶
Billing Provisions: The credit shall be calculated by rate schedule using the following formula:¶
TARC = (R) where:¶
BU ¶
¶
R – The amount accrued as a result of a change in the tax accounting method for gas system repairs for rate class n divided by 7.¶
¶
BU – The total annual Billing Units for the rate class.¶
¶
¶
Filings and Reconciliations: One year prior to the scheduled expiration of the credit the Company will evaluate whether a change in the credit is required in order to avoid a significant over or under recovery at the end of the rate credit period. If a base rate case has not been filed prior to the expiration of the credit, a final reconciliation filing will be made on or before January 31, 2020, at which time any under or over recoveries will be reflected in rates in effect from April 1, 2020 to June 30, 2020. If it is apparent that such methodology would result in a significant over or under recovery at December 31, 2019 for an individual rate class the Company will propose a revised rate credit to become effective April 1, 2019. Interest will not be applied to any over or undercollections. If the amount to be credited to customers is modified based upon IRS safe harbor rules or the results of an IRS audit of the accounting change, the Company shall modify the credit accordingly through a filing with the Commission. Such filing shall be made 60 days prior to the effective date. Additionally, if the value of the credit has been reduced due to a State Net Operating Loss (NOL), a filing shall be made to increase the credit when the NOL has been used by the Company. ¶
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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) (CONTINUED)

1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not included for recovery in the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

Piping (account 376);
Couplings (account 376);
Gas services lines (account 380) and insulated and non-insulated fittings (account 378);
Valves (account 376);
Excess flow valves (account 376);
Risers (account 376);
Meter bars (account 382);
Meters (account 381);
Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities; and
Other related capitalized costs.

C. Effective Date: The DSIC will become effective October 1, 2015.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC) (CONTINUED)

2. Computation of the DSIC

A. Calculation: The initial DSIC, effective October 1, 2015, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between June 1, 2015 and August 31, 2015. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Billing for the DSIC will be on a bills rendered basis. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC Eligible Plant Additions Reflected
January 1	September - November
April 1	December - February
July 1	March - May
October 1	June - August

B. Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.

2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC) (CONTINUED)

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

D. Formula: The formula for calculation of the DSIC is as follows:

$$DSIC = \frac{(DSI * PTRR)+Dep+e}{PQR}$$

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Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit, as described below.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers plus netted revenue from any customers which will be gained or lost by the beginning of the applicable service period.

Revenue shall be based on one fourth of the projected annual revenue.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC) (CONTINUED)

3. Quarterly Updates. Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Commission's Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

4. Customer Safeguards

A. Cap: The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.

B. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq*., shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year, or the Company may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq*.) and will be refunded in the same manner as an over-collection. The Company is not permitted to accrue interest on under collections

C. New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in the Company's rates or rate base will be reflected in the quarterly updates of the DSIC.

D. Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.

E. All customer classes: The DSIC shall be applied equally to all customer classes, except that the Company may reduce or eliminate the Rider DSIC to any customer with competitive alternatives who are paying flexed or discounted rates and customers having negotiated contracts with the Company, if it is reasonably necessary to do so.

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC) (CONTINUED)

F. Earning Reports: The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Company would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section. The Company shall file a tariff supplement implementing the reset to zero due to overearning on one-day's notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Company has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs

G. Residual E-Factor Recovery Upon Reset To Zero: The Company shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero.
The Company can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The Company shall refund any overcollection to customers and is entitled to recover any undercollections as set forth in Section 4.B. Once the Company determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the Company shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

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RATE GR - GENERAL SERVICE -RESIDENTIAL

AVAILABILITY.

Service in the entire service territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units whether occupied or not), for domestic requirements of its members when such service is supplied through one meter. Resale of gas and/or service provided by the Company under this rate is only allowed for those locations being served through a single meter prior to January 6, 1980.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION CHARGE: $14.25. per month
VARIABLE DISTRIBUTION CHARGE: $5.3135 per Mcf

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Charge.

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE, COMMODITY CHARGE ("CC") (if customer receives Sales Service), GAS COST ADJUSTMENT CHARGE ("GCA"), GAS PROCUREMENT CHARGE ("GPC"), MERCHANT FUNCTION CHARGE ("MFC"), and BALANCING SERVICE COST ("BSC") apply to this rate. The Consumer Education Charge is incorporated in the Variable Distribution Charge. The Universal Service Fund Charge is incorporated in the Variable Distribution Charge.

CONTROLLED LOW PRESSURE SERVICE AND 2 PSIG DELIVERY.

For those Customers served from medium or high pressure mains, low pressure delivery of gas at 12.2 inches of water column or 2 PSIG will be provided upon request in lieu of the normal low pressure delivery. For these Customers multipliers of 1.03 will be applied to all meter readings for 12.2 inches of water column delivery and 1.14 for 2 psig delivery to recognize the additional volume of gas delivered.

BUDGET BILLING.
At the option of the Customer, budget billing is available in accordance with the provisions of Rule 16.5.

RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial term for any contract shall be at least one year.

PAYMENT TERMS.
Standard.

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RATE GC - GENERAL SERVICE - COMMERCIAL AND INDUSTRIAL

AVAILABILITY.
Service for use in commercial and/or industrial applications, with the right reserved to restrict its use as boiler fuel and for other non-critical use.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION CHARGE: $29.86 per month

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VARIABLE DISTRIBUTION CHARGE: $4.4248 per Mcf for all or any part of the first 200 Mcf
$3.5201 per Mcf for the additional use

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MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Charge.

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE, COMMODITY CHARGE ("CC") (if customer receives Sales Service), GAS COST ADJUSTMENT CHARGE ("GCA"), GAS PROCUREMENT CHARGE ("GPC"), MERCHANT FUNCTION CHARGE ("MFC"), and BALANCING SERVICE COST ("BSC") apply to this rate. The Consumer Education Charge is incorporated in the Variable Distribution Charge.

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CONTROLLED LOW PRESSURE SERVICE AND 2 PSIG DELIVERY.

For those Customers served from medium or high pressure mains, low pressure delivery of gas at 12.2 inches of water column or 2 PSIG will be provided upon request in lieu of the normal low pressure delivery. For these Customers multipliers of 1.03 will be applied to all meter readings for 12.2 inches of water column delivery and 1.14 for 2 psig delivery to recognize the additional volume of gas delivered.

BUDGET BILLING.
At the option of a Customer, budget billing is available in accordance with the provisions of Rule 16.5

RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least one year.

PAYMENT TERMS.
Standard.

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PECO Energy Company

Gas-Pa. P.U.C. No. 5
Original Page No. 60

RATE OL - OUTDOOR LIGHTING SERVICE

AVAILABILITY.
Service for outdoor lighting by Company-approved lighting devices of the sizes hereinafter specified, where the consumption is not registered on a meter.

MONTHLY RATE TABLE.

Manufacturer's Rated Input to Lighting Devices	Nominal Mcf Rating Per Month	Distribution Charges: When Not in Conjunction With Service Under Other Gas Rates	Distribution Charges: When in Conjunction With Service Under Other Gas Rates
1,999 Btu/Hr.or less	1.5 Mcf	$7.8994	$3.9313
2,000 Btu/Hr.to 2,499 Btu/Hr.	1.7 Mcf	$9.1897	$5.2512
2,500 Btu/Hr.to 2,999 Btu/Hr.	2.1 Mcf	$10.3154	$6.3622
3,000 Btu/Hr.to 3,499 Btu/Hr.	2.4 Mcf	$11.5161	$7.5773

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE, COMMODITY CHARGE ("CC") if customer receives Sales Service), GAS COST ADJUSTMENT CHARGE ("GCA"), GAS PROCUREMENT CHARGE ("GPC"), and BALANCING SERVICE COST ("BSC") apply to this rate. The Consumer Education Charge is incorporated in the Distribution Charge.

INSTALLATIONS.
The Customer shall install, own and maintain the lighting devices and all tubing from the Company's service-supply pipe to the lighting devices.

FINAL CONNECTION.
The final connection of any lighting devices or tubing to the supply system shall be made by or under the supervision of a representative of the Company and the costs of such connections shall be borne by the Customer.

BUDGET BILLING.
At the option of the Customer, budget billing is available in accordance with the provisions of Rule 16.5

RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least one year.

PAYMENT TERMS.
Standard.

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RATE L - LARGE HIGH LOAD FACTOR SERVICE

AVAILABILITY.

Large volume high load factor service for use in commercial and/or industrial applications, with the right reserved to restrict its use as a boiler fuel and for other non-critical use. This service shall be under a contract specifying in Mcf, the maximum daily quantity (MDQ) of natural gas to be supplied on a seasonal basis. The winter period MDQ may not exceed the summer period MDQ. Deliveries shall be as nearly as practicable at uniform hourly rates of flow.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION CHARGE:	$260.00 per month
VARIABLE DISTRIBUTION CHARGE:	$7.3127 per Mcf for the first 50% of all usage.
	$2.2212 per Mcf for the additional use.

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STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE, COMMODITY CHARGE ("CC") (if customer receives Sales Service), GAS COST ADJUSTMENT CHARGE ("GCA"), GAS PROCUREMENT CHARGE ("GPC"), and BALANCING SERVICE COST ("BSC"), apply to this rate. The Consumer Education Charge is incorporated in the Variable Distribution Charge.

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MINIMUM CHARGE.

The monthly minimum charge shall be the Fixed Distribution Charge.

MEASUREMENT.

The quantities of gas used shall be determined from the Company's meters, corrected to standard conditions, namely 60° Fahrenheit temperature and 30 inches of mercury barometric pressure.

UNAUTHORIZED OVERRUN.

Any quantity of gas taken for this service on any day of the month in excess of the MDQ specified in the contract for this service shall constitute unauthorized overrun volume for such day, except when such excess results from fluctuations in day-to-day deliveries hereunder determined by the Company to be normal and in accordance with good operating practices. The sum of all such unauthorized volume in a month shall be billed at the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. The resulting amount shall be paid in addition to the charges specified in this rate.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily Weighted prices for a particular calendar month are summed and the result is equal to the MWP.

RULES AND REGULATIONS.

The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

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MDQ DETERMINATION.

Each Customer shall review the contract annually and shall supply the Company written notification by August 1 of the Customer's requested MDQ(s) for the coming contract year. The MDQ requested shall be subject to reduction by the Company for either or both of the seasonal periods in light of available gas supplies, winter deliverability constraints, or for other good reason before the contract becomes effective. Any reduction made by the Company below the prior year's MDQ(s) shall be limited to the Customer's boiler fuel and other non-critical use.

The Company may, with the consent of the Customer, increase the existing winter MDQ up to the level of the contracted summer MDQ at such time during the winter period when, in the judgment of the Company, sufficient quantities of gas are available for the balance of the contract year.

TERM OF CONTRACT.

The initial contract term shall be at least one year.

PAYMENT TERMS.

Standard.

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RATE MV-F MOTOR VEHICLE SERVICE-FIRM

AVAILABILITY.
Firm motor vehicle service is available to Customers using natural gas exclusively as fuel for motor vehicles.

MONTHLY RATE TABLE.

FIXED DISTRIBUTION CHARGE: $49.84 per month.

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ADDITIONAL FIXED DISTRIBUTION CHARGE: If the Customer contracts with the Company for the installation and maintenance of compressor equipment to deliver gas at the necessary pressure for vehicle use, there will be an additional Customer Charge as specified in the Customer's contract.

VARIABLE DISTRIBUTION CHARGE: $1.1005 per Mcf

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ADDITIONAL VARIABLE DISTRIBUTION CHARGE: If the Customer contracts with the Company for the purchase of compressed gas at a Company-owned refueling location, there will be a compression and refueling charge of $2.66 per Mcf added for each Mcf of gas supplied.

MINIMUM CHARGE: The minimum charge per month shall be the Fixed Distribution Charge.

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE, COMMODITY CHARGE ("CC") (if customer receives Sales Service), GAS COST ADJUSTMENT CHARGE ("GCA"), GAS PROCUREMENT CHARGE ("GPC"), BALANCING SERVICE COST ("BSC"), and any applicable fuel taxes apply to this rate. The Consumer Education Charge is incorporated in the Variable Distribution Charge.

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FOR THE TAX ACCOUNTING REPAIR CREDIT (TARC)

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RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least one year.

PAYMENT TERMS.
Standard.

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RATE MV-I - MOTOR VEHICLE SERVICE-INTERRUPTIBLE

AVAILABILITY.

Interruptible motor vehicle service is available to Customers using natural gas for the sole purpose of a fuel for motor vehicles which have installed dual-fuel capability.

QUALITY OF SERVICE.

Upon notification by the Company, the Customer is required to transfer load to an alternate fuel. Under normal operating conditions, a minimum of four hours' notice will be given before interruptions of service. The standard interruption of service will begin and end at 10:00 AM to coincide with the gas day. However, the notice period in emergency situations may be less than four hours and the Company may interrupt service at times other than the start of the gas day. The Customer shall be responsible for maintaining alternate fuel equipment in good operating condition and arranging for adequate supplies of alternate fuel. Sales under this rate schedule are subordinate to all firm sales or firm transportation service provided by the Company.

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MONTHLY RATE TABLE.

FIXED DISTRIBUTION CHARGE: $49.84 per month

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ADDITIONAL FIXED DISTRIBUTION CHARGE: If the Customer contracts with the Company for the installation and maintenance of compressor equipment to deliver gas at the necessary pressure for vehicle use, there will be an additional Customer Charge as specified in the Customer's contract.

VARIABLE DISTRIBUTION CHARGE AND COMMODITY CHARGES:

Prices shall be established by the Company based on the alternate fuels that this Customer class has the economic capability of consuming.

The total of the Variable Distribution Charge and the Commodity Charge shall be no less than the allocated monthly cost of gas plus three cents, plus the applicable gross receipts tax factor.

The total of the Variable Distribution Charge and the Commodity Charge shall not exceed the sum of the end block of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and the Gas Cost Adjustment Charge ("GCA") of Rate GC.

The Company will provide the Pennsylvania Public Utility Commission with written notification of the Rate MV-I prices on an unbundled basis at least eight (8) business days before the beginning of the month in which any price revision is to occur. Once established, the price will remain in effect from month to month unless changed by the above notification procedure.

ADDITIONAL COMMODITY CHARGE: If the Customer contracts with the Company for the purchase of compressed gas at a Company-owned refueling location, there will be a compression and refueling charge of $2.65 per Mcf added for each Mcf of gas supplied.

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Charge.

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE and any applicable fuel taxes apply to this rate.

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OTHER CONDITIONS.

1. The Company reserves the right to enter the Customer's premises to inspect the equipment and apparatus at any time to determine whether the Customer's equipment and the Company's equipment is properly functioning, and whether the Customer is in compliance with all the provisions of this rate. It is the Customer's responsibility to inform the Company immediately if the Customer-owned or Company-owned control equipment does not operate properly.

2. Service under this rate may be separately supplied to a Customer who is also supplied under one or more other gas rates at the same premises, provided that each supply shall be separate and distinct with respect to delivery, metering and billing, and that no piping connections shall be made between the fuel line systems on the load side of the separate metering installation.

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RATE MV-I - MOTOR VEHICLE SERVICE-INTERRUPTIBLE - Continued

3. Upon notification by the Customer to the Company that an emergency condition exists, the Company may, in its sole discretion, authorize the Customer to continue the use of gas during a period of interruption until such emergency condition has been corrected. The price of each Mcf of gas consumed during such emergency authorization will be increased by the difference between the allocated monthly cost of gas and the greater of:

a. The highest incremental supply cost incurred by the Company during the period such emergency service is provided;

b. The equivalent unleaded gasoline dealer tank wagon price as posted in the Journal of Commerce and as determined from the average of the three highest prices at Philadelphia for the month.

The Company may require affidavits or other documentation in order to verify the cause and duration of the emergency condition sustained by the Customer. The revenue received for Customer emergency service which is in excess of the normal Rate MV-I revenue will be returned to Customers by including the revenues in the GCA of the Sales Service Costs provision.

4. Any unauthorized gas consumed in violation of the provisions of this rate shall be billed at the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. The resulting amount shall be paid in addition to the charges specified in this rate. Such payment by the Customer for unauthorized use shall not be deemed as giving the Customer any rights to use such gas.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes.
The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission). All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

5. Should the Customer cause the control device to be ineffective, or in any way change the operation thereof, all gas registered on the meter since the last meter reading, in addition to all other rates and charges, will be subject to the penalty charge shown above.

6. The Company may, after furnishing reasonable notice, permanently discontinue service to such Customer upon a finding by the Company that the Customer has not complied with the conditions and provisions of this rate.

RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least one year.

PAYMENT TERMS.
Standard.

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RATE IS - INTERRUPTIBLE SERVICE

AVAILABILITY.

Interruptible sales service is available to individual Customers who have dual-fuel capability or are willing to accept interruption of gas service. The Customer must have an estimated gas consumption of at least 3,000 Mcf per month during each summer month. The summer period includes the months of April through November. For a Customer that also receives service under Rates L, TS-I, or TS-F, the 3,000 Mcf per month use requirement does not apply.

Rate GC or other firm sales services may not be used as a backup supply during periods of interruption under this rate schedule. Rate GC service may be provided through separate metering where firm service is required. Piping connections between the firm and interruptible fuel line systems are prohibited.

The Customer will be required to execute a contract specifying the maximum daily quantity (MDQ) of gas that the Company's service and metering facilities are designed to supply. The maximum hourly capacity that the Company's facilities are designed to supply shall not be more than 6.5% of the MDQ.

QUALITY OF SERVICE.

Service under this rate is made available to Customers for purposes of balancing the Company's gas demands and optimizing its daily use of pipeline supplies and is strictly within the discretion of the Company. When the available quantity of gas is inadequate to serve the needs of all Customers under this rate, the Company will impose limitations, as necessary, endeavoring to provide each Customer with the opportunity to take gas from time to time. Under normal operating conditions, a minimum of four hours' notice will be given before interruptions of service. The standard interruption of service will begin and end at 10:00 AM to coincide with the gas day. However, the notice period in emergency situations may be less than four hours and the Company may interrupt service at times other than the start of the gas day. Those Customers who have dual fuel capability shall be responsible for maintaining alternate fuel equipment in good operating condition and arranging for adequate supplies of alternate fuel. Interruptible sales are subordinate to all firm sales or firm transportation service provided by the Company.

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BILLING.

FIXED DISTRIBUTION CHARGE: $217.89 per month.

VARIABLE DISTRIBUTION AND COMMODITY CHARGES:

Prices shall be established by the Company based on the alternate fuels the Customer has the economic capability of consuming. The total of the Variable Distribution Charge and the Commodity Charge shall be no less than the applicable commodity cost of gas for the current month plus three cents, increased by the applicable gross receipts tax factor and shall be no higher than the applicable delivered price, on an equivalent BTU basis of alternate fuel.

The Company will provide the Pennsylvania Public Utility Commission with written notification of each of the prices on an unbundled basis at least eight (8) business days before the beginning of the month in which any price revision is to occur. Once established, prices will remain in effect from month to month unless changed in accordance with the above notification procedure. If there is a major change in competitive fuel prices during the month, the Company may change the Commodity Charge prices within the same upper and lower limits on notice of five working days to the Commission.

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Charge.

METERING SEQUENCE.

Service under this rate may be supplied in combination with Rates L, TS-F or TS-I at a single point and through a single metering installation, in which case the MDQ for each rate schedule shall be specified in the contract. The Company will assume for billing purposes that metered volumes first reflect deliveries of the Contract Maximum Daily Quantity of Rate L gas, next the Firm Transportation Contract Quantity of Rate TS-F, next the Contract Quantity of Interruptible Transportation under Rate TS-I, and finally the Interruptible Gas under this rate schedule. Determination of Rate IS deliveries will be made at the end of the billing period. The number of Mcf billed under Rate L shall never be less than the number of Mcf resulting from 15 days' use of the Rate L billing demand.

STATE TAX ADJUSTMENT CLAUSE, DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), and TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE apply to this rate.

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RATE IS - INTERRUPTIBLE SERVICE - Continued

OTHER CONDITIONS.

1. Any quantity of gas taken for this service on any day of the month in excess of the MDQ specified in the contract shall constitute unauthorized overrun volume for such day, except when such excess results from fluctuations in day-to-day deliveries hereunder determined by the Company to be normal and in accordance with good operating practices. The sum of all such unauthorized volume in a month shall be billed at the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. The resulting amount shall be paid in addition to the charges specified in this rate.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission). All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

2. Upon notification by the Customer to the Company that an emergency condition exists, the Company may, in its sole discretion, authorize the Customer to continue the use of gas during a period of interruption until such emergency condition has been corrected. The price of each Mcf of gas consumed during such emergency authorization will be increased by the difference between the applicable commodity cost used to establish the current Rate IS Commodity Charge for the Customer and the greater of:

a. The highest incremental supply cost incurred by the Company during the period such emergency service is provided;

b. The equivalent No. 2 oil consumer tank car price as posted in the Journal of Commerce and as determined from the average of the three highest prices at Philadelphia for the month.

The Company may require affidavits or other documentation in order to verify the cause and duration of the emergency condition sustained by the Customer. The Company may, after furnishing reasonable notice, permanently discontinue service to such Customer upon a finding by the Company that the Customer has not complied with the conditions and provisions of this rate schedule.

The revenue received for Customer emergency service which is in excess of the normal Rate IS revenue will be returned to Customers by including the revenues in the GCA of the Sales Service Costs provision.

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EXTENSION OF MAIN - INSTALLATION OF SERVICE.

Each Customer shall prepay the total cost of any main extension, service installation, meter installation, or enlargement or rearrangement of existing facilities required for service under this rate schedule.

RULES AND REGULATIONS.

The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least 1 year.

PAYMENT TERMS.
Standard.

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RATE TCS - TEMPERATURE CONTROLLED SERVICE

AVAILABILITY

Temperature controlled service is available to individual Customers that have dual-fuel equipment with a rated input of more than 2,100,000 Btu per hour and an estimated fuel use which totals 5,000 Mcf or more during the billing months of December, January, February and March and are willing to accept interruption of service at the cut-off temperature specified by the Company.

QUALITY OF SERVICE.

Upon notification by the Company, the Customer is required to transfer load to an alternate fuel whenever the outdoor temperature is below the cut-off limit specified by the Company. Under normal operating conditions, a minimum of four hours' notice will be given before interruptions of service. The standard interruption of service will begin and end at 10:00 AM to coincide with the gas day. However, the notice period in emergency situations may be less than four hours and the Company may interrupt service at times other than the start of the gas day. During August of each year the Company will notify each Customer of the cut-off temperature limit to be effective during the twelve-month period beginning September 1. Those Customers who have dual fuel capability shall be responsible for maintaining alternate fuel equipment in good operating condition, and arranging for adequate supplies of alternate fuel. Sales under this rate are subordinate to all firm sales or firm transportation service provided by the Company.

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BILLING.

FIXED DISTRIBUTION CHARGE: $125.00 per month.

VARIABLE DISTRIBUTION AND COMMODITY CHARGES:

Prices shall be established by the Company based on the alternate fuels that this Customer class has the economic capability of consuming.

Monthly prices shall not exceed the sum of the end block of the Variable Distribution Charge of Rate GC, the monthly projected weighted average commodity cost of gas (WACCOG) and the Fixed Cost Credit determined in the most recent annual 1307(f) proceeding. Monthly prices shall be no less than monthly projected WACCOG and the 1307(f) Fixed Cost Credit, plus three cents. The Company will provide the Pennsylvania Public Utility Commission with written notification of the prices on an unbundled basis at least eight (8) business days before the beginning of the month in which any price revision is to occur. If there is a significant change in WACCOG during a month, the Company may change the commodity charge prices within the same upper and lower limits on notice of five working days to the Commission.

"Fixed Cost Credit" means the result derived by dividing the Company's annual projected interstate pipeline transportation and storage demand charges by its projected annual firm sales throughput as determined by reference to the Company's Section 1307(f) filing made immediately prior to the period in which the Fixed Cost Credit shall apply.

"Commodity cost of gas" shall include all purchased gas costs charged by the Company's natural gas and interstate pipeline suppliers on a volumetric or commodity basis (including but not limited to interstate pipeline fuel and the Company's company use and unaccounted for gas) and shall exclude all costs used in determining the Fixed Cost Credit.

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Charge.

STATE TAX ADJUSTMENT CLAUSE DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), and TAX CUTS AND JOBS ACT (TCJA) VOLUNTARY SURCHARGE apply to this rate.

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OTHER CONDITIONS.

1. The Company reserves the right to enter the Customer's premises to inspect the equipment and apparatus at any time to determine whether the Customer's equipment and the Company's equipment is properly functioning, and whether the Customer is in compliance with all the provisions of this rate.
It is the Customer's responsibility to inform the Company immediately if the Customer-owned or Company-owned control equipment does not operate properly.

2. Service under this rate may be separately supplied to a Customer who is also supplied under one or more other gas rates at the same premises, provided that each supply shall be separate and distinct with respect to delivery, metering and billing, and that no piping connections shall be made between the fuel line systems on the load side of the separate metering installation.

The Company may, in its sole discretion, permit minimal volumes of gas which would otherwise be supplied under Rate GC to flow through the Rate TCS metering where, in the Company's judgment, the cost of installing separate metering is uneconomical.

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RATE TCS - TEMPERATURE CONTROLLED SERVICE – Continued

3. Upon notification by the Customer to the Company that an emergency condition exists, the Company may, in its sole discretion, authorize the Customer to continue the use of gas during a period of interruption until such emergency condition has been corrected. The price of each Mcf of gas consumed during such emergency authorization will be increased by the difference between the allocated monthly cost of gas and the greater of:

a. The highest incremental supply cost incurred by the Company during the period such emergency service is provided;

b. The equivalent No. 2 oil consumer tank car price as posted in the Journal of Commerce and as determined from the average of the three highest prices at Philadelphia for the month.

The Company may require affidavits or other documentation in order to verify the cause and duration of the emergency condition sustained by the Customer. The revenue received for Customer emergency service which is in excess of the normal Rate TCS revenue will be returned to Customers by including the revenues in the GCA of the Sales Service Costs provision.

4. Upon notification to the Customer by the Company that an emergency condition exists, the Company may change the threshold outdoor ambient temperature at which service is provided, for the duration of the emergency.

5. Any unauthorized gas consumed in violation of the provisions of this rate shall be billed at the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. The resulting amount shall be paid in addition to the charges specified in this rate. Such payment by the Customer for unauthorized use shall not be deemed as giving the Customer any rights to use such gas.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and
the result is equal to the MWP.

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6. Should the Customer cause the control device to be ineffective, or in any way change the operation thereof, all gas registered on the meter since the last meter reading, in addition to all other rates and charges, will be subject to the penalty charge shown above.

7. The Company may, after furnishing reasonable notice, permanently discontinue service to such Customer upon a finding by the Company that the Customer has not complied with the conditions and provisions of this rate.

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RULES AND REGULATIONS.
The Company's rules and regulations in effect from time to time where not inconsistent with any specific provisions hereof are a part of this rate schedule.

TERM OF CONTRACT.
The initial contract term shall be at least 1 year.

PAYMENT TERMS.
Standard.

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Effective July 1, 2021¶

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS

(Applicable to: Rate TS-I Gas Transportation Service-Interruptible and Rate TS-F Gas Transportation Service-Firm.)

1. TRANSPORTATION SERVICE

1.1 GENERAL. Transportation service shall consist of: the receipt of gas on behalf of a Customer; the transportation of gas through the Company's distribution facilities and the delivery of equivalent quantities of gas to the Customer, adjusted for thermal correction and system losses where applicable.

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Transportation service may also include Standby Sales Service to permit purchases of gas under one of the Company's retail sales rate schedules.

1.2 TERMS DEFINED. The following definitions shall apply throughout the transportation portion of this tariff:

RECEIVED/RECEIPT shall refer to gas tendered to the Company for the Customer's account at one or more of the interconnections between the Company and its interstate pipeline suppliers, or other specified location. The normal unit of measurement is the dekatherm or mmBtu.

DELIVERED/DELIVERY shall refer to gas tendered to the Customer by the Company at the Customer's specified location. The normal unit of measurement is the Mcf.

USE/USAGE shall refer to gas actually consumed by the Customer at the specified location as measured by the Company's meter in Mcf.

DEFICIENT DELIVERIES shall refer to occurrences in which the Customer uses more gas than the quantity of transportation gas tendered by the Company for delivery.

EXCESS DELIVERIES shall refer to occurrences in which the Customer uses less than the quantity of gas tendered by the Company for delivery.

1.3 VOLUME ADJUSTMENT. The quantity of transportation gas received into the Company's distribution system for the Customer's account shall be: (a) reduced by 2.3% for system losses; and (b) adjusted for thermal correction determined by dividing the daily average Btu content per cubic foot of gas for the Company's system by a reference Btu content of 1,000 Btu per cubic foot. Where the transported gas can be delivered directly to the Customer without commingling with other system supplies, no reduction for system losses shall be made, and the thermal correction shall be based on the daily average Btu content of the pipeline to which the Customer is directly connected.

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1.4 SUPPLY COST ADJUSTMENT. If the Company incurs any added gas supply cost in order to provide transportation service by displacement, or for other reasons, such additional cost will be charged to the Customer. Displacement occurs when a Customer, who is directly connected to one of the Company's pipeline suppliers, arranges for receipt of transportation gas on another pipeline to which the Customer is not directly connected. Revenues received by the Company in payment for added gas supply cost will be credited to firm sales Customers through the annual Sales Service Costs reconciliation (Section 1307[f]).

1.5 SERVICE AGREEMENT. The Customer will be required to execute a Transportation Service Agreement which will specify an initial Transportation Contract Quantity (TCQ) to be the maximum daily volume of gas, expressed in Mcf net of system losses where applicable, to be transported and delivered to the Customer. The agreement will also specify delivery locations, the election of Standby Sales Service, the commodity charge to be in effect for the term of the agreement, and any special provisions for service. The standard term for a Transportation Service Agreement shall be twelve months, unless the Company and the Customer agree to a shorter or longer term.

The TCQ shall not exceed the lower of (a) the capacity of the Company's metering and regulating equipment at the Customer's location; or (b) 110% of the maximum daily usage of the Customer during the twelve-month period prior to the execution of the Transportation Service Agreement, unless full documentation of new or additional gas usage capability is provided by the Customer. If a Customer chooses to designate an Agent to act on the Customer's behalf for scheduling, dispatching, billing and other administrative aspects of transportation service, such designation shall be made in the Transportation Service Agreement. The designation of an Agent shall not relieve the Customer of ultimate responsibility for payment for service or other obligations incurred under this tariff.

Every November 1 following execution of the Transportation Service Agreement, the Customer's TCQ shall be automatically adjusted by the Company to be 110% of the maximum daily usage of the Customer during the prior twelve-month period if such adjustment would raise or lower the customer TCQ by the higher of either 10 mcf or 10%. The TCQ may also be adjusted by mutual agreement of the Customer and the Company.

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Effective December 1, 2021¶

GAS TRANSPORTATION SERVICE GENERAL TERMS AND CONDITIONS Continued

(Applicable to: Rate TS-I Gas Transportation Service Interruptible and Rate TS F Gas Transportation Service Firm.)

1.6 BUYER GROUP/LEAD CUSTOMER. A Buyer Group generally consists of up to ten individual Customers who voluntarily join together to obtain either firm or interruptible transportation service. The Company, at its discretion, may require all members of the Buyer Group to execute the same Transportation Service Agreement and make the same elections as to Standby Sales Service. One member of the Buyer Group may be designated by the Company as the Lead Customer who shall be responsible for the timely payment of all bills rendered to the Buyer Group, as well as all day to day dispatch scheduling coordination and administrative communication between the Company and all members of the Buyer Group. A member of one Buyer Group may not be a member of another Buyer Group. Eleven or more individual Customers may form a Buyer Group only upon specific agreement by the Company. Unless otherwise described, the term "Customer" as used throughout these general terms and conditions shall refer to an individual Customer or to a Buyer Group. The Company, at its discretion, may set the maximum Commodity Charge for a Buyer Group at the maximum which any member would be individually required to pay.
1.7 MINIMUM SIZE. The minimum total gas consumption capability required to be eligible for transportation service shall be less than or equal to 5,000 Mcf per year. This minimum shall apply to an individual Customer or to a Buyer Group which, in the aggregate, uses less than or equal to 5,000 Mcf of gas annually.

2. BALANCING PROVISIONS

2.1 GENERAL. Transportation balancing is provided to adjust for the unavoidable minor variations between Customer usage and scheduled deliveries, and is not intended to function as a storage service or a standby sales service. Each Customer shall use best efforts to balance deliveries and usage at all times.
2.2 INTERRUPTED RECEIPTS. On days when no transportation gas is received for the Customer's account, all gas used by the Customer shall be billed as a purchase from the Company. For Customers which have elected Standby Sales Service, the usage shall be billed at the applicable rate. For Customers which have not elected Standby Sales Service, the usage shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and, the Gas Cost Adjustment Charge ("GCA") of Rate GC and a penalty charge based on the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf. Excess deliveries already being held for the Customer at the time of interruption will be tendered for delivery when transportation receipts resume. If the interruption of receipts continues for more than thirty days, the Company will tender excess deliveries as soon as practicable subject to operating and gas procurement considerations.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6, non-NY

North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

2.3 BALANCING CHARGE. A **$0.0211** per Mcf balancing charge shall be imposed on all transportation deliveries in a billing month. The Balancing Charge shall be reviewed and adjusted annually, as necessary, effective December 1 subject to approval of the new charge in the Company's annual purchased gas cost filing under 66 Pa. C.S. § 1307(f)
2.4 ALLOWABLE DAILY VARIATION. In order to minimize the effect of transportation imbalances on the operation of the system, the allowable daily variation between delivered quantities and Customer usage is ten percent of the TCQ.
If a Customer exceeds these limits, the Company shall: (a) in the case of excess deliveries, impose a $0.25 per Mcf penalty charge on that portion of daily excess deliveries greater than the allowable daily variation and have the right to limit the receipt of Gas Transportation if a customer has excess deliveries greater than the allowable daily variation (b) in the case of deficient deliveries, have the right to bill such deficiency as a purchase from the Company. For Customers which have elected Standby Sales Service, the deficiency shall be billed at the applicable rate. For Customers which have not elected Standby Sales Service, the deficiency shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and, the Gas Cost Adjustment Charge ("GCA") of Rate GC, and a penalty charge based on the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6, Non-NY North Daily rate for such unauthorized usage day; or b) the Midpoint Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS - Continued

(Applicable to: Rate TS-I Gas Transportation Service-Interruptible and
Rate TS-F Gas Transportation Service-Firm.)

2.5 MONTHLY BALANCING FOR DEFICIENT DELIVERIES. If in any billing month a Customer has deficient deliveries, the volumes shall be billed at the applicable rate for those customers that have elected Standby Sales Service. For Customers which have not elected Standby Sales Service, the volumes shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and Gas Cost Adjustment Charge ("GCA") of Rate GC, and a penalty charge based on the following: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 Non-NY North Daily rate for such unauthorized usage day; or b) the Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

2.6 MONTHLY BANKING SERVICE FOR EXCESS DELIVERIES. The Customer is permitted to carry over or bank a positive imbalance each month at the following monthly charges:

(a) where the monthly excess does not exceed the TCQ - $0.00 per Mcf;
(b) for the monthly excess greater than the TCQ and less than twice the TCQ - $1.00 per Mcf;
(c) for the monthly excess greater than twice the TCQ and less than three times the TCQ - $5.00 per Mcf;
(d) for the monthly excess greater than three times the TCQ - $10.00 per Mcf.

3. STANDBY SALES SERVICE

3.1 GENERAL. Standby Sales Service permits the Customer to purchase gas under one of the Company's retail sales rate schedules when:
(a) no transportation gas is received for the Customer;
(b) transportation deliveries are deficient with respect to the Customer's usage;
(c) a Customer elects to purchase gas from the Company in lieu of transportation service.

Transportation service under Rate TS-I automatically provides Standby Sales Service as described in Section 3.2 below. A Customer purchasing transportation service under Rate TS-F shall indicate in the Transportation Service Agreement if the Customer elects to have Standby Sales Service. If the Customer elects Standby Sales Service, the Customer shall specify the election in the Transportation Service Agreement as well as the Standby Sales Quantity (SSQ) which is the maximum daily quantity of gas expressed in Mcf that the Customer may purchase. A penalty charge based on the following will be imposed on volumes taken in excess of the SSQ: for the period November 1 through March 31, the applicable penalty for unauthorized use is the greater of (a) $75 per Mcf, or (b) the market rate as defined below for the cost of gas plus $25 per Mcf. For the period April 1 through October 31, the applicable penalty for unauthorized use is the greater of (a) $25 per Mcf or (b) the market rate as defined below for the cost of gas plus $10 per Mcf.

The term "market rate" shall mean the Monthly Weighted Price (MWP) which is applied to all unauthorized gas volumes. The MWP shall be calculated by first dividing the daily unauthorized usage (in Mcf) by the total monthly unauthorized usage (in Mcf) for each day of the calendar month when unauthorized usage occurs. This results in the daily weighting factor for each day of the calendar month when unauthorized usage occurs. Subsequently, each daily weighting factor is multiplied by the greater of a) the Midpoint of Transco, Zone 6 non-NY North Daily rate for such unauthorized usage day; or b) the Texas Eastern M3 Daily rate for such unauthorized usage day as reported in the Daily Price Survey published by Platts McGraw Hill Gas Daily or its successors, resulting in a daily weighted price. (In the event that Platts McGraw Hill Gas Daily or its successors ceases to publish these two indices, PECO will propose a reasonable substitute to the Commission.) All of the daily weighted prices for a particular calendar month are summed and the result is equal to the MWP.

The Company maintains no current or future duty to provide retail sales service to a Customer who declines to elect Standby Sales Service. Availability of Standby Sales Service for new gas loads not previously served under a retail firm sales rate schedule is contingent upon the Company's ability to arrange the required supply contracts.

3.2 INTERRUPTIBLE SERVICE. Interruptible Standby Sales Service under Rate IS is automatically provided to the Customer in conjunction with Rate TS-I. The billing and all other conditions of service shall be as stated under the Rate IS tariff, except that the Customer Charge shall be waived.

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS - Continued

(Applicable to: Rate TS-I Gas Transportation Service-Interruptible and
Rate TS-F Gas Transportation Service-Firm.)

3.3 FIRM SERVICE. All Rate TS-F Customers may elect Standby Sales Service under:
(a) Rate L, for Customers with an SSQ of at least 100 Mcf per day and gas consumption capability of at least 18,000 Mcf per year;

(b) Rate GC, for Customers with an SSQ of less than 100 Mcf per day or gas consumption capability of less than 18,000 Mcf per year, except that the Standby Sales Service rate schedule applicable to a Buyer Group may, at the Company's discretion, be set at the highest priced rate schedule under which any member would be individually required to pay. The billing and all other conditions of service shall be as stated in the applicable rate schedule and prorated for actual days of use, except that the Customer Charge shall be waived. In addition, the Customer shall pay a monthly demand charge per Mcf of SSQ which is based on 110% of the average monthly demand charges paid for the Company's firm supply. The monthly demand charge, prorated on an Mcf-per-day basis, will be credited to all volumes purchased. Following the end of the Company's supply contract year (October 31), the Customer shall also be assessed those minimum bill, take-or-pay, supply inventory, or other similar charges actually paid by the Company, which are attributable to the annual volume reserved but not taken under this provision. Customers that request to terminate Standby Sales Service after one or more years will be required to continue payment of the monthly demand charge until the Company is able to reduce its purchase obligations or otherwise utilize the released supplies.

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4. OTHER PROVISIONS

4.1 METERING SEQUENCE. Where gas is used by the Customer under more than one of the Company's rate schedules through the same meter location, the Company will assume for billing purposes that metered volumes reflect deliveries in the following sequence where applicable:

(a) Rate L, up to maximum daily quantity.
(b) Rate TS-F, up to transportation contract quantity.
(c) Rate TS-I, up to transportation contract quantity, or actual delivered quantity, whichever is lower.
(d) Rate IS.

4.2 GAS SUPPLY SHORTAGE. The Company shall have the right to appropriate natural gas supplies to be delivered by or on behalf of a Customer in the event of a natural gas emergency (as defined in Rule 12 of the Rules and Regulations). In the event of a natural gas emergency, the Customer or its Natural Gas Supplier (NGS) shall continue to deliver all available natural gas supplies to the Company for which the Customer is contracted to purchase from the NGS. As compensation, the Company shall pay a price not in excess of the greater of the city gate cost of the appropriated natural gas, including transportation charges up to the Company's city gate, or the reasonable cost actually paid by the customer for delivered substitute energy, as documented by the Customer. The Company may also provide compensation in kind at the discretion of the affected customer or NGS. Upon request, the Customer shall demonstrate its cost of natural gas by making a copy and invoice of the contract with the natural gas supplier available to the Company upon request.

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4.3 LIABILITY.

(a) The Company shall not be liable for curtailment of service under this rate schedule or loss of gas of the Customer as a result of any steps taken to comply with any law, regulation, or order of any governmental agency with jurisdiction to regulate, allocate, or control gas supplies or the rendering of service hereunder, and regardless of any defect in such law, regulation, or order.

(b) Gas shall be and remain the property of the Customer while transported and delivered by the Company. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such gas before, during, and after receipt by the Company.

(c) The Company shall not be liable for any loss to the Customer arising from or out of service under this rate schedule, including loss of gas in the possession of the Company or any other cause. The Company reserves the right to commingle gas of the Customer with other supplies.

(d) The Company shall not be liable, under any circumstances or in any respect, to a Customer, to a gas producer or natural gas supplier, or to any other person or entity for damages arising either directly or indirectly from interruption, curtailment, or termination of transportation service.

TERM OF CONTRACT.

The initial contract term shall be at least one year.

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RATE TS-I GAS TRANSPORTATION SERVICE-INTERRUPTIBLE
(Gas Transportation Service - General Terms and Conditions Apply To This Rate.)

AVAILABILITY.
Interruptible transportation service (Rate TS-I) is available to an individual Customer, or a Buyer Group, who may have dual fuel capability or is willing to accept interruption of gas service.

Service is available under this rate only to customers served by a licensed natural gas supplier who is deemed creditworthy by the Company pursuant to Rule 25 of the Rules and Regulations of the Gas Service Tariff.

High Volume Transportation (HVT) Customers receiving service under this Rate, as of March 1, 2002, shall be exempt from the above supplier eligibility criteria; provided, however, such an HVT Customer may waive such exemption, in a writing submitted to the Company, by indicating its desire to be served by a natural gas supplier deemed creditworthy by the Company pursuant to the above referenced Rule 25.

UPGRADING AND OR INSTALLATION OF FACILITIES.
Upgrading and/or installation of mains and services required to provide adequate delivery capacity for interruptible transportation service for the Customer will be in accordance with the Rules and Regulations governing Extensions. The Customer shall prepay the total cost of any new receipt point for Customer-owned gas into the Company system, or improvements to an existing receipt point, which then shall be constructed, subject to specific contract terms and conditions, owned, and maintained by the Company.

QUALITY OF SERVICE.
Interruptible transportation service will be provided on a best efforts basis by the Company and may be restricted or interrupted from time to time due to operating and capacity limitations. Under normal operating conditions a minimum of four hours' notice will be given before interruptions of service. The standard interruption of service will begin and end at 10:00 AM to coincide with the gas day. However, the notice period in emergency situations may be less than four hours and the Company may interrupt service at times other than the start of the gas day.

BILLING.
A. For each meter location having a gas consumption capability of at least 18,000 Mcf per year.
1. FIXED DISTRIBUTION CHARGE.
$383.88 per month less any Fixed Distribution Charges billed on other rate schedules for gas service through the same meter location; but in no event shall the Fixed Distribution Charge be less than $161.00.
2. VARIABLE DISTRIBUTION CHARGE.
The applicable Variable Distribution Charge shall be specified in the Transportation Service Agreement for each individual Customer. The maximum Variable Distribution Charge shall be $0.8522 per Mcf.
B. For each meter location having a gas consumption capability of less than 18,000 Mcf per year.
1. FIXED DISTRIBUTION CHARGE.
$322.66 per month less any Fixed Distribution Charges billed on other rate schedules for gas service through the same meter location; but in no event shall the Fixed Distribution Charge be less than $161.00.
2. VARIABLE DISTRIBUTION CHARGE.
The applicable Variable Distribution Charge shall be specified in the Transportation Service Agreement for each individual customer. The maximum Variable Distribution Charge shall be $1.6002 per Mcf.
C. The State Tax Adjustment Clause does not apply to this rate.
D. TAX CUTS AND JOBS ACT (TCJA), DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC), and VOLUNTARY SURCHARGE ___ applies to this rate.

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MINIMUM CHARGE.
The monthly minimum charge shall be the Customer Charge.
SEPARATION OF SERVICE.
Service under this rate may be separately supplied to a Customer who is also supplied under Rate GC at the same premises provided that each supply shall be separate and distinct with respect to delivery, metering, and billing, and that no piping connections shall be made between the fuel line systems on the load side of the separate metering installation.

PAYMENT TERMS.
Standard.

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RATE TS-F GAS TRANSPORTATION SERVICE-FIRM
(Gas Transportation Service - General Terms and Conditions Apply To This Rate.)

AVAILABILITY.

Firm transportation service (Rate TS-F) is available to an individual Customer or a Buyer Group, who desires uninterrupted transportation service. Firm transportation service is not available with Rate GC through the same meter, except as provided under Standby Sales Service of the General Terms and Conditions.

Service is available under this rate only to customers served by a licensed natural gas supplier who is deemed creditworthy by the Company pursuant to Rule 25 of the Rules and Regulations of the Gas Service Tariff.

High Volume Transportation (HVT) Customers receiving service under this Rate as of March 1, 2002, shall be exempt from the above supplier eligibility criteria; provided, however, such an HVT Customer may waive such exemption, in a writing submitted to the Company, by indicating its desire to be served by a natural gas supplier deemed creditworthy by the Company pursuant to the above referenced Rule 25.

UPGRADING AND OR INSTALLATION OF FACILITIES.

Upgrading and/or installation of mains and services required to provide adequate delivery capacity for firm transportation service for the Customer will be in accordance with the Rules and Regulations governing Extensions. The Customer shall prepay the total cost of any new receipt point for Customer-owned gas into the Company system, or improvements to an existing receipt point, which then shall be constructed, subject to specific contract terms and conditions, owned, and maintained by the Company.

QUALITY OF SERVICE.

Transportation service under this rate schedule is firm and shall be interrupted only in cases of operating emergencies experienced by the Company or in the case of a natural gas shortage when the supply of gas is insufficient to meet the requirements of Priority 1 Customers.

BILLING.

A. For each meter location having a gas consumption capability of at least 18,000 Mcf per year.
   1. FIXED DISTRIBUTION CHARGE
      $336.62 per month less any Fixed Distribution Charges billed on other rate schedules for gas service through the same meter location; but in no event shall the Fixed Distribution Charge be less than $161.00.
   2. VARIABLE DISTRIBUTION CHARGE.
      The applicable Variable Distribution Charge shall be specified in the Transportation Service Agreement for each individual Customer. The maximum Variable Distribution Charge shall be $ 1.0776 per Mcf.
B. For each meter location having a gas consumption capability of less than 18,000 Mcf per year.
   1. FIXED DISTRIBUTION CHARGE.
      $280.17 per month less any Fixed Distribution Charges billed on other rate schedules for gas service through the same meter location; but in no event shall the Fixed Distribution Charge be less than $161.00.
   2. VARIABLE DISTRIBUTION CHARGE.
      The applicable Variable Distribution Charge shall be specified in the Transportation Service Agreement for each individual Customer. The maximum Variable Distribution Charge shall be $2.2578 per Mcf.
C. The State Tax Adjustment Clause does not apply to this rate.
D. TAX CUTS AND JOBS ACT (TCJA), DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) and VOLUNTARY SURCHARGE applies to this rate.

MINIMUM CHARGE.

The monthly minimum charge shall be the Customer Charge plus 15 days' use of the TCQ at the Customer's applicable commodity charge.

SEPARATION OF SERVICE.

Service under this rate may be separately supplied to a Customer who is also supplied under Rate GC at the same premises provided that each supply shall be separate and distinct with respect to delivery, metering, and billing, and that no piping connections shall be made between the fuel line systems on the load side of the separate metering installation.

PAYMENT TERMS.

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RATE NGS - Negotiated Gas Service

AVAILABILITY. Service under this rate is available only to customers that satisfy the following criteria:

1. The customer either must have a history of at least 18,000 Mcf of annual natural gas usage billed by the Company. Alternatively, if a new customer, the customer must establish that the facilities to be served are likely to consume at least 18,000 Mcf of annual natural gas usage.

2. The customer must document a viable, currently available competitive alternative to service under the Rates GC, L, TS-F, or TS-I including any applicable riders. Documentation must include a written description of the competitive alternative and any further information necessary to establish the cost and demonstrate the viability of the customer's competitive alternative with reasonable certainty. The Company shall have sole discretion over whether the customer is eligible for a rate negotiated pursuant to this rate based on the information provided by the customer. If the customer already has in place a competitive alternative, the Company may require such written proof of the existence, nature, and working condition of such alternative, as the Company deems appropriate and necessary.

3. The customer executes an NGS agreement that comports with all other provisions of this rate.

4. As per Commission Order at Docket No. R-2020-3018929 (Order Entered June 22, 2021), the Company is required to provide an updated competitive alternative analysis to the Commission for any customer that has not had their alternative fuel source verified for a period of five years or more at the point when the Company files a base rate case.

QUALITY OF SERVICE. Service quality shall be negotiated and specified in each service agreement. Service quality may be firm, interruptible or a hybrid thereof. Priority 1 customers, however, shall be required to take firm standby service as a component of service provided under this rate schedule unless the customer demonstrates to the Company's reasonable satisfaction that it has an installed, operable backup system. Unless expressly stated in the service agreement, an interruptible customer shall bear the entire risk for any and all damages associated with an interruption.

NATURE OF SERVICE. The nature of service shall be negotiated and specified in each service agreement. Service may involve any one or more of the following services: supply; transportation; storage; upgrade or installation of mains, services, and appurtenant facilities; and such other natural gas management services the customer may require from time to time. The service agreement shall include all essential terms and conditions of the negotiated service. Where a term is not defined expressly in the service agreement, it shall have the meaning specified in the Tariff or, if the Tariff does not provide a definition, the meaning generally understood within the natural gas industry.

TERM LENGTH/NOTICE OF TERMINATION. The primary term length of a service agreement shall be no less than one year in length. Either the customer or the Company may terminate the agreement at the end of the primary term by giving written notice of termination at least one hundred-eighty (180) days before primary term ending date unless otherwise stated in the service agreement. If neither party gives such notice, then the agreement shall continue for consecutive one year terms until terminated by either party giving written notice of termination at least one hundred-eighty (180) days before the end of the continued term. Terms and conditions applicable to any continued term shall be stated in the service agreement.

RATES, CHARGES, BILLING.

1. Rates for service shall be negotiated and specified in the applicable service agreement. Rates negotiated for this service shall be presumed to have been designed to recover a fair rate of return on the incremental investment in facilities needed to provide service to the customer.

2. Rates will be, in the Company's sole judgment, competitive but the Company shall not be obligated to agree to charges that match the customer's costs under the customer's viable, currently available competitive alternative.

3. Unless otherwise stated in the service agreement, no charge of otherwise general applicability (e.g., State Tax Adjustment Clause) shall apply to service under this rate.

4. Unless otherwise stated in the service agreement, no charge applicable to other sales or transportation services offered under the Company's tariff (e.g., Rates GC, L, TS-I, TS-F) shall apply to service under this rate.

PAYMENT TERMS. Payment terms may be negotiated and specified in the service agreement. Unless the service agreement provides specific terms governing the billing of charges, Section 16. Standard Payment Terms of the Rules and Regulations of the Tariff shall apply.

RULES AND REGULATIONS. The Company's Rules and Regulations in effect from time to time, where not inconsistent with any provision hereof or the terms and conditions of the applicable service agreement, shall apply to a service agreement negotiated under this rate.

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RATE NGS - Negotiated Gas Service - Continued

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CREDITWORTHINESS

1. Prior to commencement of performance, or at any time during the term of service under this rate, Customer must provide financial information reasonably requested by the Company to ascertain Customer's ability to discharge its payment or other obligations under this rate. The Company shall be permitted to conduct financial evaluations during the term of the service agreement when information received by the Company indicates that the effective Credit Assurance has become unsatisfactory. The Company may charge $100.00 for each evaluation up to two evaluations per calendar year.

2. Based on the Company's initial or subsequent credit evaluation, the Company may refuse, suspend or terminate service under this rate if the Customer fails to deliver the requested credit information or assurance of its ability to pay within ten (10) business days of such request. Credit Assurance may include (i) the required posting of an irrevocable letter of credit acceptable to the Company, (ii) a cash prepayment in an amount acceptable to the Company, (iii) a corporate guaranty or (iv) other security acceptable to the Company.

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3. Upon five days prior written notice ("Notice Period") to an NGS customer, the Company may suspend or terminate service to the customer upon the occurrence of a Default Event. A Default Event shall mean (i) the failure by the customer to make, when due, any payment or perform any obligation required under the service agreement, (ii) any representation or warranty made by the customer shall prove to have been false or misleading in any material respect when made, (iii) the customer is subject to a Bankruptcy Proceeding, or (iv) the customer fails to post satisfactory Credit Assurance. If the customer cures the Default Event within the Notice Period, service will be continued by the Company pursuant to the terms of the service agreement.

CONFIDENTIALITY/PENALTY FOR DISCLOSURE.

1. The terms and conditions of a service agreement executed pursuant to this rate shall be considered "Highly Confidential and Privileged" by the parties and by the Commission.

2. "Highly Confidential and Privileged" shall mean that disclosure to any third party, non-governmental entity is likely to cause the non-disclosing party pecuniary and competitive damage not easily susceptible to quantification.

3. Unless disclosure is otherwise permitted, each party to a service agreement under this rate must agree not to oppose a legal action by a party that is designed to enjoin or otherwise prevent the other party from disclosing the terms and conditions of such service agreement to a third party.

4. Service agreements may be disclosed to a third party only: a) upon prior written authorization by the parties to the agreement; b) as necessary for the parties to administer and enforce the agreement; c) to an agent, attorney or consultant of either party which has executed an agreement in which it acknowledges the "Highly Confidential and Privileged" nature of the service agreement and agrees to be subject to these Confidentiality/Penalty for Disclosure provisions set forth herein; or d) pursuant to the order of a court of agency having appropriate jurisdiction. Disclosure under b) or d) shall be permitted only after the parties to the service agreement have been provided adequate prior notice and opportunity to prevent such disclosure or to seek an appropriate protective order.

5. Any disclosure by the customer in violation of this provision shall result in a penalty equal to 10% of the otherwise applicable rate for the remaining term of the agreement, or as otherwise set forth in the service agreement.

EXCLUSION OF RATE NGS PURCHASED GAS COSTS FROM SECTION 1307(f) CLAIM

Purchased gas commodity and interstate pipeline demand costs, and associated quantities of natural gas purchased to provide service to customers served under Rate NGS, shall be excluded from the Company's annual purchased gas cost filing under 66 Pa. C.S. § 1307(f), in accordance with Exhibit RAF-1 submitted by the Company at Docket No. R-00016366.

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APPLICABILITY INDEX OF RIDERS INTRODUCTORY STATEMENT

Customers under the different rates of this Tariff frequently desire services or present situations and conditions of supply which require special supply terms, charges or guarantees or which warrant modification of the amount or method of charge from the prices set forth in the rate under which they are supplied. Modifications for such conditions are defined by rider provisions included as a part of this Tariff. Riders may be employed when applicable, with or without signed agreement between the Customer and the Company as the case may require.

RIDERS	PAGE NUMBERS	RATES TO WHICH RIDERS APPLY							
		GR	GC	OL	L	IS	TSI	TSF	
Casualty	77	X	X	X	X	X	X	X	
Construction	77	-	X	-	X	X	X	X	
Neighborhood Gas	78	X	-		-	-		-	
Receivership	80	X	X	X	X	X	X	X	
Temporary Service	80	X	X	-	X	-	-	-	
Customer Assistance Program	81	X	-	-	-	-	-	-	-

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CASUALTY RIDER

APPLICABILITY. To service delivered during a period when a Customer is prevented for a length of time in excess of 48 hours from using all or a substantial part of the amount contracted for by reason of strike, riot, fire, storm, flood, drought, interference by civil or military authorities, or any other cause beyond the Customer's control.

NOTICE REQUIRED. Written request shall be made to the Company for the application of this rider with advice as to the extent of the interruption, its date, cause and probable duration.

GUARANTEES WAIVED. Guarantees of revenue under the Customer's contract shall be suspended during the period of the interruption, but shall be restored when the cause of interruption shall cease, be removed or remedied.

BILLS PRORATED. Bills for service supplied shall be prorated, based upon the actual level of operation during the period of suspension of guarantees.

RETURN TO NORMAL USE. The Customer shall use reasonable diligence in resuming the use of service provided in the Customer's contract.

TERM. The contract term shall be extended for a period equal to the period of suspension so that the Company shall secure a working term at full connected load equal to the term of the contract.

CONSTRUCTION RIDER

APPLICABILITY. To service supplied during a preliminary operating or construction period while the load is being built up to normal level or during a receding load period after the expiration of a standard contract term while a business is in process of dissolution.

GUARANTEE WAIVED. The guarantee minimum of a contract will be waived during the expanding load period preceding the operation within the load limits provided in the contract or the receding load period subsequent to the fulfillment of a contract term.

RIDER TERM. The total term of application of this rider during the preliminary or construction period shall be 6 months subject to the option of the Company to grant not more than two successive renewals of the rider term on major construction projects. Its application subsequent to the completion of a contract term shall be for not more than one year.

CONTRACT TERM. The termination date of a contract for service to permanent installations to which this rider is applied shall be extended for a period corresponding to the total time of the rider application during start up, construction or extension of the Customer's plant so that the Company will be assured the business represented by service to the total connected load for the term provided in the contract.

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NEIGHBORHOOD GAS PILOT RIDER (NGPR)

AVAILABILITY

The Neighborhood Gas Pilot Rider (NGPR) is available to any existing residential neighborhood that: (1) applies for natural gas service within the Company's service territory under Rate Schedules GR or CAP; (2) would be required to pay the portion of the main extension and service line project costs that exceed the Company's capital investment under Rule No. 7 – Extensions of the Company's gas service tariff ("Rule No. 7") for an extension of the Company's distribution facilities needed to furnish natural gas service to a neighborhood; and (3) meets the Program Criteria set forth below.

The NGPR will close for new main extension projects on June 30, 2026 unless the Company decides to extend this program and the extension is approved by the Commission. The Company reserves the right to suspend the pilot program if, in its sole judgment, critical safety or reliability related issues require that the resources that would be used to implement the NGPR are needed to maintain safe and reliable natural gas service to its existing customers. The Company shall be the sole judge in establishing what constitutes a neighborhood when determining the availability under this pilot program.

NATURE OF THE NGPR

The NGPR provides customers in a neighborhood an alternative method of making the payment required by Rule No. 7 when the extension of distribution facilities needed to serve eligible new customers is not economically justified based on the anticipated revenues from natural gas distribution service that would be provided to customers served by such extension. The NGPR provides for a fixed charge (NGPR Charge) to be added to the customer's bill or an option to pay via a lump sum payment. The NGPR Charge shall be calculated separately for each main extension project and shall be based on the cost of that particular project in the manner described below for each customer served from such main extension project.

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PROGRAM CRITERIA

For a main extension project to qualify for the NGPR, the neighborhood must consist of 2 or more existing residences, and the cost for such project must equal or exceed $15,000 and must meet the following additional criteria:

(1) A minimum of twenty percent (20%) of the existing residences located along the new main extension must commit to receive natural gas service by signing an agreement prior to the start of construction.

(2) The Company must have adequate system capacity to serve the customers that are eligible to receive natural gas service from the main extension; and

(3) The Company's total investment under this pilot program is limited to no more than $25,000,000 over five (5) years. The five-year period that this pilot program is in effect shall commence on July 1, 2021 and, as set forth above, shall close on June 30, 2026.

CALCULATION OF THE NGPR CHARGE

A Net Present Value (NPV) economic test (based on 40 years of revenue for each customer) shall be used to determine the payment required by Rule No. 7.

Pursuant to Rule No. 7, if the NPV of the capital investment (excluding 40 feet gas main allotment per existing residence) and the associated estimated revenues is less than zero, a customer is required to make a payment to the Company in an amount that would produce an NPV of zero, exclusive of any tax on the NGPR For purposes of this NGPR, however, in calculating the NPV, the anticipated revenues from natural gas service shall consist of: (1) the revenues from 20% (or greater) of eligible customers signing a contract prior to the start of construction to take natural gas service in the first year, which is one of the Program Criteria that must be satisfied for a project to be eligible for the NGPR; and (2) additional revenues will be applied in the first year based on the assumption a minimum of 66% of the eligible customers within the project area will sign a contract for natural gas service within 20 years of the completion of the project.

Capital investment shall include the total cost of new main(s) (excluding 40 feet gas main allotment per existing residence) and service facilities installed under the NGPR, excluding the costs of meters and meter installations, to serve eligible customers.

Estimated revenues shall be based on the applicable variable distribution charge rate set forth in the Company's gas service tariff, the estimated annual consumption and the portion of the fixed distribution charge that is attributable to the capital costs of a service line.

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NEIGHBORHOOD GAS PILOT RIDER (NGPR) - Continued

Because the NGPR permits payment over time, rather than a lump-sum payment prior to the start of construction of main extension projects, as Rule No. 7 requires, the NGPR Charge will recover a reasonable return on the Company's capital investment in new facilities installed pursuant to the NGPR. For purposes of the NGPR calculation, the discount rate shall be determined on the basis of (1) the Company's capital structure and cost of long-term debt set forth in the Company's latest year-end Quarterly Earnings Report submitted to the Commission by March 31 of a year for the period ending December 31 of the previous year; and 2) the cost of equity approved in the most recent base rate case or, in the absence of a Commission determination or Commission approval of a stipulated cost of equity, the cost of equity that the Commission has determined should apply to Distribution System Improvement Charge ("DSIC") investment.

The NGPR shall be calculated to enable the project to have an NPV of zero based upon the above cost of capital. The resulting charge shall be increased by 1% by dividing the calculated rate by 0.99 to reflect an adjustment for uncollectible accounts expense.

BILLING

The NGPR Charge shall appear as a fixed monthly charge on the customer's bill.

The NGPR Charge calculated for a specific main extension will apply to all customers taking service from that main extension including any future customers that connect after the first year of the project.

For CAP customers, the NGPR charge will not be subject to the CAP discount.

If a customer fails to pay the full amount of any bill, a late payment charge of one and one-half percent (1.5%) per month will accrue on the portion of the bill that is unpaid on the due date.

PAYMENT TERMS

NGPR Charges shall be calculated based on input data specific to each project undertaken pursuant to the NGPR and shall be in effect for 20 years for each customer taking gas service from the main installed under this pilot within 20 years after the project has been completed.

The customer shall retain the right to pay the present value of the remaining monthly payments at any point in time during the 20 year period. Payments shall be present valued using PECO's after-tax cost of capital which shall be based on the sources as described above.

Service shall not be terminated for non-payment of this charge during the pilot program.

The STATE TAX ADJUSTMENT CLAUSE applies to this rider.

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RECEIVERSHIP RIDER

APPLICABILITY. To service supplied a Receiver-Trustee for the continued operation of a property formerly under contract for its gas service requirements.

AUTHORITY FOR OPERATION. The Receiver-Trustee shall possess the authority under appointment by Court, through an order duly entered, to operate premises recited in a contract for gas service under which the Company has been supplying gas.

ACCEPTANCE. The Receiver-Trustee shall accept and adopt for the continuation of the supply of gas service the contract therefore in effect, including all of its provisions, and agree to pay the Company for all service furnished hereunder during the receivership-trusteeship at the rate specified therein.

BILLING. The Company reserves the right to render bills on a biweekly basis. To provide for biweekly billing under this rider, the provisions of the applicable rate and rider, if any, will be modified as follows:

(a) Where applicable, all references to monthly or month will be changed to biweekly or biweek.
(b) Where applicable, the commodity charge will be determined on a monthly basis and multiplied by 14/30ths (0.4667).
(c) The monthly rate per lighting device for Rate OL will be multiplied by 0.4667.
(d) The minimum charge will be determined on a monthly basis and such sum will then be multiplied by 0.4667 to determine the minimum charge for the billing period.
(e) A discount of 0.4% will be applied to the total bill.
(f) A bill will be rendered biweekly covering the charges for the preceding billing period and such bill shall be paid within fifteen (15) days after receipt thereof.

CONTRACT TERM. The completion of the term of the contract taken over, or as terminated by the discharge of the Receiver-Trustee, or as arranged with the Receiver-Trustee for the continuation of supply under the standard terms of this Tariff.

TEMPORARY SERVICE RIDER

APPLICABILITY. To the supply of service for a temporary period.

AVAILABILITY. Temporary service will be supplied only when the Company has available unsold capacity from which to furnish it and its supply will not in any way interfere with service to other Customers.

INVESTMENT IN SUPPLY FACILITIES. The cost of the connection and disconnection of the service supply and of any equipment and extension of facilities required to furnish the temporary service under the applicable rate shall be paid by the Customer, but such payment shall not confer upon, nor entitle the Customer to any title to, or right of property in, said facilities and equipment.

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MINIMUM TERM. Application of this rider shall not, for billing purposes, be considered to be for a period of less than one month.

CONTRACT TERM. Short term arrangements as agreed upon.

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Customer Assistance Program (CAP) Rider

AVAILABILITY:
To payment-troubled customers who are currently served under or otherwise qualify for Rate GR (excluding multiple dwelling unit buildings consisting of two to five dwelling units). Customers must apply for the rates contained in this rider and must demonstrate annual household gross income at or below 150% of the Federal Poverty guidelines. Customers must be on budget billing, will be subject to a $25 monthly bill minimum ($10 for non-heating customers) and will not be eligible to obtain Competitive Natural Gas Supply. Based on the applicable level of income number of household members, and their historical usage CAP customers will receive a Fixed Credit Option ("FCO") based upon that individual household's need. The details of the FCO calculation can be found in the PECO Universal Service and Energy Conservation Plan at Docket No. M-2015-2507139.

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DISCOUNT LEVELS: The Company will modify the level of discounts every quarter to adjust for changes in the Customer's usage as well as any Rates changes which may have occurred.

CERTIFICATION/VERIFICATION Prior to enrollment in the CAP Rider, and then again every two years, customers must verify, to PECO's satisfaction, that their household income level meets the "Availability" standards set forth in this Rider. Customers being considered for the CAP Rider will be required to:

- Provide information sufficient to demonstrate to PECO their household income level.
- Waive certain privacy rights to enable PECO to effectively conduct the above certification process.
- Participate in energy reduction and conservation programs offered by PECO if identified as high-usage.

CAP customers are also encouraged to apply for a Low Income Home Energy Assistance Program ("LIHEAP") grant each LIHEAP season.

PECO may, at its sole discretion, supplement this verification process by using data from Commonwealth or federal government programs which demonstrate the income eligibility of its customers. Such data may come from a customer's participation in, or receipt of benefits from, the Low Income Home Energy Assistance Program, Aid to Families with Dependent Children, Food Stamps, Supplemental Security Income, and Medicaid. Information available from the Pa. Department of Revenue may also be used where appropriate to expedite the process.

MINIMUM CHARGE. The minimum charge per month will be $25, or if the customer can demonstrate exclusive non-house heating use the minimum charge will be $10.

ARREARAGE.
Customers who qualify and are enrolled in CAP will have their pre-program arrearage ("PPA") forgiven if the customer pays his / her new, discounted CAP bill on time and in full each month. With every full and on-time monthly payment, one-twelfth of the PPA will be forgiven. PECO allows for customers who may have missed a PPA "forgiveness" due to late or missed payments to "catch-up" on missed forgivenesses whenever a customer brings their bill current during the initial 12-month period of PPA set-up, PECO will forgive any missed forgivenesses the customer did not receive during that time. If the customer brings their bill current after the 12-month period or beyond, PECO will forgive all missed forgivenesses.

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Appendix B

Proof of Revenues

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Settled Rates - Residential (GR)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	6,072,376	$ 13.63	$ 82,740,583	$ 14.25	$ 86,531,358
3						
4	**Total Customer Charge Revenue**			$ 82,740,583		$ 86,531,358
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Base Rate	42,191,938	$ 4.4811	$ 189,066,295	$ 5.4651	$ 230,583,501
8	CAP Discount - Distribution - Shortfall			$ (4,315,452)		$ (5,034,803)
9	CAP Discount - Distribution - USFC Deferral			$ (4,728,225)		$ (5,516,381)
10	Distribution System Improvement Charge (DSIC)			$ 4,771,816		$ -
11						
12	**Total Variable Distribution Revenue**			$ 184,794,434		$ 220,032,317
13						
14	Revenue Annualization			$ 1,951,730		$ 2,236,453
15	CAP Annualization			$ 13,843		$ 15,862
16						
17	**Adjusted Total Distribution Revenue**			$ 269,500,590		$ 308,815,990

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - General Service Commercial & Industrial (GC)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	540,485	$ 28.55	$ 15,430,847	$ 29.86	$ 16,138,882
3						
4	**Total Customer Charge Revenue**			$ 15,430,847		$ 16,138,882
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Base Rate - First 200 mcf	15,507,200	$ 3.9548	$ 61,327,873	$ 4.4248	$ 68,616,423
8	Base Rate - Over 200 mcf	6,837,839	$ 2.9798	$ 20,375,392	$ 3.5201	$ 24,069,950
9						
10	Distribution System Improvement Charge (DSIC)			$ 1,763,947		$ -
11						
12	**Total Variable Distribution Charge Revenue**			$ 83,467,212		$ 92,686,373
13						
14	Annualization			$ 725,301		$ 798,105
15						
16	**Adjusted Total Distribution Revenue**			$ 99,623,360		$ 109,623,360

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Outdoor Lighting (OL)

Line			PRESENT RATES		SETTLED RATES	
1	**Manufacturer-Rated Input to Lighting Devices (lamp-based)**	**Units**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	When NOT in Conjunction With Service Under Other Gas Rates					
3	Up to 1,999 Btu/Hr	24	$ 7.3700	$ 177	$ 7.8994	$ 190
4	2,000-2,499 Btu/Hr	12	$ 8.5738	$ 103	$ 9.1897	$ 110
5	2,500-2,999 Btu/Hr	-	$ 9.6241	$ -	$ 10.3154	$ -
6	3,000-3,499 Btu/Hr	-	$ 10.7443	$ -	$ 11.5161	$ -
7				$ 280		$ 300
8	When in Conjunction With Service Under Other Gas Rates					
9	Up to 1,999 Btu/Hr	12	$ 3.6678	$ 44	$ 3.9313	$ 47
10	2,000-2,499 Btu/Hr	-	$ 4.8993	$ -	$ 5.2512	$ -
11	2,500-2,999 Btu/Hr	-	$ 5.9358	$ -	$ 6.3622	$ -
12	3,000-3,499 Btu/Hr	12	$ 7.0695	$ 85	$ 7.5773	$ 91
13				$ 129		$ 138
14						
15	Distribution System Improvement Charge (DSIC)			$ 29		$ -
16						
17	**Total Lamp-Based Distribution Revenue**			$ 438		$ 438
18						
19	Annualization			$ 12		$ 12
20						
21	**Adjusted Total Distribution Revenue**			$ 450		$ 450

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Large Load Factor (L)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	60	$ 260.00	$ 15,600	$ 260.00	$ 15,600
3						
4	**Total Customer Charge Revenue**			$ 15,600		$ 15,600
5						
6	**Variable Distribution Charges (mcf-based)**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Base Rate - First 50% of usage	6,428	$ 7.1491	$ 45,953	$ 7.3127	$ 47,005
8	Base Rate - Additional usage	6,428	$ 2.1715	$ 13,958	$ 2.2212	$ 14,277
9						
10	Distribution System Improvement Charge (DSIC)			$ 1,371		$ -
11						
12	**Total Variable Distribution Charge Revenue**			$ 61,282		$ 61,282
13						
14	Annualization			$ 50		$ 50
15						
16	**Adjusted Total Distribution Revenue**			$ 76,932		$ 76,932

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Motor Vehicles - Firm (MV-F)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	180	$ 36.65	$ 6,597	$ 49.84	$ 8,971
3						
4	**Total Customer Charge Revenue**			$ 6,597		$ 8,971
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Base Rate	461,670	$ 0.9653	$ 445,650	$ 1.1005	$ 508,051
8						
9	Distribution System Improvement Charge (DSIC)			$ 8,225		$ -
10						
11	**Total Variable Distribution Charge Revenue**			$ 453,875		$ 508,051
12						
13	Annualization			$ 406		$ 456
14						
15	**Adjusted Total Distribution Revenue**			$ 460,878		$ 517,478

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Motor Vehicles - Interruptible (MV-I)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	12	$ 36.65	$ 440	$ 49.84	$ 598
3						
4	**Total Customer Charge Revenue**			$ 440		$ 598
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Flex Rate*	421	$ 2.9798	$ 1,255	$ 2.6500	$ 1,116
8						
9	Distribution System Improvement Charge (DSIC)			$ 19		$ -
10						
11	**Total Variable Distribution Charge Revenue**			$ 1,274		$ 1,116
12						
13	Annualization			$ 1		$ 1
14						
15	**Adjusted Total Distribution Revenue**			$ 1,715		$ 1,715
16						
17	**Flex Rate fluctuates month-to-month based on the cost of alternative fuels*					

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Interruptible Service (IS)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	12	$ 217.89	$ 2,615	$ 217.89	$ 2,615
3						
4	**Total Customer Charge Revenue**			$ 2,615		$ 2,615
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Flex Rate*	10,813	$ 2.7017	$ 29,213	$ 2.7186	$ 29,397
8						
9	Distribution System Improvement Charge (DSIC)			$ 183		$ -
10						
11	**Total Variable Distribution Charge Revenue**			$ 29,397		$ 29,397
12						
13	**Total Distribution Revenue**			$ 32,012		$ 32,012
14						
15	**Flex Rate fluctuates month-to-month based on the cost of alternative fuels*					

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Temperature Controlled Service (TCS)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charge**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	Base Rate	267	$ 125.00	$ 33,375	$ 125.00	$ 33,375
3						
4	**Total Customer Charge Revenue**			$ 33,375		$ 33,375
5						
6	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
7	Flex Rate*	153,121	$ 4.3011	$ 658,589	$ 4.3556	$ 666,934
8						
9	Distribution System Improvement Charge (DSIC)			$ 8,345		$ -
10						
11	**Total Variable Distribution Charge Revenue**			$ 666,934		$ 666,934
12						
13	Annualization			$ (25,783)		$ (25,783)
14						
15	**Adjusted Total Distribution Revenue**			$ 674,526		$ 674,526
16						
17	**Flex Rate fluctuates month-to-month based on the cost of alternative fuels*					

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Gas Transportation Service - Interruptible (TS-I)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charges**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	No backup					
3	>= 18,000 mcf annually	924	$ 277.21	$ 256,142	$ 383.88	$ 354,707
4	< 18,000 mcf annually	1,284	$ 233.00	$ 299,172	$ 322.66	$ 414,295
5						
6	Rate L backup					
7	>= 18,000 mcf annually	300				
8	TS-I Base Rate		$ 277.21	$ 83,163	$ 383.88	$ 115,165
9	TS-F Duel Fuel		$ 116.00	$ 34,800	$ 161.00	$ 48,300
10	< 18,000 mcf annually	-				
11	TS-I Base Rate		$ 233.00	$ -	$ 322.66	$ -
12	TS-F Duel Fuel		$ 116.00	$ -	$ 161.00	$ -
13						
14	Rate GC backup					
15	>= 18,000 mcf annually	84				
16	TS-I Base Rate		$ 277.21	$ 23,286	$ 383.88	$ 32,246
17	TS-F Duel Fuel		$ 116.00	$ 9,744	$ 161.00	$ 13,524
18	< 18,000 mcf annually	180				
19	TS-I Base Rate		$ 233.00	$ 41,940	$ 322.66	$ 58,079
20	TS-F Duel Fuel		$ 116.00	$ 20,880	$ 161.00	$ 28,980
21						
22	**Total Customer Charge Revenue**			$ 769,127		$ 1,065,296
23						
24	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
25	No Backup					
26	>= 18,000 mcf annually	5,816,689	$ 0.8484	$ 4,934,879	$ 0.8522	$ 4,956,730
27	< 18,000 mcf annually	770,171	$ 1.5931	$ 1,226,959	$ 1.6002	$ 1,232,392
28	Negotiated Gas Sales	5,141,809	Negotiated	$ 568,803	Negotiated	$ 568,803
29						
30	Rate L Backup					
31	>= 18,000 mcf annually					
32	Commodity TSI Mcf	882,729	$ 0.8484	$ 748,907	$ 0.8522	$ 752,223
33	Commodity TSF Mcf	478,256	$ 0.9267	$ 443,199	$ 1.0776	$ 515,387
34	Additional Commodity (15 days TCQ)	98,723	$ 0.9267	$ 91,487	$ 1.0776	$ 106,388
35	< 18,000 mcf annually					
36	Commodity TSI Mcf	-	$ 1.5931	$ -	$ 1.6002	$ -
37	Commodity TSF Mcf	-	$ 1.9416	$ -	$ 2.2578	$ -
38	Additional Commodity (15 days TCQ)	-	$ 1.9416	$ -	$ 2.2578	$ -
39						

Line			PRESENT RATES		SETTLED RATES	
	Variable Distribution Charges (continued)	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
40	Rate GC Backup					
41	>= 18,000 mcf annually					
42	Commodity TSI Mcf	49,576	$ 0.8484	$ 42,060	$ 0.8522	$ 42,246
43	Commodity TSF Mcf	32,986	$ 0.9267	$ 30,568	$ 1.0776	$ 35,547
44	Additional Commodity (15 days TCQ)	9,300	$ 0.9267	$ 8,618	$ 1.0776	$ 10,022
45	< 18,000 mcf annually					
46	Commodity TSI Mcf	101,883	$ 1.5931	$ 162,310	$ 1.6002	$ 163,028
47	Commodity TSF Mcf	38,806	$ 1.9416	$ 75,346	$ 2.2578	$ 87,619
48	Additional Commodity (15 days TCQ)	5,094	$ 1.9416	$ 9,891	$ 2.2578	$ 11,502
49						
50						
51	Distribution System Improvement Charge (DSIC)			$ 235,029		$ -
52						
53	**Total Variable Distribution Charge Revenue**			$ 8,578,056		$ 8,481,887
54						
55	**Adjusted Total Distribution Revenue**			$ 9,347,183		$ 9,547,183

PECO Energy Company (Gas)
Rate Year Ended December 31, 2023
Proof of Revenue at Present and Proposed Rates - Gas Transportation Service - Firm (TS-F)

Line			PRESENT RATES		SETTLED RATES	
1	**Customer Charges**	**Bills**	**Rate**	**Revenue**	**Rate**	**Revenue**
2	>= 18,000 mcf annually	1,536	$ 221.07	$ 339,564	$ 336.62	$ 517,043
3	< 18,000 mcf annually	3,516	$ 184.00	$ 646,944	$ 280.17	$ 985,078
4						
5	**Total Customer Charge Revenue**			$ 986,508		$ 1,502,121
6						
7	**Variable Distribution Charges**	**mcf**	**Rate**	**Revenue**	**Rate**	**Revenue**
8	>= 18,000 mcf annually					
9	Negotiated Gas Sales	2,410,611	Negotiated	$ 891,926	Negotiated	$ 891,926
10	Commodity TSF Mcf	7,802,497	$ 0.9267	$ 7,230,574	$ 1.0776	$ 8,408,283
11	Additional Commodity (15 days TCQ)	1,206,462	$ 0.9267	$ 1,118,028	$ 1.0776	$ 1,300,131
12	< 18,000 mcf annually					
13	Commodity TSF Mcf	1,740,691	$ 1.9416	$ 3,379,725	$ 2.2578	$ 3,930,212
14	Additional Commodity (15 days TCQ)	585,378	$ 1.9416	$ 1,136,570	$ 2.2578	$ 1,321,693
15						
16	Distribution System Improvement Charge (DSIC)			$ 211,035		$ -
17						
18	**Total Variable Distribution Charge Revenue**			$ 13,967,858		$ 15,852,245
19						
20	**Adjusted Total Distribution Revenue**			$ 14,954,366		$ 17,354,366

Appendix C

Gross Plant Costs

APPENDIX C

Gross Plant Costs

	(In $1,000)		
A	**Plant Balance @12/31/2021**	$ 3,339,335	Exhibit MJT-3, Schedule C-2, Page 15 of 87, Column (4)
B	**Plant Additions in 2022**	412,208	Exhibit MJT-2, Schedule C-2, Page 16 of 87, Column (1)
C	**Plant Additions in 2023**	292,254	Exhibit MJT-1, Schedule C-2, Page 16 of 87, Column (1)
D=A+B+C	**Plant Balance @12/31/2023**	$ 4,043,796	

Appendix D

Rate Effects For Typical Customers In Each Major Rate Class

Appendix D:
Rate Effects For Typical Customers In Each Major Rate Class

Residential Class

Under the Settlement Rates, the monthly residential gas distribution customer charge will increase $0.62 (or 4.5%) from $13.63 to $14.25.[1] This increase in the gas distribution customer charge is in lieu of the Company's proposed monthly distribution customer charge of $18.50, which represents a $4.87 increase (or 35.7%). In addition, under the Settlement Rates, the bill for a typical Residential customer that uses an average of 80 Ccf's per month will increase by $8.57 per month, from $95.31 to $103.88[2] (or 9.0%), including Purchased Gas Costs, taxes and other surcharges. In comparison, in the Company's proposed filing, the bill for this customer would have increased by $12.26 per month, from $95.31 to $107.57[3] (or 12.9%), including Purchased Gas Costs, taxes, and other surcharges.

Commercial Class

Under the Settlement Rates, the monthly gas distribution customer charge for a typical Rate GC commercial customer that uses an average of 400 Ccf's per month will increase $20.30 (or 4.8%) from $420.72 to $441.02), including Purchased Gas Costs, taxes and other surcharges. In comparison, in the Company's proposed filing, the bill for this customer would have increased by $30.08 per month, from $420.72 to $450.85 (or 7.1%), including Purchased Gas Costs, taxes, and other surcharges.

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[1] Rates from Appendix B, Proof of Revenues.
[2] All calculations use riders in effect as of 3/1/22 and the price-to-compare from 3/1/22, which assures that the rates are being compared on a consistent basis.
[3] PECO Energy Company – General Base Rate Filing, Volume No. I - Customer Notice.

Statement A

Statement in Support of Joint Petition for Settlement of PECO Energy Company

PUBLIC VERSION

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
PECO ENERGY COMPANY - GAS DIVISION	:	

STATEMENT OF PECO ENERGY COMPANY IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

PUBLIC VERSION

September 19, 2022

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
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STATEMENT OF PECO ENERGY COMPANY
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE F. JOSEPH BRADY:

I. INTRODUCTION AND OVERVIEW

PECO Energy Company ("PECO" or the "Company") submits this Statement in Support of the Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") entered into by and among PECO and the following Joint Petitioners:

> The Pennsylvania Public Utility Commission ("Commission") Bureau of Investigation and Enforcement ("I&E");
>
> Office of Consumer Advocate ("OCA");
>
> Office of Small Business Advocate ("OSBA");
>
> The Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania ("CAUSE-PA"); and the
>
> Philadelphia Area Industrial Energy Users Group ("PAIEUG")

If the settlement set forth in the Joint Petition ("Settlement") is approved, it will resolve all issues in this proceeding.

The Settlement was achieved only after a comprehensive investigation of PECO's operations and finances, which included: (1) extensive discovery (PECO responded to approximately 370 interrogatories); (2) submission of written direct, rebuttal, and surrebuttal testimony covering a wide range of issues; (3) public input hearings; (4) an evidentiary hearing in which PECO witnesses presented oral rejoinder; and (5) negotiations among the Joint Petitioners as to the appropriate revenue level, rate structure, rate design, and other matters, as set forth in detail in the Joint Petition.

The Settlement has been achieved among parties representing a wide array of stakeholder interests, including residential, commercial and industrial customers, and organizations representing the interests of low-income customers. The fact that the Settlement was reached among parties displaying the diverse interests of the Joint Petitioners is, in itself, strong evidence that the Settlement is reasonable and in the public interest. In fact, the Settlement reflects a carefully balanced compromise of the interests of all the Joint Petitioners based on their thorough and detailed consideration of the evidence adduced in this case, all of which was entered into the record at the evidentiary hearing conducted on August 12, 2022.

Significantly, three of the signatories – I&E, the OCA, and the OSBA – are charged with specific legal obligations to carefully scrutinize all aspects of a utility's request to increase rates. I&E, which has the broadest mandate, functions as an independent prosecutorial bureau within the Commission and, as such, is charged with representing the public interest in utility rate proceedings.[1] The OCA has a statutory obligation to protect the interests of residential

[1] *See Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Final Order entered Aug. 11, 2011), p. 5 ("BI&E will serve as the prosecutory bureau for purposes of representing the public interest in ratemaking and service matters . . . .").

consumers of public utility service,[2] and the OSBA represents the interests of small businesses.[3] As evidenced by their active and extensive participation in all aspects of this case, these statutory parties have conscientiously and rigorously discharged their statutory obligations. The statutory parties' joining in, and fully supporting, the Settlement is strong evidence that the Settlement's terms and conditions are just, reasonable, and in the public interest.[4]

Moreover, as explained hereafter, the Company presented a compelling case for rate relief. This is evidenced by, among other factors, the fact that PECO will have invested approximately $1.8 billion in new and replacement gas utility plant between January 2022 and December 2026 while experiencing rising labor and materials costs due to inflation trends. PECO St. 1, p. 7; PECO St. 2, pp. 2-7.

The Company's need for rate relief and the reasonableness of the increase in revenues set forth in the Settlement are addressed further in Section II, below. Section II also discusses the other terms of the Settlement and explains why they are reasonable in light of the evidence presented in this case and are in the public interest. Section III is a summation of the reasons why the Settlement as a whole is in the public interest.

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[2] *See* 71 Pa.C.S. §§ 309-1 et seq.

[3] *See* 73 P.S. §§ 399.41 et seq.

[4] *See Pa. P.U.C. v. T.W. Phillips Gas & Oil Co.*, Docket Nos. R-2010-2167797 et al., 2010 Pa. PUC LEXIS 1598 at *80-85 (Recommended Decision issued Oct. 5, 2010) (relying upon the support of I&E's predecessor, the Office of Trial Staff ("OTS"), the OCA and the OSBA as evidence that the settlement in that case was reasonable and in the public interest). The Recommended Decision was expressly approved and adopted by the Commission in its Final Order entered Nov. 4, 2010 at the above-referenced dockets. *Accord* Opinion and Order, *Pa. P.U.C. Aqua Pa., Inc.*, Docket Nos. R-2018-300355 et al., p. 55 (citing *T.W. Phillips* and explaining that "[w]hen each of the statutory advocates fully support a settlement, it is a good indicator that the terms and conditions of the settlement are just and reasonable.").

A. Overview Of The Company's Filing And Of The Settlement

PECO last filed for an increase in gas base rates in September 2020. PECO initiated this rate case on March 31, 2022 by filing Tariff Gas – Pa. P.U.C. No. 5 ("Tariff No. 5") requesting an increase in its total annual operating revenues to become effective May 30, 2022. The requested increase in PECO's initial filing equaled approximately $82.1 million, or 9.1% of PECO's total Pennsylvania jurisdictional gas operating revenue anticipated for the fully projected future test year ("FPFTY") ending December 31, 2023. On April 14, 2022, the Commission instituted an investigation of PECO's existing and proposed rates and, as a result, the Company's proposed tariff was suspended by operation of law until December 30, 2022.

Various issues pertaining to the level of revenues to which PECO is entitled were the subject of extensive discovery and were addressed at length in the parties' direct, rebuttal, surrebuttal and rejoinder testimony. Revenue requirement was also the subject of intensive negotiations, which produced an agreement among the Joint Petitioners that PECO has established its need for an increase in total gas operating revenues of at least $54.8 million as of the end of the statutory suspension period in this case, in addition to the Distribution System Improvement Charge ("DSIC") revenue of $7 million that will be rolled into base rates. The agreed increase is in lieu of the Company's initially requested increase of $82.1 million. As part of the Settlement, PECO also agreed that if the Joint Petition is approved, the Company will not file for another gas distribution base rate increase prior to March 15, 2024. *See* Joint Petition, ¶¶ 14, 17.

Witnesses for the OCA and CAUSE-PA recommended several modifications to PECO's universal service programs. The Settlement includes an array of enhancements to PECO's low-income assistance programs. These enhancements are coupled with commitments regarding low-income customer outreach and outcome objectives to increase enrollment in the Company's

Customer Assistance Program ("CAP"). In addition, under the Settlement, the Company will convene collaborative meetings to discuss possible avenues for reducing CAP defaults due to a failure to recertify.

Various other specific issues that were raised by other parties' testimony have been resolved by the compromises on all sides that resulted in the agreed upon increase in gas distribution revenues of $54.8 million. There are certain terms that reflect the Joint Petitioners' agreement on specific issues, which are typically addressed in settlements, such as, for example, the equity return rate to be used in calculating the Company's DSIC and the "baseline" of FPFTY plant additions that must be exceeded before the Company may reinstitute its DSIC. *See* Joint Petition, ¶¶ 25-27. In addition, the Joint Petitioners have resolved all rate structure and rate design issues by collaboratively developing the Settlement Rates, as set forth in the gas tariff provided in Appendix A. The Joint Petitioners are in full agreement that the Settlement Rates fairly and reasonably allocate the increase in gas distribution revenues among PECO's customer rate classes. *See* Joint Petition, ¶¶ 18-23.

As previously indicated, the specific terms of the Settlement are discussed in more detail in Section II below.

B. The Settlement Is Consistent With Commission Policy, Practice And Precedent Concerning Settlements

It is the Commission's long-standing policy, practice, and precedent, embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401, to strongly encourage parties to resolve contested proceedings through settlement. Indeed, in its Policy Statement, the Commission stated that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully

litigated proceeding."[5] There are many reasons why settlements can produce better outcomes and do a better job of promoting the public interest than full litigation, which have been repeatedly affirmed in decisions approving proposed settlements. Those reasons were aptly summarized in the Commission's approval of a settlement of PECO's 2018 electric rate case:

> Rate increase proceedings are expensive to litigate, and the reasonable cost of such litigation is an operating expense recovered in the rates approved by the Commission. Partial or full settlements allow the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs, exceptions and replies to exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yielding significant expense savings for the company's customers. For this and other sound reasons, settlements are encouraged by long-standing Commission policy.[6]

Settlements also promote the public interest in another important way. In settlements, parties can, through compromise and agreement, craft innovative and creative solutions that the Commission may not be in a position to develop and impose unilaterally. That is certainly the case with the Settlement achieved by the Joint Petitioners in this proceeding, as explained in Section II below.

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[5] 52 Pa. Code § 69.401.

[6] *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2018-3000164 (Opinion and Order entered Dec. 20, 2018) ("*PECO 2018 Rate Case Order*"), p. 15; *see also Pa. P.U.C. v. Columbia Gas of Pa., Inc.*, Docket No. R-2021-3024296 (Opinion and Order entered Dec. 16, 2021), p. 9 ("Rate cases, in general, are expensive to litigate and the reasonable costs of such litigation is an operating expense recovered in the rates approved by the Commission. This means that a settlement, which allows the parties to avoid or minimize the substantial costs of litigation, may yield potential savings for the Company's customers.").

C. Settlements That Do Not Stipulate Or Identify The Specific Components Underlying A Settled Revenue Increase Have Been Consistently Approved And Strongly Endorsed By The Commission As Promoting The Public Interest

As the Joint Petition makes clear (*see* Paragraphs 12 and 49-50), the Joint Petitioners acknowledge that, subject to the limited exceptions set forth in the Joint Petition, they have not sought, nor would they be able, to agree upon the specific ratemaking adjustments that support their respective decisions to enter into the Settlement. Nonetheless, as the Joint Petitioners explain in their respective Statements in Support, they are in full agreement that the Settlement achieves the following goals:

- Resolves a number of contested issues, by means of interrelated compromises, in a manner that produces an overall outcome well within the range of reasonable outcomes supported by the record evidence;
- Appropriately and fairly balances (1) the interests of customers in receiving safe, adequate and reliable service at just and reasonable rates and (2) the interests of the Company and its shareholders in having a reasonable opportunity – through continued prudent and efficient management – to earn a fair return on their investment in property dedicated to the public service, which will support further investment in additional needed plant and equipment;
- Produces a fair result for all parties;
- Contains significant enhancements to the Company's universal service programs and commitments regarding gas safety; and
- Therefore, for all the foregoing reasons, is in the public interest.

As explained above, the Joint Petition embodies a so-called "black box" settlement because the Joint Petitioners have neither agreed upon, nor identified, their individual

assessments of the various subsidiary components of the overall revenue requirement upon which they settled. The Joint Petitioners' approach facilitates settlements by allowing parties to agree to an overall settled outcome that all parties find reasonable without abandoning or reversing their litigation positions on issues they deem important and thereby compromising their ability to present their arguments in other proceedings where settlement may not be possible.[7] Thus, the net result is reasonable and acceptable to all, so long as the parties are not forced to reveal their positions and strategies or the compromises they made to reach the settled outcome.

The Joint Petitioners' approach to delineating the terms of the Settlement in the Joint Petition, namely, a "black box" subject to limited but appropriate exceptions, has been consistently and repeatedly found to be in the public interest and approved by the Commission. In the Recommended Decision recommending approval of the black box settlement in PECO's 2015 electric rate case, for example, Administrative Law Judge Angela T. Jones explained:

> The Commission has noted that "Black box" settlements are an important aspect in the process of delivering timely and cost effective regulation. A black box settlement is a means to reach agreement on a rate increase in a case where the issues raised are varied and complex. To delineate and specify each component of the rate increase to the issues would be difficult, time-consuming, expensive and costly to the consumers as a rate case expense. To curtail any delineation is to save time, expense and costs of the parties and the ratepayers. The Commission has in the past found

[7] *See* 52 Pa. Code § 5.231; 52 Pa. Code § 69.401. The Commission has approved black box settlements of base rate increases for many large utilities, including the settlement of PECO's 2018 electric rate case discussed previously. *See also Pa. P.U.C. v. Duquesne Light Co.,* Docket No. R-2021-3024750 (Opinion and Order entered Dec. 16, 2021) (approving a black box settlement providing for a base rate increase of $74.2 million); *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2021- 3024601 (Order entered Nov. 18, 2021) (approving a black box settlement providing for a base rate increase of $132 million); *Pa. P.U.C. v. Pennsylvania-American Water Co.*, Docket Nos. R-2020-3019369 and R-2020-3019371 (Opinion and Order entered Feb. 25, 2021) ("PAWC 2020 Rate Case Order") (approving a black box settlement providing for a base rate increase of $70.5 million); *Pa. P.U.C. v. Phila. Gas Works*, Docket No. R-2020-3017206 (Opinion and Order entered Nov. 19, 2020) (approving a black box settlement providing for a base rate increase of $35 million); *Pa. P.U.C. v. UGI Utils., Inc. - Gas Div.*, Docket No. R-2020-3015162 (Opinion and Order entered Oct. 8, 2020) (approving a black box settlement for a base rate increase of $20 million); *Pa. P.U.C. v. UGI Utils., Inc. - Gas Div.*, Docket No. R-2018-3006814 (Opinion and Order entered Oct. 4, 2019) (approving a black box settlement for a base rate increase of $30 million); *Pa. P.U.C. v. Duquesne Light Co.*, Docket No. R-2018-3000124 (Opinion and Order entered Dec. 20, 2018) (approving a black box settlement providing for a base rate increase of $40.5 million).

> such black box settlements to be reasonable and in the public interest. The instant case is consistent with Commission precedent.[8]

Similarly, in the Peoples TWP LLC's 2013 base rate case,[9] the Commission approved a settlement and stated the following in response to a complainant's specific objection to the black box nature of the settlement:

> We have historically permitted the use of "black box" settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a "black box" settlement in this proceeding and, accordingly, deny this Exception.[10]

As evidenced by the authorities discussed above, the Commission fully endorses the concept of black box settlements such as the Settlement achieved in this case.

D. General Standard For Approval Of Settlements

It is well established that, to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest.[11] In Section II, below, each of the principal terms of the Settlement is discussed

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[8] *Pa. P.U.C. v. PECO Energy Co.*, Docket No. R-2015-2468981 (Recommended Decision issued Oct. 8, 2015), pp. 18-19 (citations omitted).

[9] *Pa. P.U.C. v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013), pp. 27-28 (citations omitted).

[10] *Id*. at 28.

[11] *See Pa. P.U.C. v. CS Water & Sewer Assoc.*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Phila. Elec. Co.*, 60 Pa. P.U.C. 1, 22 (1985).

in light of the record evidence and the parties' positions. As explained therein, the final resolution achieved by each of those terms is consistent with, and promotes, the public interest.

II. SPECIFIC SETTLEMENT TERMS[12]

A. Revenue Requirement (Joint Petition, Paragraphs 14-16)

As previously explained, following detailed formal and informal discovery, the submission of multiple rounds of testimony, and extensive negotiations, the Joint Petitioners agreed to the Settlement embodied in the Joint Petition. Under the terms of the Settlement, PECO will be entitled to charge gas distribution base rates (the "Settlement Rates"), designed to produce an annual increase in gas distribution base rate operating revenues of $54.8 million for service rendered on and after January 1, 2023. The $54.8 million increase is in addition to base distribution rates after the roll-in to those rates of approximately $7 million in DSIC revenue and reflects adjustments for unbundled operating costs recovered through PECO's Gas Procurement Charge and Merchant Function Charge. The net revenue increase of $54.8 million equates to a 6.0% increase of PECO's total Pennsylvania jurisdictional operating revenues.

The agreed-upon revenue requirement reflects the 2023 statutory state income tax rate of 8.99% and a nine-year amortization of the Accumulated Deferred Income Tax regulatory liability balance based on the difference between the current 9.99% state income tax rate and the expected 4.99% state income tax rate in 2031. Under the Settlement, PECO also agreed not to seek rate recovery of COVID-19 related incremental expenses incurred during the calendar years of 2020 and 2021 in a future gas base rate case. *See* Joint Petition, ¶¶ 15-16.

[12] Section II of this Statement in Support contains a general description of the terms and conditions of the Settlement set forth in the Joint Petition. While every effort has been made to try to ensure that the descriptions are accurate, if any inconsistency exists or is perceived between the Statement in Support and the terms and conditions of the Joint Petition, the Joint Petition shall take precedence and shall control.

Under the Settlement Rates, the bill for a typical Residential customer using 80 hundred cubic feet ("Ccf") per month will increase by $8.57 per month, from $95.31 to $103.88 (or 9.0%).[13] *See* Joint Petition, Appendix D. By comparison, in the Company's initial filing, the bill for a typical Residential customer using 80 Ccf per month would have increased by $12.26 per month, from $95.31 to $107.57 (or 12.9%). The increases originally proposed and those that would result from the Settlement Rates are set forth for the other major customer classes in Appendix D to the Joint Petition.

Significantly, since the Company's current base rates became effective on July 1, 2021, PECO has continued to make substantial investments in its gas distribution system to ensure that customers can continue to receive safe and reliable service. PECO will invest approximately $1.8 billion in new and replacement gas utility plant between January 2022 and December 2026. At the same time, materials and contracting costs have escalated as a result of general inflationary trends and rising labor and material costs in the utility industry. PECO St. 2, pp. 3-5.

The factors discussed above, namely, increased investment and rising labor and materials costs, have compromised the Company's ability to earn a fair return on its investment absent rate relief. On a pro forma basis, PECO's gas distribution operations are projected to produce an overall return on invested capital of 5.67%, and a return on common equity of only 7.18%, during the twelve months ending December 31, 2022. PECO St. 2, p. 6. Those return levels are clearly inadequate, as PECO witness Paul R. Moul points out in his direct testimony (PECO St. 5). Absent rate relief, PECO's financial results would deteriorate even further in 2024 and thereafter and could jeopardize PECO's ability to appropriately invest in the infrastructure

[13] All rate effect calculations use riders in effect as of March 1, 2022 and the Price-to-Compare from March 1, 2022, which assures that the rates are being compared on a consistent basis.

needed to maintain and improve its safety, reliability, and customer service levels. It is particularly important for PECO to maintain and possibly improve its credit ratings because the gas distribution function is extremely capital intensive. As previously explained, PECO projects that it will need to invest approximately $1.8 billion in new and replacement gas distribution plant over the next five years (2022-2026). PECO St. 2, p. 5. Accordingly, it is important that PECO obtain the increased revenues that the Settlement will provide.

In light of the standards consistently applied by this Commission, the revenue requirement provisions of the Settlement are reasonable and in the public interest. The Commission has outlined the following general principles for assessing whether a settlement meets the public interest standard:

> The purpose of this investigation is to establish distribution rates for PECO's customers that are "just and reasonable" pursuant to Section 1301 of the Code, 66 Pa. C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679 (1923) (*Bluefield*).
>
> In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in *Bluefield*, *supra,* and *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). In *Bluefield* the United States Supreme Court stated:
>
>> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and

> enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.[14]

Neither the Public Utility Code nor principles of due process require the Commission to adhere to a specific formula or methodology to determine "just and reasonable" utility rates.[15] Indeed, Pennsylvania appellate precedent holds as follows:

> [T]he power to fix "just and reasonable" rates imports a flexibility in the exercise of a complicated regulatory function by a specialized decision-making body and that the term "just and reasonable" was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital to utility investors consonant with constitutional protections applicable to both.[16]

In short, "just and reasonable" rates, like the associated concept of a "fair return," are not point values. Rather, both "just and reasonable" rates and a "fair return" exist within a "constitutional range of reasonableness."[17] And there are a variety of ways in which the parameters of the "constitutional range of reasonableness" can be determined. As long-standing Commission precedent establishes, one important way to identify an outcome that is within the acceptable "range" is through the settlement process. In that way, parties with differing interests engage in an adversarial process to scrutinize the evidence supporting a rate request and, based on robust negotiations, agree to a reasonable overall result.

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[14] *Pa. P.U.C. v. PECO Energy Co. – Elec. Div.*, Docket No. R-2015-2468981 (Opinion and Order entered Dec. 17, 2015), pp. 6-7; *see also* PAWC 2020 Rate Case Order, pp. 11-14.

[15] *See Duquesne Light Co. v. Barasch*, 488 U.S. 299, 315-16 (1989) ("'the Commission was not bound to the use of any single formula or combination of formulae in determining rates'") (quoting *FPC v. Hope Nat. Gas Co.*, 320 U.S. 591, 605 (1944)).

[16] *Pa. P.U.C. v. Pennsylvania Gas & Water Co.*, 424 A.2d 1213, 1219 (Pa. 1980).

[17] *Duquesne Light, supra*, 488 U.S. at 312. *See also Pennsylvania Gas & Water Co., supra.*

Applying the ratemaking principles discussed above and the standards employed by the Commission for assessing settlements, the revenue level set forth in the Settlement is reasonable, in the public interest and should be approved. As previously explained, the significant increase in the Company's plant in service projected over the next five years, and rising labor and materials costs, among other factors detailed in the testimony of PECO's witnesses, present a compelling case for significant rate relief.

Moreover, with respect to the *Bluefield*, *Hope*, and *Barasch* standards, the Settlement carefully balances (1) the right of the Company and its investors "to earn a return on the value of the property which it employs for the convenience of the public" and "to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties" with (2) the right of customers to pay rates that are commensurate with "business undertakings which are attended by corresponding risks and uncertainties" without providing the utility "profits . . . realized or anticipated in highly profitable enterprises or speculative ventures."[18] That balance is ensured by the fact that parties legally obligated to protect consumers and the public interest vigorously investigated all aspects of the Company's proposed increase and concluded that the Settlement Rates are just and reasonable. Similarly, the Company carefully considered the proposed revenue increase in light of the obligation to its investors to secure a reasonable opportunity to earn a fair return, maintain the financial stability of its business, and obtain needed capital on reasonable terms. The Company concluded that the Settlement Rates satisfy those criteria. The careful balance of interests achieved by the Settlement avoids what could have been a significant expenditure of time, money, and other resources by the parties and the Commission to individually resolve a number of issues and proposed adjustments that have

[18] *Bluefield, supra.*

now been subsumed by the interrelated compromises that led to the Settlement. Those savings are in everyone's interest and, in themselves, are another important reason why the Settlement promotes the public interest.

B. Gas Base Rate Stay-Out (Joint Petition, Paragraph 17)

Paragraph 17 sets forth the Company's agreement to a base rate stay-out. Specifically, it provides that PECO will not file for another general rate increase under Section 1308(d) for its gas operations prior to March 15, 2024. The stay-out provision will provide customers base rate stability for a period of at least approximately two years (from 2023-2025 (reflecting the notice and suspension period if a rate filing were made on March 15, 2024)), which is two years beyond the end of the FPFTY in this case.

C. Revenue Allocation And Rate Design (Joint Petition, Paragraphs 18-23)

As required by the Commission's filing requirements, PECO submitted a fully-allocated class cost of service study (the "COSS"), which was prepared and sponsored by Company witness Jiang Ding (PECO St. 6 and accompanying exhibits). Ms. Ding applied well-established cost-of-service principles and well-accepted COSS procedures to functionalize and classify the Company's total cost of providing gas distribution service and to allocate the functionalized and classified costs among its major rate classifications. PECO St. 6, pp. 5-31.

The largest component of PECO's plant investment and associated fixed costs consists of mains. As Ms. Ding explained, the costs of the Company's mains are part of its distribution function and were classified as capacity-related. While a portion of the cost of the Company's mains (approximately 1%) was directly assigned, the balance of the cost of mains was allocated using the Average and Excess Demand ("A&E") method as described in the treatise *Gas Rate Fundamentals* published by the American Gas Association (1987 edition). *Id.*, p. 19. The

Commission approved the use of the A&E method for allocation of mains costs in PECO's last gas base rate case at Docket No. R-2020-3018929.

I&E witness Esyan Sakaya opposed using the A&E method to allocate the cost of mains, advocating instead the Peak and Average Demand method, while witnesses for PAIEUG and the OSBA proposed revisions to or raised concerns with elements of the Company's COSS. *See* I&E St. 3, pp. 6-9; PAIEUG St. 1, pp. 4-9; OSBA St. 1, pp. 8-21. As Ms. Ding explained (PECO St. No. 6-R), none of the revisions other Joint Petitioners proposed to the Company's COSS were warranted.

In addition, witnesses on behalf of I&E and the OSBA recommended that PECO reflect customers on negotiated gas contracts as a separate class in the COSS in the Company's next rate case. In support of that recommendation, they asserted that customers with negotiated rate contracts generally pay rates below fully embedded costs, which, therefore, skews the total revenue received for the Transportation Service – Firm ("TS-F") and Transportation Service – Interruptible ("TS-I") classes and makes it impossible to determine whether the revenue received for those classes is sufficient. I&E St. 3, p. 11; OSBA St. 1, p. 27. After careful consideration of this issue, I&E, the OSBA and the Company reached a reasonable resolution where PECO will provide a good-faith calculation of the costs (both directly assigned and allocated) to serve negotiated rate customers in its next base rate case. Joint Petition, ¶ 23.

Revenue Allocation (Joint Petition, Paragraph 18). Although complete agreement could not be reached among all the Joint Petitioners with respect to either the COSS or the revisions to that study proposed by I&E and PAIEUG, there was no dispute that a COSS should be used as a guide and that the Commission has long recognized that the movement toward cost of service should be tempered by the concept of gradualism in order to avoid large, disruptive,

one-time increases to any particular customer class. That was the approach the Company employed to develop its proposed revenue allocation and rate design in this case, as explained by PECO witness Joseph A. Bisti. *See* PECO St. 7, pp. 8-9; PECO St. 7-R, pp. 6-7.

The allocation of the revenue increase under the Settlement Rates was subject to careful consideration and detailed negotiations among the Joint Petitioners. As a result, the Joint Petitioners were able to reach agreement on the allocation among customer classes of the revenue increase under the Settlement Rates that is depicted in Paragraph 18 of the Joint Petition. That allocation provides for reasonable movement toward the system average rate of return by the various customer classes as measured by the Company's COSS. Accordingly, the revenue allocation effected by the Settlement Rates and depicted in Paragraph 18 of the Joint Petition is consistent with the Commonwealth Court decision in *Lloyd v. Pa. P.U.C.*, 904 A.2d 1010 (Pa. Commw. Ct. 2006). Moreover, as the Commonwealth Court recognized in pre-*Lloyd* decisions, which were not disturbed by its holding in *Lloyd*, "there is no single cost of service study or methodology that can be used to answer all questions pertaining to costs"[19] nor is there any "set formula for determining proper ratios among rates of different customer classes."[20]

Rate Design (Joint Petition, Paragraphs 19-23). The Joint Petitioners' litigation positions regarding rate design differed somewhat from each other and from the Company's proposed rates. The principal areas of disagreement related to the level of PECO's fixed distribution service charges (i.e., customer charges) and the rate design for non-residential customers.

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[19] *Executone of Phila., Inc. v. Pa. P.U.C.*, 415 A.2d 445, 448 (Pa. Commw. Ct. 1980).

[20] *Peoples Nat. Gas Co. v. Pa. P.U.C.*, 409 A.2d 446, 456 (Pa. Commw. Ct. 1979).

As part of the Settlement, the Joint Petitioners have agreed that the Gas Residential ("Rate GR") customer class charge should be $14.25 per month in lieu of a charge of $18.50 per month proposed by the Company in its initial rate case filing (Joint Petition, Paragraph 19 and Appendix A). The residential customer charge is fully supported by the detailed analysis of customer-related costs conducted by Ms. Ding (PECO Exhibit JD-4). That analysis shows that the customer related costs for residential customers support a customer charge of $28.01 per month for Rate GR. In addition, the Joint Petitioners have agreed to a General Service customer charge of $29.86 instead of $38.82 as originally proposed by PECO, which is also supported by the Company's customer-related cost analysis. Under the Settlement, PECO also agreed to present a cost analysis and rate design proposal in its next gas base rate case that evaluates the potential to differentiate the customer charge within the General Service ("Rate GC") customer class between smaller and larger customers to address the concerns raised by OSBA witness Robert D. Knecht (OSBA St. 1, p. 31).

With respect to rate design for non-residential customers, Mr. Knecht raised concerns regarding the design of the Rate GC declining block volumetric charge and recommended that PECO reduce the volumetric charge differential by applying a larger percentage rate increase to the tail block. Mr. Knecht also asserted that PECO's proposed TS-I and TS-F volumetric charge differentials for customers above and below annual volumes of 18 mmcf are excessive and should be reduced using a load ratio adjustment. OSBA St. 1, pp. 32-38. PAIEUG witness Billie LaConte disagreed with Mr. Knecht's recommendation and asserted that if PECO adjusts the rate differential between small and large transportation customers, it should be based on a COSS that separates the costs for those adjustments. PAIEUG St. 1S, p. 7.

Under the Settlement, the Joint Petitioners have agreed to declining block volumetric rates for Rate GC consistent with the recommendation made by the OSBA. In addition, Paragraph 22 of the Settlement reflects a compromise among PECO, the OSBA and PAIEUG on the rate design for transportation customers. The Company agreed to present a cost analysis of the relative cost to serve customers above and below 18 mmcf/year in the TS-F and TS-I rate classes. At a minimum, the Company will undertake the load factor analysis referenced at PECO Statement No. 7-R, page 20.

Reasonableness of the revenue allocation and rate design provisions of the Settlement. Every rate proceeding consists of two parts. First, the overall revenues to which a utility is entitled must be determined. The second part of the process is determining how much of the total revenue requirement each rate class should bear. The allocation of revenue responsibility can be one of the more contentious parts of a rate proceeding because it is a "zero sum" exercise among the non-utility parties – any revenue responsibility not borne by a particular rate class must be borne by one or more other rate classes. While cost-of-service studies are the touchstone for reasonable allocations of revenue responsibility among rate classes,[21] the Commission has often stated that cost of service analyses must reflect the exercise of judgment and are as much a matter of art as of science.[22] For that reason, Pennsylvania appellate courts have repeatedly held that the Commission, in crafting a reasonable rate structure, is "invested with a flexible limit of judgment" and may establish just, reasonable and nondiscriminatory rates within a "range of reasonableness."[23]

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[21] *See Lloyd v. Pa. P.U.C., supra*.

[22] *See Pa. P.U.C. v. Phila. Suburban Water Co.*, 75 Pa. P.U.C. 391, 440 (1991).

[23] *U.S. Steel Corp. v. Pa. P.U.C.*, 390 A.2d 865, 872 (Pa. Commw. Ct. 1978).

Thus, establishing a reasonable revenue allocation requires a careful balancing of the countervailing interests of the non-utility parties representing the various customer classes. Accordingly, this aspect of a rate proceeding is particularly well suited to achieving a reasonable overall outcome based on the give-and-take of the settlement process. That is precisely what occurred in this case, which resulted in a complete settlement of all contested issues involving revenue allocation and rate design among a wide array of parties representing the interests of residential, commercial, and industrial customers.

While settlement negotiations among parties representing a wide array of customer and stakeholder interests can, in themselves, ensure a reasonable outcome, the revenue allocation under the Settlement Rates also comports with well-accepted ratemaking principles. As previously explained, although some parties proposed revisions to the COSS, the Joint Petitioners are in general agreement that the Settlement Rates make appropriate progress in moving all classes closer to their cost of service consistent with the principle of gradualism.

With respect to rate design, the Settlement Rates reflect the need to recover the customer component of total cost of service in the customer charge, while recognizing that increases in the customer charges can impact low-usage customers. Accordingly, the Settlement Rates provide for an increase in the Company's Rate GR and Rate GC customer charges, but in a lesser amount than the customer charges that the Company originally proposed.

For all the foregoing reasons, the proposed revenue allocation and rate design are reasonable, appropriately balance the interests of all parties, and are in the public interest.

D. FPFTY Reports (Joint Petition, Paragraph 24)

In its initial filing, PECO developed its FPFTY revenue requirement employing plant-in-service balances and other rate base elements projected as of the end of the FPFTY (December

31, 2023). I&E proposed that the Company update PECO Exhibit MJT-2, Schedule C-2 by April 1, 2023, and PECO Exhibit MJT-1, Schedule C-2 by April 1, 2024, to include actual capital expenditures, plant additions, and retirements by month for 2022 and 2023, respectively. I&E St. 3, pp. 3-4. PECO has agreed to provide such updates, as set forth in more detail in Paragraph 24 of the Joint Petition (*see also* PECO St. 3-R, pp. 8-9). In addition, PECO agrees that in its next base rate proceeding, it will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2023 to its projections in this case.

E. DSIC (Joint Petition, Paragraphs 25-27)

Section 1358(b)(1) requires that a utility's DSIC be reset at zero on the effective date of new base rates. Section 1358(b)(2) specifies when, after such a "reset," a utility may begin to charge a DSIC. In its Supplemental Implementation Order,[24] the Commission has set forth its criteria for determining when a utility may charge a DSIC following a base rate "reset."

The Settlement provides that the DSIC rate will be reset to zero effective January 1, 2023, PECO will not implement a DSIC during the calendar year ending December 31, 2023 and the first DSIC in 2024 will be effective no earlier than March 31, 2024. In any event, and consistent with the requirements of the Supplemental Implementation Order, the Company will not begin to impose a DSIC until the total aggregate gross plant costs (before depreciation or amortization) associated with the eligible property that has been placed in service exceed the baseline of gross plant balances shown in Appendix C of the Joint Petition (which total $4,043,796,000). This provision relates solely to the calculation of the DSIC during the time that the Settlement Rates are in effect. *See* Joint Petition, ¶¶ 14, 25-27.

[24] *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Final Supplemental Implementation Order entered Sept. 21, 2016) ("Supplemental Implementation Order").

As explained in Section II.A. above, the revenue requirement elements of the Settlement reflect, for the most part, a matrix of compromises by the Joint Petitioners, and therefore, specific ratemaking adjustments are not spelled out in the Joint Petition, subject to limited exceptions. The Joint Petitioners have recognized that, notwithstanding the "black box" nature of the Settlement regarding revenue requirement, it is important to resolve, as part of the Settlement, the rate of return on equity that Joint Petitioners agree should be used by the Company in computing the Company's DSIC revenue requirement. To that end, the Joint Petitioners have agreed and stipulated in Paragraph 27 of the Joint Petition that the Company shall use the rate of return on equity as calculated for gas utilities and published in the "Bureau of Technical Utility Services [("TUS")] Report on the Quarterly Earnings of Jurisdictional Utilities" for the most recent quarter for calculating the return on equity component of the Company's DSIC. The TUS calculation is a recognized and accepted benchmark return on equity for use in calculating revenue requirement under the DSIC. Moreover, TUS regularly updates its calculation to reflect changes in market-determined equity costs based on a clearly stated methodology and database. A term like Paragraph 24 has been adopted in settlements of numerous base rate cases for major utilities that employ a DSIC.

F. Gas Safety (Joint Petition, Paragraphs 28-30)

1. Gas Mapping Program (Joint Petition, Paragraph 28)

PECO's gas mapping project began in 2017 as part of the settlement agreed to in Docket No. C-2015-2479970. The project involves implementing mapping system enhancements that will allow PECO to map and locate its facilities with sub-foot accuracy. PECO St. 1, p. 8, fn. 1.

[BEGIN CONFIDENTIAL]

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Under the Settlement, PECO agrees to accelerate its gas mapping program from its original 20-year commitment to a 15-year commitment, to be completed by December 31, 2032. *See* Joint Petition, ¶ 28.

2. Distribution Integrity Management Program ("DIMP") (Joint Petition, Paragraphs 29-30)

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Under the Settlement, PECO will continue its comprehensive analysis of its DIMP threat rankings and commits to creating additional threat categories. PECO will communicate its findings and resulting changes to the Commission's Gas Safety Division. *See* Joint Petition, ¶ 29. In addition, PECO will host a collaborative to update I&E Safety on or before March 1,

[25] *See Pa. P.U.C. v. PECO Energy Co. – Gas Div.*, Docket No. R-2020-3018929 (Opinion and Order entered June 22, 2021), p. 207 (the "2020 Gas Order").

2023 regarding the creation of new threat categories in PECO's DIMP prior to the anticipated 2023 Commission's DIMP Audit in the spring of 2023. *See* Joint Petition, ¶ 30.

G. Customer Programs (Joint Petition, Paragraphs 31-32)

1. Gas Energy Efficiency and Conservation ("EE&C") Program (Joint Petition, Paragraph 31)

As explained in detail by PECO witness Doreen L. Masalta, the Company proposed to enhance its gas EE&C residential rebate offerings by (1) adding two new residential rebates and (2) increasing rebate ranges for existing residential rebates. These enhancements are expected to drive additional participation in the gas EE&C program and the enhanced residential rebate portfolio is cost-effective with a total resource cost ("TRC") value of 1.29. PECO further proposed to have the flexibility during the course of program implementation to adjust rebate minimum efficiency requirements and add new rebates for energy efficient products. The Company did not seek any additional funding for these enhancements and planned to implement the expanded residential portfolio with its existing budget allocation for general residential programming ($2.008 million of the total Commission-approved gas EE&C budget of $2.727 million). Finally, PECO committed to perform an evaluation, measurement and verification ("EM&V") study of the gas EE&C portfolio in 2024. *See* PECO St. 9, pp. 8-14; PECO St. 9-R, pp. 2-8.

I&E initially opposed the new residential rebates and recommended a corresponding budget decrease citing, among other things, the absence of an EM&V study and concerns about past program underspending and the Company's forecasts of future rebate participation. I&E St. 1, pp. 21-24. I&E withdrew its opposition to the new measures and its recommended budget decrease after Ms. Masalta explained that the Company is on pace to exceed its 2022 projections

for existing rebate measures and that the lower spend levels in 2020 and 2021 were related to the COVID-19 pandemic. I&E St. 1-SR, pp. 14-15; *see also* PECO St. 9-R, pp. 4-5.

Under the Settlement, the Company will maintain its existing $2.008 million budget for residential EE&C programming and implement the two additional rebates as originally proposed. PECO will also retain the flexibility to add measures and adjust incentive levels and energy efficiency requirements during program implementation. Finally, the Company will perform an analysis of residential and small commercial natural gas EE&C measures in 2023. The analysis will include items such as cost effectiveness, projected impact, adoption estimates, costs of incentives, and savings to ensure that PECO promotes reasonable measures to reduce natural gas use among residential and small commercial customers. *See* Joint Petition, ¶ 31.

2. Safe and Efficient Heating Program ("SEHP") (Joint Petition, Paragraph 32)

PECO proposed to enhance the existing SEHP by adding a new water heater replacement measure and installing smart water heater controllers on existing or replacement water heaters as appropriate. To enable these enhancements, the Company proposed to increase the SEHP budget by $500,000 (from $719,000 to $1.219 million). Although the enhanced SEHP is not cost-effective on a standalone basis (TRC of 0.47), the entire residential portfolio (SEHP and residential rebates) is cost-effective with a TRC of 1.0. Consistent with its residential EE&C proposal, PECO also sought flexibility during the course of SEHP implementation to adjust measure criteria requirements and add new measures. *See* PECO St. 9, pp. 10-14; PECO St. 9-R, pp. 8-10.

I&E opposed the Company's proposed budget increase, citing a lack of historical SEHP implementation data that could be used for an EM&V study. I&E St. 1, p. 26; I&E St. 1-SR, pp. 15-16. CAUSE-PA supported PECO's enhancements and increased budget and further

recommended that PECO modify the SEHP to expand eligibility to all customers with a household income at or below 200% of the Federal Poverty Level ("FPL"), regardless of homeowner status.[26] *See* CAUSE-PA St. 1, pp. 48-50; CAUSE-PA St. 1-SR, pp. 13-14.

Under the Settlement, PECO will withdraw its request to increase the existing SEHP budget. *See* Joint Petition, ¶ 32. The Company remains committed to incorporating the new water heater measures noted above and will manage SEHP implementation to the existing budget allocation of $719,000.

H. Universal Service Programs (Joint Petition, Paragraphs 33-43)

1. LIURP (Joint Petition, Paragraphs 33-36)

PECO proposed to increase its current annual gas LIURP funding by $250,000 to a total of $2,500,000 annually, through 2024, to support higher LIURP enrollment levels and the installation of greater measures during audits. *See* PECO St. 10, pp. 4-5.

Both the OCA and CAUSE-PA recommended larger increases to PECO's gas LIURP budget (to $5.953 million and $4.25 million total, respectively). *See* OCA St. 4, pp. 41-43; CAUSE-PA St. 1, pp. 32-33. CAUSE-PA further recommended that PECO (1) establish an average $2,000 per household health and safety ("H&S") budget per LIURP job and actively coordinate referrals to other H&S programs; (2) lower the high usage threshold for multifamily units and work with Universal Service Advisory Committee ("USAC") on better providing services to tenants; (3) waive the high usage threshold for de facto heating customers; (4) roll

[26] As explained in Ms. Masalta's direct testimony (pp. 5-6) and acknowledged in Mr. Geller's direct testimony (p. 47), the SEHP is designed to serve PECO natural gas heating customers who are not currently eligible for a Low-Income Usage Reduction Program ("LIURP") heating audit and meet the following criteria: (1) the customer has a household income that is 0%-100% of the FPL; (2) the customer has average monthly wintertime usage of less than or equal to 149 Ccf of natural gas; (3) the customer has not received a LIURP heating audit in the past two years; and (4) the customer owns the premise, unless the customer is 0%-50% of the FPL, in which case ownership is not required.

over unspent LIURP funds to subsequent years to support H&S efforts; and (5) track and report on LIURP deferrals and rejections. *See* CAUSE-PA St. 1, pp. 33-36. Finally, the OCA recommended that PECO add a new incremental component to LIURP (with an annual incremental budget of $275,000) through which it will provide LIURP investments to confirmed low-income customers as part of the process of converting those customers to natural gas. *See* OCA St. 4, pp. 36-38. PECO explained that it would be tracking LIURP rejections and deferrals in accordance with the Commission's June 16, 2022 Order in the Company's Universal Service and Energy Conservation proceeding (Docket No. M-2018-3005795). *See* PECO St. 10-R, p. 8.

Under the Settlement, PECO will provide an additional $650,000 in annual LIURP funding, which will increase the total annual gas LIURP budget to $3.15 million. Any unused LIURP budget will roll over and be added to the budget for the following year. If the amount of a carry-over from one year to the next exceeds 10% of the total budget, PECO will file a letter at PECO's then-current Universal Service and Energy Conservation Program docket notifying the parties to this proceeding of the reason for the underspending and identifying the steps it will take to fully expend the remaining budget without impacting LIURP spending for the subsequent program year. *See* Joint Petition, ¶¶ 33-34.

The Company will also establish a three-year pilot program with an additional $100,000 annual budget ($300,000 total) to support H&S remediation for natural gas customers who are deferred for participation in LIURP due to H&S issues with their home. PECO will report annually to its USAC on pilot implementation as well as, more broadly, the number of LIURP jobs deferred due to H&S issues with the home or other extenuating circumstances, and the specific reason(s) for deferral. *See* Joint Petition, ¶¶ 33, 35.

Finally, within 12 months of a Commission Order approving this Settlement, PECO will establish a multifamily working group comprised of members from its USAC to review multifamily usage data for its low income customers, and will work in good faith with members of the multifamily working group to determine (1) if it is necessary to establish a LIURP pilot program designed to serve multifamily residents whose usage is comparatively high but does not meet PECO's high usage threshold and (2) how such pilot program would be funded. *See* Joint Petition, ¶ 36.

2. Matching Energy Assistance Fund ("MEAF") (Joint Petition, Paragraph 37)

PECO's existing MEAF is funded through voluntary donations that are matched up to $250,000 with shareholder funds. *See* PECO St. 10-R, p. 10. CAUSE-PA made several recommendations concerning MEAF, including that PECO: (1) track and report on MEAF applications and denials; (2) ensure there is a separate process for customers facing termination to be informed about and assisted with MEAF; (3) develop scripts and procedures to maximize enrollment in MEAF and other universal service programs; (4) increase the Company's annual MEAF contributions by an amount at least proportional to the residential rate increase; and (5) eliminate the requirement that hardship recipients receive zero balance and place remaining balance in a 60 month payment arrangement. CAUSE-PA St. 1, pp. 39-42. PECO explained that it would be tracking MEAF application and denials in accordance with the Commission's June 16, 2022 Order in the Company's Universal Service and Energy Conservation proceeding (Docket No. M-2018-3005795). *See* PECO St. 10-R, p. 10.

Under the Settlement, PECO agrees to contribute $300,000 of shareholder funds annually to its MEAF to provide grant assistance for its customers. At the end of each program year, PECO will allocate any funds for which it has not received a customer match – up to $300,000

annually – to the MEAF agencies in proportion to the number of low-income customers in each county within PECO's service territory. All MEAF contributions will be used by MEAF agencies for the sole purpose of providing MEAF assistance to PECO customers. *See* Joint Petition, ¶ 37.

3. Outcome Objectives (Joint Petition, Paragraphs 38-40)

The OCA recommended several universal service-related outcome objectives, including that PECO (1) achieve a confirmed low-income identification rate, as a percentage of estimated low-income customers, that is no less than the rate of the top two Pennsylvania natural gas utilities; (2) achieve a CAP participation rate, as a percentage of confirmed low-income customers, that is no less than the CAP participation rate of the top two Pennsylvania natural gas utilities; and (3) achieve a CAP default rate, as a percentage of participants in the lowest poverty level range, that is no less than the rate in that poverty level range of the top two Pennsylvania natural gas utilities. OCA St. 4, pp. 19-20. CAUSE-PA recommended that PECO develop targets to increase enrollment in CAP. CAUSE-PA St. 1, p. 27.

Under the Settlement, beginning in 2025, PECO will provide an annual report to its USAC that will include measurable outcome objectives/metrics aimed at (1) improving how confirmed low-income customers are identified (as a percentage of estimated low-income customers); and (2) increasing enrollment of confirmed low-income customers into CAP (by poverty level). These metrics will be measured against calendar year 2024 data as reported to the Commission's Bureau of Consumer Services. PECO will provide an opportunity for parties to respond to and discuss the Company's proposed outcome objectives in the last USAC meeting of 2024. *See* Joint Petition, ¶ 38.

In addition, PECO will convene at least two collaborative meetings, open to the parties in this proceeding and interested USAC members, to discuss possible avenues for reducing CAP defaults due to a failure to recertify. PECO will host at least one of the collaborative meetings within 12 months from the date rates are effective and another within 24 months from the date that rates are effective. Prior to each meeting, PECO will provide CAP failure to recertify default rates broken down by poverty level for the previous 12 months. Finally, PECO will consider the recommendations of the collaborative members in good faith as it considers any appropriate modifications to its CAP. *See* Joint Petition, ¶ 39.

4. Outreach (Joint Petition, Paragraphs 41-43)

CAUSE-PA recommended that PECO work with its USAC to better target universal service outreach to low-income customers and proposed broader CAP screening measures, including for new and moving customers. CAUSE-PA St. 1, pp. 24-27. The OCA recommended screening of gas-conversion customers to facilitate CAP enrollment. OCA St. 4, p. 36. PECO explained that it regularly engages with its USAC on outreach issues and already screens customers who call to discuss a past due balance, identify affordability concerns or inquire about universal service programs. PECO St. 10-R, pp. 3-5.

Under the Settlement, the Company has agreed to take additional steps to educate customers and facilitate universal service program enrollment. PECO's low-income programs brochure, which describes CAP and LIURP in both English and Spanish, will be provided at outreach events and upon request to customers, community partners, and other interested parties. It will also be provided to all new residential gas customers as part of the customer welcome packet and to gas-conversion customers. Within three months of a Commission Order approving

this Settlement, PECO will provide the draft brochure to its USAC members so the members can review and provide suggested edits. *See* Joint Petition, ¶¶ 42-43.

In addition, under the Settlement, PECO will continue its simplified application process for Low Income Home Energy Assistance Program recipients seeking to enroll in CAP and will report annually to its USAC about the number of gas customers who are able to enroll through this process. *See* Joint Petition, ¶ 41.

I. Tariff Changes (Joint Petition, Paragraph 44)

Section 1407 of the Public Utility Code allows utilities to impose reconnection fees after lawful termination of service based on the public utility's cost as approved by the Commission. PECO's existing Tariff Rule 17.6 establishes reconnection fees for terminations associated with non-payment and fees for investigation and remediation of theft. In this case, PECO proposed to separate these two fees into distinct tariff rules, with the new Rule 17.7 imposing a $400 theft investigation fee consistent with Rule 18.8 of PECO's Electric Service Tariff. No party disagreed with PECO's proposed new rule 17.7. However, OCA witness Roger D. Colton proposed a revision to the existing rule to strike the following language: "In the case of fraud, the reconnection charge will also include allocated overheads, all investigative costs and administrative costs as determined by the Company." OCA St. 4, p. 53. In rebuttal testimony, PECO accepted Mr. Colton's proposed revision and proposed to remove the last column of the table in Rule 17.6 titled "Reconnect Fees for Theft/Fraud" to clarify that Rule 17.6 will establish reconnection fees solely for terminations associated with non-payment. *See* PECO St. 8-R, pp. 2-3.

Under the Settlement, the Joint Petitioners agreed to the revisions to existing Rule 17.6 proposed by the Company in PECO witness Benjamin S. Yin's rebuttal testimony, which are

incorporated in the proposed tariff provided as Appendix A. Paragraph 44 also acknowledges that the changes originally proposed by the Company in PECO Exhibit JAB-2, including the theft investigation fee, have been reflected in Appendix A.

J. Effective Date (Joint Petition, Paragraph 17)

The increase in revenues negotiated by the Joint Petitioners reflects their agreement that the Settlement Rates should become effective as of January 1, 2023. Upon the entry of a Commission Order approving this Joint Petition, the Company will be permitted to file a tariff for gas service, in the form provided in Appendix A, to become effective on January 1, 2023.

III. SUMMARY: THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Settlement, both in its specific terms and viewed holistically, is reasonable, supported by record evidence, and in the public interest for, among others, the following principal reasons:

- The revenue requirement provisions provide for Settlement Rates that are within the "constitutional range of reasonableness"[27] and are consistent with the legal standards articulated in the *Bluefield*, *Hope*, and *Duquesne Light* decisions, as interpreted and applied by the Pennsylvania Supreme Court in *Pennsylvania Gas & Water*. The Settlement Rates reflect a careful balance of the interests of customers with those of the Company and its investors. As such, the Settlement Rates protect customers from paying excessive rates while allowing the Company and its investors a reasonable opportunity to earn a fair return on their investment in property devoted to public service and to obtain additional capital needed to meet the Company's service obligations. *See* Section II.A., *supra*.

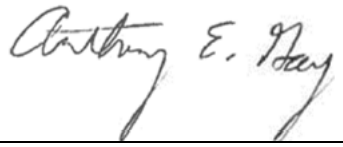
[27] *See Duquesne Light*, *supra*.

- The rate structure and rate design provisions of the Settlement resolve a number of contentious issues in a manner that is acceptable to parties representing every major customer class and service classification. While the parties could not agree to a single, specific cost of service methodology, they are in general agreement that the Settlement Rates provide for reasonable progress in moving all major customer classes closer to their cost of service consistent with the Commission-approved principle of gradualism. *See* Section II.C., *supra*.
- The Settlement reasonably resolves various contested issues, including those pertaining to low-income customer issues and gas safety in a manner that is fair to the various stakeholders involved. *See* Sections II.D. – J., *supra*.
- In reaching this Settlement, the Joint Petitioners thoroughly considered all issues, including those raised in the testimony and evidence presented by the parties to this proceeding and during public input hearings. As a result of that consideration, the Joint Petitioners believe that the Settlement meaningfully addresses all such issues and, therefore, should be approved without modification.
- All of the foregoing benefits are achieved while also conserving the time, resources and money that would otherwise have to be expended if this case were to be fully litigated. Customers are direct beneficiaries of these savings.

IV. CONCLUSION

For the reasons set forth above and in the Joint Petition, PECO submits that the Settlement is a fair and reasonable compromise that is fully supported by the record evidence. Accordingly, the Company respectfully requests that the Administrative Law Judge and the Commission (1) approve the Settlement without modification; (2) find that the Settlement Rates are just and reasonable; and (3) grant the Company permission to file the tariff attached to the Joint Petition as Appendix A to become effective for service rendered on and after January 1, 2023.

Respectfully submitted,



Anthony E. Gay (Pa. No. 74624)
Jack R. Garfinkle (Pa. No. 81892)
Brandon J. Pierce (Pa. No. 307665)
Caroline S. Choi (Pa. No. 320554)
PECO Energy Company
2301 Market Street, S23-1
Philadelphia, PA 19103-8699
215.841.4608 (bus)
215.568.3389 (fax)
anthony.gay@exeloncorp.com
jack.garfinkle@exeloncorp.com
brandon.pierce@exeloncorp.com
caroline.choi@exeloncorp.com

Kenneth M. Kulak (Pa. No. 75509)
Catherine G. Vasudevan (Pa. No. 210254)
Brooke E. McGlinn (Pa. No. 204918)
Mark A. Lazaroff (Pa. No. 315407)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5384 (bus)
215.963.5001 (fax)
ken.kulak@morganlewis.com
catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com
mark.lazaroff@morganlewis.com

Dated: September 19, 2022

Counsel for PECO Energy Company

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Statement B

Statement in Support of Joint Petition for Settlement of the Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission Office of Consumer Advocate Office of Small Business Advocate	: : : :	
v.	:	Docket No. R-2022-3031113
	:	
PECO Energy Company – Gas Division Base Rates	: :	

BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT

TO: ADMINISTRATIVE LAW JUDGE F. JOESEPH BRADY:

I. INTRODUCTION

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Approval of Settlement of All Issues ("Joint Petition" or "Settlement") are in the public interest and represent a fair, just, and reasonable balance of the interests of PECO Energy Company – Gas Division ("PECO Gas" or "PECO" or the "Company"), 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"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), *pro se* formal complainant Bryon L. Goldstein, West Norriton Township,

and *pro se* formal complainant Hubert Matthews (parties in the above-captioned proceeding and hereinafter collectively referred to as "Joint Petitioners" or the "Parties"), as well as the PECO Gas ratepayers.

II. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served. Based upon I&E's analysis of the PECO Gas base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judge and the Commission approve the Settlement in its entirety.

2. On March 31, 2022, PECO Gas filed Tariff Gas – Pa. P.U.C. No. 5 ("Tariff No. 5") to become effective May 30, 2022. PECO is proposing an annual increase of approximately $81.2 million (9.1%) in additional distribution revenue.

To summarize PECO Gas' stated reasons for the requested base rate increase, it stated that it last filed for an increase in gas base rates in September 2020. Since rates were established in that case, PECO asserts that it has continued to make substantial investments in new and replacement gas utility plant to ensure that customers can continue to receive the safe and reliable service they have come to expect. Further, PECO argued, that it projects that it will need to invest approximately $1.8 billion in new and replacement gas utility plant between January 2022 and December 2026. Additionally, PECO argued, since its last gas base rate case, it has carefully managed its

operation and maintenance expenses, including taking concrete steps that reduced its bad debt expense, pension costs and other post-employment benefit costs.

3. On April 4, 2022, the OCA filed its formal Complaint, Notice of Appearance and Public Statement. The OCA Complaint was docketed at C-2022-3031737.

4. Also on April 4, 2022, I&E filed its Notice of Appearance.

5. On April 8, 2022, the OSBA filed its formal Complaint, Public Statement and Notice of Appearance. The OSBA Complaint was docketed at C-2022-3031858.

6. On April 13, 2022, CAUSE-PA filed its Petition to Intervene.

7. On April 14, 2022, pursuant to 66 Pa. C.S. § 1308(d), the Commission ordered suspension of the proposed tariff changes until December 30, 2022, unless permitted by Commission Order to become effective at an earlier date. Through its order, the Commission assigned this case to the Office of Administrative Law Judge for scheduling of hearings as necessary for issuance of a recommended decision.

8. On April 18, 2022, Byron L. Goldstein filed a *pro se* formal Complaint. The Complaint was docketed at C-2022-3032005.

9. On April 25, 2022, PAIEUG filed a formal Complaint. The Complaint was docketed at C-2022-3032107.

10. A telephonic Prehearing Conference was held on April 27, 2022 at 10:00 a.m. before Administrative Law Judge F. Joseph Brady ("ALJ Brady" or the "ALJ") during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

11. On June 1, 2022, telephonic public input hearings were held at 1:00 p.m. and 6:00 p.m.

12. On June 24, 2022, West Norriton Township filed a formal Complaint. The Complaint was docketed at C-2022-3033273.

13. On July 13, 2022, Hubert Matthews filed a *pro se* formal Complaint. The Complaint was docketed at C-2022-3033921.

14. All parties undertook comprehensive discovery in this proceeding after the filing was made and continued to conduct discovery throughout the litigation and settlement negotiation process.

15. The evidentiary hearing was held as scheduled on August 12, 2022. During the hearing, PECO presented oral rejoinder testimony, and also made its witnesses available for cross examination. All other party witnesses were excused from appearing at the hearing since all parties agreed to mutual waivers of cross examination and it was agreed that testimony and exhibits would be submitted into the record by joint stipulation and verification.

16. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following nine (9) pieces of testimony and accompanying seven (7) exhibits from four (4) I&E witnesses:

- I&E Statement No. 1 (PROPRIETARY and Non-Proprietary) and I&E Exhibit No. 1 (PROPRIETARY and Non-Proprietary) – the Direct Testimony of I&E witness Brian LaTorre;
- I&E Statement No. 1-R and I&E Exhibit No. 1-R – the Rebuttal Testimony of I&E witness Brian LaTorre;

- I&E Statement No. 1-SR and I&E Exhibit No. 1-SR – the Surrebuttal Testimony of I&E witness Brian LaTorre;
- I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony of I&E witness Anthony Spadaccio;
- I&E Statement No. 2-SR – the Surrebuttal Testimony of I&E witness Anthony Spadaccio;
- I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony of I&E witness Esyan A. Sakaya;
- I&E Statement No. 3-SR and I&E Exhibit No. 3-SR – the Surrebuttal Testimony of I&E witness Esyan A. Sakaya;
- I&E Statement No. 4 (PROPRIETARY and Non-Proprietary) and I&E Exhibit No. 4 (PROPRIETARY and Non-Proprietary); and
- I&E Statement No. 4-SR (PROPRIETARY and Non-Proprietary).

17. In accordance with Commission policy encouraging settlements at 52 Pa. Code § 5.231 and § 69.401 as they often achieve results preferable to a fully litigated proceeding, I&E participated in multiple settlement discussions with PECO Gas and the Parties to this proceeding. Following extensive settlement negotiations, the Joint Petitioners reached a full settlement of all issues as set forth in the Joint Petition.

III. SETTLEMENT

18. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

19. "The prime determinant in the consideration of a proposed Settlement is

whether the settlement is in the public interest."[1] The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[2]

20. Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues with results that are often preferable to those achieved at the conclusion of a fully-litigated proceeding; and, provide a final resolution of adversarial proceedings which, in the Commission's judgement, is preferable.[3] The very nature of a settlement requires a review and discussion of all issues raised by the parties' and a negotiated compromise on the part of all parties.

21. I&E submits that this Settlement balances the interests of the Company, its customers, and the Joint Petitioners in a fair and equitable manner and presents a resolution for the Commission's adoption that best serves the public interest. Furthermore, the negotiated Settlement demonstrates that compromises are evident throughout the Joint Petition. Accordingly, for the specific reasons articulated below to achieve the full scope of benefits addressed in the Settlement; I&E requests that the Settlement be recommended by ALJ Brady, and approved by the Commission, without modification.

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1 *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).
2 *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).
3 *See generally* 52 Pa. Code § 5.231 and § 69.401.

A. General (Joint Petition ¶¶ 45-46).

The Joint Petitioners agree that the terms of this Settlement reflect a carefully balanced "black box" compromise of the interests of all the active Parties in this proceeding. The Joint Petitioners also agree that PECO's March 31, 2022 distribution base rate increase filing should be approved, including those tariff changes included in and specifically identified in Joint Petition Appendix A, subject to the terms and conditions of the Settlement set forth in the Joint Petition.

B. Revenue Requirement (Joint Petition ¶¶ 14-16).

In the Settlement, the Joint Petitioners agreed to settlement terms regarding the overall base rate revenue increase. The settlement as to revenue requirement shall be a "black box" settlement, except for the items specifically set forth in the Joint Petition. Specifically, the settlement terms regarding revenue requirement are as follows:

1. ***Annual Distribution Revenue Increase (Joint Petition ¶ 14).*** PECO will be permitted to charge, effective for service rendered on and after January 1, 2023, the Settlement Rates set forth in Appendix A attached to the Joint Petition. The Settlement Rates are designed to produce an annual increase in gas distribution revenues of $54.8 million, in addition to the Distribution System Improvement Charge ("DSIC") revenue of approximately $7 million that will be added into base distribution rates and the DSIC rate will be reset to zero.

2. ***State Income Tax (Joint Petition ¶ 15).*** The Joint Petitioners agree that the Settlement Rates reflect a 2023 statutory state income tax rate of 8.99% and a nine-year amortization of the Accumulated Deferred Income Tax regulatory liability

balance based on the difference between the current 9.99% state income tax rate and the expected 4.99% state income tax rate in 2031. The Company will reflect the incremental impact of subsequent decreases to the state income tax rate for the post-2023 tax years through the Company's existing State Tax Adjustment Clause.

3. ***COVID-19 Incremental Expenses (Joint Petition ¶ 16).*** PECO agrees not to seek rate recovery of COVID-19 related incremental expenses incurred during the calendar years of 2020 and 2021 in a future gas base rate case.

I&E engaged in extensive discovery and submitted extensive testimony regarding PECO's proposed overall base rate revenue increase. In its direct testimony, I&E discussed significant operating and maintenance expense adjustments;[4] and, cost of common equity and overall rate of return adjustments[5] regarding PECO's base rate filing that had the potential to have significant impacts to the proposed overall annual distribution revenue increase.

I&E now submits that it fully supports the negotiated level of overall base rate revenue increase as compared to PECO's original request. While the overall revenue requirement is a "black box" compromise, the overall revenue levels are within the levels advanced on the evidentiary record and reflect a full compromise of all revenue-related issues raised by the Parties. And, as a "black box" settlement, unless specifically addressed below, the Settlement does not reflect agreement upon individual issues. Therefore, in consideration of the extensive testimony presented by all of the Parties to

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[4] *See* I&E St. No. 1 PROPRIETARY, pp. 3-4.
[5] *See* I&E St. No. 2, pp. 2-57.

this proceeding, I&E fully supports the negotiated level of overall base rate revenue increase as a full and fair compromise that provides PECO, the Joint Petitioners, affected ratepayers, and the Commission with resolution of these issues, all of which is in the public interest.

C. Stay Out (Joint Petition ¶ 17).

PECO and the Joint Petitioners agree that PECO will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its gas operations prior to March 15, 2024.

I&E did not present testimony regarding a stay out. The OCA and CAUSE-PA proferred the stay out provision as part of the settlement and the Company accepted the stay out provision as part of the overall settlement agreement in conjunction with compromises made by the Parties on other issues. While I&E was not one of the parties that proferred the stay out provision, I&E shares the concerns of the interested Joint Petitioners. Therefore, I&E does not oppose the agreement entered into by PECO and the Joint Petitioners as in the public interest.

D. Revenue Allocation/Rate Design (Joint Petition ¶¶ 18-23).

The Settlement Rates reflect the allocation of the annual net increase in gas distribution revenue to each rate class agreed to by the Joint Petitioners, as set forth in paragraph 18 of the Joint Petition at Table 1 ("Table 1").

Further, the Settlement Rates reflect the agreement among the Joint Petitioners with respect to PECO's monthly Fixed Distribution Service (Customer) Charges for

Rates GR and GC, as follows:

Rate GR	$14.25 per month
Rate GC	$29.86 per month

For Rates GR and GC, the Variable Distribution Charges shall be scaled back to produce the class revenues shown in Table 1. For all other rate classes, the Fixed Distribution Service Charges under the Settlement Rates were not adjusted, and the Variable Distribution Charges shall be scaled back to produce the class revenues shown in Table 1.

Additionally, the Settlement Rates reflect the agreement among the Joint Petitioners to the following declining block Variable Distribution Charges for Rate GC:

First 200 thousand cubic feet (mcf)	$4.4248
Over 200 mcf	$3.5201

For its next gas base rate filing, the Company agrees to present a cost analysis and rate design proposal for Rate GC that evaluates (a) the potential for differentiated customer charges and (b) the cost basis for any declining block commodity charge differentials proposed in the Company's next gas base rate case.

For its next gas base rate filing, the Company agrees to present a cost analysis of the relative cost to serve customers above and below 18 mmcf/year in the TS-F and TS-I rate classes. At a minimum, the Company will undertake the load factor analysis referenced at PECO Statement No. 7-R, page 20.

In its next gas base rate case filing, PECO will provide one cost-of-service study and also provide a good-faith calculation of the costs (both directly assigned and

allocated) to serve negotiated rate customers, which may be produced under an applicable protective order.

I&E submitted extensive testimony regarding cost of service, relative rate of return, revenue allocation, rate design and scale back of rates.[6] I&E recommended that the residential customer charge be included in the scale back of rates if the Commission grants less than the full requested increase.[7]

Therefore, after extensive negotiations among the Joint Petitioners and in consideration of all of the testimony presented, I&E supports the revenue allocation, rate design and cost of service settlement terms as set forth in the Joint Petition at paragraphs 18 to 23 as a full and fair compromise that provides PECO, the Joint Petitioners, affected ratepayers, and the Commission with regulatory certainty and resolution of the revenue allocation, rate design and cost of service issues, all of which is in the public interest.

E. Fully Projected Future Test Year Reports (Joint Petition ¶ 24).

In the Settlement, the Joint Petitioners agree PECO will provide the Commission's Bureau of Technical Utility Services, I&E, the OCA, and the OSBA with an update to PECO Exhibit MJT-2, Sch. C-2, no later than April 1, 2023, which will include actual capital expenditures, plant additions, and retirements by month from January 1, 2022 through December 31, 2022. Then, no later than April 1, 2024, another update of PECO Exhibit MJT-1, Sch. C-2 will be submitted showing actuals from January 1, 2023 through December 31, 2023. In PECO's next base rate proceeding, the Company will prepare a

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[6] I&E St. No. 3, pp. 4-17; I&E Exh. No. 3, Schs. 2, 3; I&E St. No. 3-SR, pp. 5-27.
[7] *Id.*, pp. 14-15. *See also* I&E Exh. 3, Schs. 2, 3; I&E St. No. 3-SR, pp. 5-27.

comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2023 to its projections in this case.

I&E submitted testimony regarding test year plant-in-service.[8] Specifically, I&E recommended that the Company provide the Commission's Bureau of Investigation and Enforcement and the Office of Consumer Advocate with an update to PECO Gas Exhibits CF-2 no later than April 30 2023, which should include actual capital expenditures, plant additions, and retirements by month from January 1, 2022 through December 31, 2022.[9] I&E also recommend that these same parties be provided with an update to CF-3 showing actual capital expenditures, plant additions, and retirements by month from January 1, 2023, through December 31, 2023 no later than April 30, 2024.[10]

Usage of the FPFTY has become common practice by Pennsylvania utilities, including PECO, and the Company agreed to provide such projections as part of its previous base rate case in which it made use of the FPFTY.[11]

Therefore, in consideration of the testimony presented by I&E and negotiations with the Company and the Joint Petitioners, I&E supports this settled upon term regarding the test year plant reporting obligation as a full and fair compromise that provides PECO, the Joint Petitioners, affected ratepayers, and the Commission with resolution of test year plant reporting, all of which is in the public interest.

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8 I&E St. No. 3, pp. 2-4.
9 *Id.*
10 *Id.*
11 PECO ST. No. 3-R, p. 9.

F. Distribution System Improvement Charge (Joint Petition ¶¶ 25-27)

1. ***DSIC Implementation (Joint Petition ¶ 25).*** In the Settlement, the Joint Petitioners agree that PECO will not implement a DSIC during the calendar year ending December 31, 2023 (except to implement any reconciliation of DSIC amounts in accordance with the Supplemental Implementation Order referenced below in paragraph E.2.). The first DSIC in 2024 will be effective no earlier than March 31, 2024, based on DSIC-eligible expenditures during the period from January 1, 2024 to February 29, 2024. In any event, the Company will not begin to impose a DSIC until the total aggregate gross plant costs (before retirement, depreciation or amortization in 2022 and 2023) associated with the eligible property that has been placed in service exceed the following total aggregate plant costs claimed by the Company in the FPFTY: $4,043,796,000, shown in detail in Joint Petition Appendix C.

2. ***Supplemental Implementation Order (Joint Petition ¶ 26).*** In compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, the amount of $4,043,796,000 shown in Joint Petition Appendix C constitutes the baseline of gross plant balances to be achieved in order to restart charges under the Company's DSIC. This provision relates solely to the calculation of the DSIC during the time that the Settlement Rates are in effect and is not determinative for future ratemaking purposes of the projected plant additions to be included in rate base in a fully projected future test year filing.

3. ***DSIC Return on Equity (Joint Petition ¶ 27).*** For purposes of calculating its DSIC, PECO shall use the equity return rate for gas utilities contained in

the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

Regarding the DSIC issues addressed above, I&E did not submit testimony regarding PECO's distribution system improvement charge implementation or the Supplemental Implementation Order. I&E recognizes that 66 Pa. C.S. § 1350 *et seq.* provides the pertinent Commission statutory authority regarding the DSIC and the rate base treatment of DSIC eligible plant additions. Further, I&E shares the concerns of the interested Joint Petitioners. Additionally, I&E played an active role in the settlement negotiations regarding these DSIC issues and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E does not oppose these settlement term as a full and fair compromise that provides PECO, the Joint Petitioners and the Commission with regulatory certainty and resolution of these issues, which is in the public interest.

G. Gas Safety (Joint Petition ¶¶ 28-30)

1. *Gas Mapping Program (Joint Petition ¶ 28).* In the Settlement, PECO agrees to accelerate its gas mapping program from its original 20-year commitment[12] to a 15-year commitment, to be completed by December 31, 2032.

[12] *See Pa. P.U.C. v. PECO Energy Co.*, Docket No. C-2015-2479970 (Opinion and Order entered Oct. 27, 2016), p. 5.

2. DIMP (Joint Petition ¶¶ 29-30). In the Settlement, PECO agrees it will continue its comprehensive analysis of its DIMP threat rankings and will commit to creating additional threat categories. PECO will communicate its findings and resulting changes to the Commission's Gas Safety Division. Further, PECO will host a collaborative to update I&E Safety on or before March 1, 2023 regarding the creation of new threat categories into PECO's DIMP prior to the anticipated 2023 Commission's DIMP Audit in the Spring of 2023.

I&E submitted extensive testimony raising issues regarding PECO's mapping plan and its DIMP threat analysis.[13] I&E and PECO entered into good faith negotiations and I&E commends PECO with regard to the safety related settlement terms that were agreed to by PECO. Therefore, in consideration of the testimony presented by I&E and PECO and the settlement negotiations, I&E supports these settled upon terms as a full and fair compromise that provides PECO, the Joint Petitioners, ratepayers, and the Commission with a resolution which is in the public interest.

H. Customer Programs (Joint Petition ¶¶ 31-32).

1. *Gas Energy Efficiency and Conservation Program (Joint Petition ¶ 31).* PECO will maintain the original $2.008 million budget for Residential rebates under PECO's Gas EE&C Program along with the two originally proposed additional rebates. The Company agrees to perform an analysis of Residential and Small Commercial natural gas EE&C measures in 2023. The analysis will include items such

[13] *See* I&E St. No. 4 PROPRIETARY, pp. 2-19; I&E St. No. 4-SR PROPRIETARY, pp 2-4.

as cost effectiveness, projected impact, adoption estimates, costs of incentives, and savings to ensure that PECO promotes reasonable measures to reduce natural gas use among residential and small commercial customers. PECO will also retain the ability to add measures and adjust incentive levels and energy efficiency requirements.

2. *Safe and Efficient Heating Program (Joint Petition ¶ 32).* PECO agrees to withdraw its request to change its existing SEHP budget in this proceeding.

I&E submitted testimony regarding both the energy efficiency and conservation program and the safe and efficient heating program ultimately recommending a significant reduction to the safe heating program.[14] Therefore, in consideration of the testimony presented by I&E and negotiations with the Company and the Joint Petitioners, I&E supports the settled upon term regarding PECO's customer programs as a full and fair compromise that provides PECO, the Joint Petitioners, affected ratepayers, and the Commission with resolution of the customer programs issues, all of which provides regulatory certainty and is in the public interest.

I. Universal Service Programs (Joint Petition ¶¶ 31-43).

1. *Low Income Usage Reduction Program (Joint Petition ¶¶ 33-36).* PECO will provide an additional $650,000 in annual LIURP funding, which will increase program costs from the as-filed budget of $2.5 million to $3.15 million. In addition to this overall LIURP budget increase, PECO will also establish a three-year pilot program with an additional $100,000 annual budget ($300,000 total) to support health and safety

[14] *See* I&E St. No. 1 PROPRIETARY, pp. 18-26; I&E St. No. 1 PROPRIETARY, pp. 13-16.

remediation for natural gas customers who are deferred for participation in LIURP due to health and safety issues with their home. PECO will share relevant pilot data on an annual basis with its Universal Service Advisory Committee ("USAC") regarding participation rates, spending levels, and the extent to which participants were able to receive full LIURP services after receiving health and safety remediation through the pilot.

2. ***Matching Energy Assistance Program (Joint Petition ¶ 37).*** PECO agrees to contribute $300,000 of shareholder funds annually to its MEAF program to provide grant assistance for its customers. At the end of each program year, PECO will allocate any funds for which it has not received a customer match – up to $300,000 annually – to the MEAF agencies (in proportion to the number of low-income customers in each county within PECO's service territory) to support the distribution of additional MEAF grant assistance. All MEAF contributions will be used by MEAF agencies for the sole purpose of providing MEAF assistance to PECO customers. These provisions do not preclude an order or agreement in another case or context for additional MEAF funding.

3. ***Outcome Objectives (Joint Petition ¶¶ 38-40).*** Beginning in 2025, PECO will provide an annual report to its USAC that will include measurable outcome objectives/metrics aimed at: (1) improving how confirmed low-income customers are identified (as a percentage of estimated low-income customers); and (2) increasing enrollment of confirmed low-income customers into the Company's Customer Assistance Program ("CAP") (by Poverty Level). These metrics will be measured against calendar year 2024 data as reported to the Commission's Bureau of Consumer Services. PECO

will provide an opportunity for parties to respond to and discuss its proposed outcome objectives in the last USAC meeting of 2024.

4. ***Outreach (Joint Petition ¶¶ 41-43).*** PECO's Gas Division will continue its simplified application process for Low-Income Home Energy Assistance Program recipients seeking to enroll in CAP. PECO will report annually to its USAC about the number of gas customers who are able to enroll through this process.

I&E did not submit testimony regarding PECO's low-income usage reduction program; matching energy assistance program; outcome objectives; or outreach program. Nevertheless, I&E shares the concerns of the interested Joint Petitioners.[15] Further, I&E played an active role in the settlement negotiations regarding these programs and monitored the proposals and counter proposals offered by the parties throughout this proceeding. Therefore, I&E does not oppose these settlement term as a full and fair compromise that provides PECO, the Joint Petitioners and the Commission with regulatory certainty and resolution of the low-income program issues, which is in the public interest.

J. Tariff Changes (Joint Petition ¶ 44).

In the Settlement, the Joint Petitioners agree, as shown on Joint Petition Appendix A, the Company will remove the following language: "In the case of fraud, the reconnection charge will also include allocated overheads, all investigative costs and administrative costs as determined by the Company" and the column "Reconnect Fees"

[15] *See* OCA St. 4, pp. 3-45.

with $370.00 from existing Rule 17.6. The Joint Petitioners agree to the Company's other originally proposed tariff changes set forth in PECO Exhibit JAB-2.

I&E did not submit testimony regarding PECO's tariff language changes. Nevertheless, I&E shares the concerns of the interested Joint Petitioners. Further, I&E played an active role in the settlement negotiations regarding this issue and monitored the proposals and counter proposals offered by the parties regarding this issue throughout this proceeding. Therefore, I&E does not oppose these settlement term as a full and fair compromise that provides PECO, the Joint Petitioners and the Commission with regulatory certainty and resolution of the Tariff language issue, which is in the public interest.

IV. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

22. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

23. I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

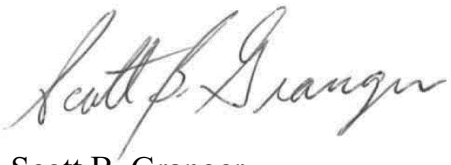
24. The Settlement is conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company, I&E, or any other Joint Petitioner.

25. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlement.

26. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement or any additional matters that may be proposed by the ALJ in his Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge F. Joseph Brady recommends, and the Commission approves, the terms and conditions contained in the Joint Petition for Settlement without modification.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 787-4887

Dated: September 19, 2022

Statement C

Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
PECO ENERGY COMPANY – GAS DIVISION	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR
SETTLEMENT OF RATE INVESTIGATION

Date: September 19, 2022

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TO ADMINISTRATIVE LAW JUDGE F. JOSEPH BRADY:

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Rate Investigation (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below.

I. BACKGROUND

PECO Energy Company – Gas Division (PECO or the Company) furnishes natural gas to approximately 543,000 residential, commercial and industrial customers in several counties throughout southeastern Pennsylvania. On March 31, 2022, PECO filed Tariff Gas – PA. P.U.C. No. 5 (Tariff No. 5). Through Tariff No. 5, the Company sought Commission approval to increase rates to produce additional annual operating revenues of approximately $82.1 million, or an increase of 9.1% over current revenues. More specifically, the Company sought to allocate $63.9 million, or approximately 78% of the proposed $82.1 million increase, to the residential customer class. The Company also sought to increase the average residential monthly customer charge by $4.87, from $13.63 to $18.50, or by 36%. Under the Company's as-filed position, the total average monthly bill of a residential customer using 80 Cubic Feet (Ccf) per month would have increased from $95.31 to $107.70 per month, or by 13.0%.

On April 4, 2022, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance, and a Notice of Appearance was also filed on behalf of the Bureau of Investigation and Enforcement (I&E). On April 8, 2022, a Formal Complaint, Public Statement, and Notice of Appearance was filed on behalf of the Office of Small Business Advocate (OSBA). On April 13, 2022, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania

(CAUSE-PA) filed a Petition to Intervene and Answer to the Company's proposed rate increase. On April 25, 2022, the Philadelphia Area Industrial Energy Users Group (PAIEUG) filed a Complaint in this proceeding. Additionally, one PECO Gas customer has filed a Complaint in this matter.

On April 14, 2022, the Commission issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, and suspended the effective date of Tariff No. 5 until December 30, 2022, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judge F. Joseph Brady (ALJ Brady). A Prehearing Conference was scheduled for Wednesday, April 27, 2022.

In accord with the procedural schedule established for this matter, on June 22, 2022, after completing its investigation of the Company's claims, written testimony, and discovery responses, the OCA submitted the Direct Testimonies of Dante Mugrace[1]: OCA Statement 1, David J. Garrett[2]: OCA Statement 2, Karl R. Pavlovic[3]: OCA Statement 3, and Roger D. Colton[4]: OCA

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[1] Mr. Mugrace is a Senior Consultant with Economic and Management Consulting Firm of PCMG and Associates, LLC, (PCMG), focusing on the analysis of public utility operations, with particular emphasis on rate regulation. He has reviewed and analyzed utility rate filings, focusing primarily on revenue requirements, accounting, regulatory policy and cost recovery mechanisms throughout the country. OCA St. 1 at 1-2. Mr. Mugrace's complete qualifications are listed in OCA Statement 1, Appendix A.

[2] Mr. Garrett is the President of Resolve Utility Consulting., a consulting firm specializing in public utility regulation and litigation. Mr. Garrett is a licensed attorney and a certified public accountant, primarily working as a consultant in public utility regulation. Mr. Garrett's complete qualifications are listed in OCA Statement 2.

[3] Dr. Pavlovic is Managing Director of and a Senior Consultant with PCMG. PCMG is an association of experts in economics, accounting, finance, and utility regulation and policy, with over 75 years of collective experience providing assistance to counsel and expert testimony regarding the regulation of electric, gas, water, and wastewater utilities. Dr. Pavlovic has performed analyses and submitted testimony regarding electric, gas and water utility operations, cost of service, rate design, and matters of regulatory policy for over 35 years. Exhibit KRP-1 contains a complete list of Dr. Pavlovic's engagements as an expert and/or expert witness in matters before state and federal regulatory agencies.

[4] Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state

Statement 4. On July 21, 2022, the OCA submitted the Rebuttal Testimonies of David J. Garrett: OCA Statement 2R, and Roger D. Colton: OCA Statement 4R. Additionally, on August 4, 2022, the OCA submitted the Surrebuttal Testimonies of Dante Mugrace: OCA Statement 1SR, David J. Garrett: OCA Statement 2SR, Karl R. Pavlovic: OCA Statement 3SR, and Roger D. Colton: OCA Statement 4SR.

Throughout the course of the case, the parties met frequently in an effort to reach a settlement in principle on the issues raised in this proceeding. An evidentiary hearing was held on August 12, 2022, during which the parties each entered their respective testimony and exhibits into the record of this proceeding. Following the hearing, and because of the ongoing settlement negotiations, the Joint Petitioners reached a comprehensive agreement on all issues and notified the Presiding Officer on August 31, 2022.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues raised by the OCA. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

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and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 4, Appendices.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of PECO's ratepayers and should be approved by the Commission without modification.

II. TERMS AND CONDITIONS OF SETTLEMENT

A. Revenue Requirement

1. Operating Revenue Increase

In its filing, the Company proposed to increase its total operating revenues by approximately $82.1 million, or an increase of 9.1%. OCA St. 1SR at 6. PECO's rate increase was designed to provide a 10.95% return on equity with a 53.41% common equity ratio.

The OCA's direct case recommended an increase of $6.2 million, based on adjustments to rate base and O&M expenses to conform with the fully projected future test year concept and other ratemaking principles. OCA St. 1, Sch. DM-1. The OCA position also reflected an 8.75% cost of equity, a 50% equity and 50% debt capital structure, and overall rate of return of 6.48% as recommended by OCA witness Garrett. OCA St. 1, Sch. DM-2. Mr. Garrett determined that the Company's cost of capital request was overstated and not soundly supported.

The OCA's position after all testimony was exchanged recommended that the Company's proposed operating revenues should be increased by approximately $13.39 million. OCA St. 1SR at 12. OCA witness Mugrace accepted the Company's clarification relevant to his proposed rate base adjustment for certain projects. Mr. Mugrace otherwise supported the need for his other recommended ratemaking adjustments such as for salaries and wages, with minor changes. The Settlement permits the Company a total annual revenue increase of $54.8 million. Settlement ¶ 14.

While the final revenue requirement deviates significantly from the OCA's litigation position, other parties in this proceeding arrived at a revenue requirement that was higher than that

of the OCA, and, thus, the OCA weighed the risk associated with litigation and the likelihood of an allowed increase against the settlement as a whole. When including the other provisions that are beneficial to consumers as outlined later in this statement, and the agreement by PECO for a stay out until at least mid-March 2024, the OCA decided to join the Settlement. After consideration of the aforementioned factors, the OCA believes this is a fair compromise in light of the other provisions and protections provided to customers by this Settlement.

The OCA also notes that the Settlement represents a "black box" approach to the revenue requirement, except for certain specified accounting provisions. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments (the very adjustments that cause uncertainty about the outcome of the proceeding if fully litigated) and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for every single issue or adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

2. COVID-19-Related Costs

The Settlement provides that the Company will not seek recovery of COVID-19 related incremental expenses incurred during the calendar years of 2021 and 2022. Settlement ¶ 16.

The OCA did not submit testimony on this issue; however, this Settlement term provides certainty on the issue of recovery of COVID-19 incremental costs and benefits ratepayers.

3. CNIT/ADIT

During the case, a change in Pennsylvania tax law set forth a schedule for reductions to the Pennsylvania Corporate Net Income Tax (CNIT). OCA St. 1SR at 24-25. The Settlement reflects the new, lower CNIT rate of 8.99% for the 2023 tax year, which is the FPFTY for this case. Settlement ¶ 15. Additionally, the Settlement revenue requirement accounts for the impact of the decrease in the CNIT in the FPFTY on the Company's state Accumulated Deferred Income Tax (ADIT) and recognizes the creation of a regulatory liability, to be amortized over 9 years until the end of 2031. *Id*. Future decreases in the CNIT rate for the post-2023 tax years will be addressed through the Company's State Tax Adjustment Surcharge Clause. The Settlement reserves the rights of the parties to address any intervening change in state law governing the CNIT rates which occur between now and the Company's next base rate case.

In testimony, the OCA reviewed and accepted the Company's accounting for the 2023 tax year change in the CNIT rate and the corresponding adjustment to the ADIT and proposed regulatory liability. OCA St. 1SR at 24-25. This Settlement provision provides clarity as to the impact of this change in state tax rates on the Company's revenue requirement and ADIT adjustments, during the time the settlement rates will be in effect.

B. Gas Base Rate Stay Out

Under the Settlement, PECO agrees that it will not file for another general rate increase under Section 1308(d) prior to March 15, 2024. Settlement ¶ 37. The base rate filing stay out provision ensures that PECO will keep its base rates at the levels proposed in the Settlement for almost two years, or until late December 2024, assuming the Company files for a general rate increase as soon as the stay-out provision ends. As stated earlier, the stay-out is an important provision for customers as it provides for a consistency in the new rates for a longer period before

the possibility of another base rate increase. The stay-out provision will protect customers from further increased rates until at least late December 2024 and, therefore, is in the public interest and should be approved by the Commission.

C. Revenue Allocation and Rate Design

1. Revenue Allocation

In its filing, PECO proposed to allocate approximately 78% of its requested $82.1 million revenue increase to the residential customer class, or rate class GR. OCA St. 3 at 7. The OCA opposed PECO's allocation proposal, arguing that the proposed movement toward cost-based rates for the residential class was neither fair nor reasonable. *Id*. In Direct Testimony, OCA witness Dr. Pavlovic proposed a revenue allocation that assigned an increase of approximately 72.9% of the proposed revenue increase to the residential class. OCA St. 3 at 9.

In the Settlement, the parties agreed to a reasonable revenue allocation of the settled upon $54.8 million increase in PECO's annual distribution revenues. Settlement ¶ 18.

The OCA submits that, under the terms of the Settlement, the portion of the revenue requirement increase allocated to the residential customer class of 71.7% is a significant improvement from the 78% allocated to the residential class in the Company's initial revenue allocation proposal. OCA St. 3 at 7. The revenue allocation in the Settlement is in the public interest and should be accepted by the Commission.

2. Residential Rate Design

In its filing, the Company requested that the residential customer charge increase from $13.63 per month to $18.50 per month, an increase of 36%. OCA St. 4 at 6. The OCA opposed any increase to the customer charge as any increase would be detrimental to customers' conservation efforts and remove the ability to control a substantial part of the monthly bill. OCA

St. 3 at 9-10. Additionally, as testified by OCA witness Roger Colton, increasing the residential customer charge would have a disproportionate impact on lower income customers. OCA St. 4 at 6-16.

Under the terms of the proposed Settlement, the residential customer charge will increase to $14.25 per month. Settlement ¶ 19. The Settlement provides a modest increase from the current residential charge of $13.63 to $14.25, or an increase of approximately 4.6%. This Settlement position is in the public interest and should be accepted by the Commission.

D. Fully Projected Future Test Year Reports

The Settlement provides that PECO will provide the Commission's Bureau of Technical Utility Services, I&E, the OCA, and the OSBA with actual capital expenditures, plant additions, and retirements by month from January 1, 2022 through December 31, 2022, and also from January 1, 2023 through December 31, 2023. Settlement ¶ 24.

Projected levels of plant in service are often subject to numerous adjustments by the parties to a base rate proceeding. Here, OCA witness Mugrace recommended several adjustments to PECO's projected plant in service balances. OCA St. 1 at 6-10. This Settlement provision will allow the Parties to evaluate PECO's projected plant in service additions against its actual plant that was placed in service. As such, this Settlement provision is in the public interest and should be adopted.

E. Distribution System Improvement Charge

The Settlement provides that PECO will not implement a Distribution System Improvement Charge (DSIC) during the calendar year ending December 31, 2023, except to implement any reconciliation of DSIC amounts. The first DSIC in 2024 will be effective no earlier than March 31, 2024 based upon DSIC eligible expenditures in January and February 2024. In

any, event, PECO will not begin to impose a DSIC until the total aggregate gross plant costs (before retirement, depreciation or amortization in 2022 and 2023) associated with the eligible property placed in service exceeds $4,043,796,000. Settlement ¶ 25. The Settlement makes clear that this provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in any FPFTY filing. Settlement ¶ 26.

The Settlement also provides that to calculate its DSIC, PECO shall use the equity return rate for gas utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3). Settlement ¶ 27. The Company must update its PECO Exh. MJT-2, Sch. C-2 no later than April 2023 to include any actual capital expenditures, plant additions, and retirements by month. Settlement ¶ 24. The OCA supports these provisions because they will ensure that the Company's DSIC rates continue to be properly calculated to prevent duplicative recovery of DSIC expenditures in future rate-setting proceedings, which in turn will prevent the Company from charging these duplicative costs to ratepayers.

F. Gas Safety

The OCA presented no testimony in this proceeding as to gas safety. Accordingly, the OCA expects that other Parties who provided evidence on this issue will discuss these Settlement provisions in their statements in support.

G. Customer Programs

1. Gas Energy Efficiency Program

The Settlement provides that PECO will maintain its original $2.008 million budget for Residential Rebates, along with two additional rebates. Settlement ¶ 31. The Settlement also provides that PECO will commit to performing an analysis of its Residential and Small Commercial Natural Gas Measures in 2023, which will include various items to ensure that PECO is promoting reasonable gas efficiency measures among residential and small commercial customers. *Id*. Specifically, the analysis will include items such as cost effectiveness, projected impact, adoption estimates, costs of incentives, and savings. *Id*. The Settlement will allow PECO to retain the ability to add measures if necessary and to adjust incentive levels and energy efficiency requirements. *Id*.

The OCA did not object to the Company's proposed budget for its Gas Energy Efficiency Program in Testimony. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

2. Safe and Efficient Heating Program

The Settlement provides that PECO will withdraw its request to change the existing SEHP budget in this proceeding. The OCA did not submit testimony either supporting or opposing PECO's initial request to change the existing SEHP budget. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

H. Universal Service Programs

1. Low-Income Usage Reduction Program

The Settlement provides that PECO Gas will provide an additional $650,000 of annual Low-Income Usage Reduction Program (LIURP) funding, increasing the program budget from $2.5 million to $3.15 million. Settlement ¶ 33. In addition to this overall increase, PECO will establish a three-year pilot program with an additional $100,000 of funding per year to support health and safety remediation for natural gas customers who are deferred for participation in LIURP due to health and safety issues with their home. *Id*. PECO will share data obtained from this pilot with its Universal Services Advisory Committee (USAC) about participants' abilities to receive full LIURP services after receiving the health and safety remediation. *Id*.

The Settlement further provides that any unused LIURP budget will roll over to the next year's budget. Settlement ¶ 34. If the amount of carry-over exceeds 10% of the overall budget, PECO will file a letter in its then-current USECP docket letting the parties to this rate case know of the reasons for the underspending. In this letter, PECO will also identify steps that it will take to fully expend the remaining LIURP budget without impacting the Program's funding in the subsequent year. *Id*. PECO will track and provide annual reports its Advisory Group on the number of LIURP jobs deferred for health and safety issues with the home or due to other circumstances, and PECO will provide specific reasons for any deferrals. Settlement ¶ 35.

Finally, regarding LIURP, the Settlement provides that PECO will establish a working group comprised of members of its USAC to review multifamily usage data for its low-income customers within 12 months of a Commission Order approving the Settlement in this case. Settlement ¶ 36. PECO will work in good faith with the working group to determine the necessity of establishing a LIURP pilot program for the specific purpose of serving multifamily residents

with relatively high usage (but usage that still does not meet PECO's high usage threshold standard) and to determine how such a program might be funded. *Id*.

These Settlement provisions help to address the concerns raised by OCA witness Colton regarding the LIURP budget. Mr. Colton recommended increasing the LIURP budget to include funding for an anticipated additional 90 LIURP customers per year, based on the rate at which PECO Gas identifies its residential customers as Confirmed Low-Income customers from gas conversions (5.3% in 2020; 5.2% in 2019; 5.3% in 2018) (BCS Annual Universal Service Report, at 8). OCA St. 4 at 36. This would necessitate an annual budget increase of approximately $275,000. *Id*. Mr. Colton also recommended that PECO increase its LIURP budget to approximately $5.953 million to protect low-income customers from the anticipated rate impacts of this proceeding. OCA St. 4 at 43.

The settled-upon LIURP budget and other LIURP changes agreed to in the Settlement will provide some level of protection for low-income customers from the settled-upon rate increase of $54.8 million. The additional LIURP dollars will also allow the Company to treat additional homes and to provide health and safety remediation to LIURP participants. The LIURP budget rollover provision will ensure that the entire LIURP budget goes toward helping low-income customers, as will the requirement that PECO provide reasons in its then-current USECP docket for any underspending. The LIURP provisions of the Settlement will help additional customers to reduce their usage, and bills, and should be approved as in the public interest.

2. Matching Energy Assistance Program

The Settlement provides that PECO will contribute $300,000 of shareholder funds annually to its MEAF program to provide grant assistance for its customers. At the end of each program year, PECO will allocate funds for which it has not received a customer match (up to $300,000

annually) to MEAF agencies in proportion to the number of low-income customers in each county within PECO's service territory. Settlement ¶ 37. The Settlement makes clear that all MEAF contributions will be used for the sole purpose of providing MEAF assistance to PECO customers, so long as there is not an order or agreement in any other case or context for additional MEAF funding. *Id*.

The OCA did not submit Testimony about PECO's MEAF contributions. Thus, the OCA does not oppose this term as a full and fair compromise between Joint Petitioners.

3. Outcome Objectives

In Testimony, OCA Witness Colton recommended that the Company establish three measurable Outcome Objectives for its CAP. OCA St. 4 at 4-5. The three Objectives were as follows: 1) PECO Gas should achieve a Confirmed Low-Income identification rate, as a percentage of estimated low-income customers, no less than the Confirmed Low-Income identification rate of Pennsylvania natural gas utilities as a whole (excluding PECO Gas companies); 2) PECO Gas should achieve a CAP participation rate, as a percentage of Confirmed Low-Income customers, no less than the CAP participation rate of Pennsylvania natural gas utilities as a whole (excluding the PECO Gas companies), and; 3) PECO Gas should achieve a CAP default rate as a percentage of participants in the lowest poverty level range that is no more than the CAP default rate in that poverty level range for Pennsylvania gas utilities as a whole. OCA St. 4 at 4-5.

OCA witness Colton proposed these measurable outcomes to assess the accomplishment of program objectives attributable to program outputs, or activities that are the direct result of the work performed. OCA St. 4 at 18. The first step in measuring outcomes is to identify the measurable outcomes that PECO Gas should achieve. OCA St. 5 at 26.

The Settlement does not include these specific Outcome Objectives, but it provides sufficient mechanisms to assess PECO's abilities to identify and enroll low-income customers. The Settlement provides that PECO will provide an annual report to its USAC including measurable outcome objectives or metrics aimed at improving how low-income customers are identified and aimed at increasing their enrollment. Settlement ¶ 38. PECO will provide an opportunity for parties to respond to and discuss the objectives that it comes up with in the last USAC meeting of 2024. *Id*. This reporting mechanism will ensure that PECO accomplishes the goals of Mr. Colton's first and third Outcome Objectives.

The Settlement also provides that PECO will have at least two collaborative meetings to discuss possible avenues for reducing CAP defaults for failure to recertify. All parties to this proceeding and any interested USAC members will be invited to these meetings. Settlement ¶ 39. PECO will host at least one of these meetings within 12 months of rates in this proceeding becoming effective, and PECO will host the other proceeding within 24 months of rates in this proceeding becoming effective. Prior to each meeting, PECO will provide data about CAP failure to recertify default rates broken down by Poverty Level to meeting participants. *Id*. By holding these meetings and providing data about CAP certification to the parties in this case, PECO is sufficiently accomplishing the goal of Mr. Colton's second Outcome Objective.

The Settlement provisions are a step towards identifying and improving the outcomes for enrollment in CAP that OCA witness Colton identified in his Direct Testimony. The Settlement provisions are in the public interest and should be approved.

4. Outreach

a. CAP Outreach

The Settlement provides that PECO will continue its simplified application process for LIHEAP recipients trying to enroll in its Customer Assistance Program (CAP). PECO will report annually to its USAC about the number of customers who are able to enroll through this process. Settlement ¶ 41. The Settlement also states that PECO will provide its low-income programs brochure in both English and Spanish at outreach events, as part of its residential customer welcome packet, and upon request to customers, community partners, and any other interest parties. Settlement ¶ 42. PECO will provide a draft of this brochure to USAC members within three months of receiving an Order in this proceeding for members to review and suggest edits. *Id*.

In his Direct Testimony, OCA witness Colton noted that PECO Gas enrolls a higher percentage of its Confirmed Low Income customers as CAP participants than other Pennsylvania Gas Utilities. OCA St. 4 at 24. The Settlement provisions discussed here will operate to continue this high level of enrollment of the Confirmed Low-Income population in the PECO Gas CAP. These outreach provisions will also allow the USAC to provide input that could further improve the low-income programs brochure, making enrollment in the CAP even more accessible. These Settlement provisions are in the public interest and should be approved.

b. Outreach for the Natural Gas Conversion Program

The Settlement provides that as part of the PECO Gas natural gas conversion programs, the Company will provide a universal service brochure to inform the customers of the low income programs. Settlement ¶ 43. In Direct Testimony, the OCA recommended that PECO Gas screen customers whom the Company assists in their conversions to natural gas in order to identify converted customers as Confirmed Low-Income Customers when appropriate and enroll those

customers in the Customer Assistance Program (CAP). OCA St. 4 at 36. In Rebuttal Testimony, the Company argued that income screening was not necessary for every gas conversion customer but noted that it would be willing to provide a universal service brochure as a handout to customers at the time of gas conversions. PECO St. 10R at 5. This action and this provision of the Settlement is acceptable to the OCA.

The purpose of OCA witness Colton's proposed screening for eligibility is to make eligible customers aware of the program, and the proposed Settlement provision will reasonably accomplish that goal. The proposal to provide detailed information regarding the universal service programs through a brochure will inform newly converted customers about the benefits of the programs available. Propane and oil companies do not have the same statutory assistance programs that natural gas companies do, so low-income customers may not be aware of the additional benefits and assistance available after they have converted to natural gas. However, by providing a document solely focused on explaining universal service program options to newly converted customers, the Company is taking adequate steps to increase customer awareness of these programs. The Settlement provision is in the public interest and should be approved.

I. Tariff Changes

The Settlement provides that PECO Gas will remove the following language from its Tariff Section 17.6 regarding customer fraud and theft: "In the case of fraud, the reconnection charge will also include allocated overheads, all investigative costs and administrative costs as determined by the Company." Settlement ¶ 44. The Settlement also provides that PECO Gas will remove the column regarding "Reconnect Fees" from Tariff Section 17.6. *Id.* Apart from these modifications described in the Settlement, the parties agree to the Company's originally proposed Tariff changes.

In Direct Testimony, OCA witness Colton argued that the above language regarding customer fraud should be removed from Tariff Section 17.6 because it implies that customers could be subject to additional charges based on mere allegations of fraud. OCA St. 4 at 51. As Mr. Colton notes, with any allegation of fraud there should be a presumption that the customer was acting in good faith. That presumption must be overcome before the Company collects any fraud charges. OCA St. 4 at 52. OCA St. 4 at 52. Mr. Colton also noted that the language of Section 17.6 could allow the Company to collect overhead and administrative costs associated with the reconnection charge twice – once in base rates and then again through the Tariff charge. OCA St. 4 at 52-53. Removing the language suggested by Mr. Colton would help to eliminate this risk.

In rebuttal testimony, PECO Gas witness Benjamin Yin agreed with the OCA's recommendation to revise Section 17.6 by removing the language suggested by Mr. Colton. PECO St. 8R at 3. Including this Tariff change in the Settlement will help to ensure that PECO Gas customers will not be subject to charges for any alleged, unproven fraud. It will also help to prevent the possibility of the Company collecting reconnection charges from customers twice. All parties, including the OCA, agreed that this Settlement provision is in the public interest and should be approved.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represents a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission, without modification, as being in the public interest and in the interest of PECO's ratepayers.

Respectfully submitted,

*/s/Mackenzie C. Battle*_____

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717)783-7152

Mackenzie C. Battle
Assistant Consumer Advocate
PA Attorney I.D. # 330879
E-Mail: MBattle@paoca.org

Barrett C. Sheridan
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

DATED: September 19, 2022
334541

Counsel for:
Patrick M. Cicero
Consumer Advocate

Statement D

Statement in Support of Joint Petition for Settlement of the Office of Small Business Advocate

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	**Docket No. R-2022-3031113**
	:	
PECO Energy Company-Gas Division	:	

STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate ("OSBA") filed a complaint in the above-captioned proceeding, which was initiated by PECO Energy Company ("PECO" or the "Company") on March 31, 2022.

The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement of Rate Investigation ("*Joint Petition*"). The OSBA submits this statement in support of the *Joint Petition*.

The *Joint Petition*

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of the small business customers of Peoples Gas.

Flex Rate Revenues and Cost Allocation

PECO's Rate NGS tariff allows the Company to offer discounted rates to certain large volume customers who have competitive alternatives to taking gas distribution service from the Company. In direct testimony, OSBA witness Robert D. Knecht explained that the Company had failed to reasonably meet its burden that the rate discounts were justified for some of the Rate NGS customers.[1] The Company generally withdrew its reduced revenue claim for those customers in its rebuttal testimony.[2]

Mr. Knecht also opined that mixing the flex rate customers in with regular rate customers in the Company's cost of service study ("COSS"), combined with the Company's propensity to directly assign some mains costs to the flex rate customers, makes it impossible to derive the shortfall from the flex rate customers, and it unfairly burdens the other customers in those classes with that shortfall. He suggested that the Company consider treating flex rate customers as a separate class for cost allocation in its next base rates proceeding.[3] The *Joint Petition* obligates the Company to do so. *Joint Petition*, Paragraph 23.

Revenue Allocation

[1] OSBA Statement No. 1, at 25-26.

[2] PECO Gas Statement No. 7-R, at 21-25.

[3] OSBA Statement No. 1, at 2.

PECO originally filed a COSS that was consistent with the Commission's Order in the Company's most recent base rates case.[4] Nevertheless, OSBA witness Robert D. Knecht identified some errors in PECO's original COSS.[5] PECO corrected some of the errors in its Rebuttal Testimony and updated the Company's revenue allocation proposal.[6] Ultimately, the OSBA was satisfied that PECO's revised revenue allocation proposal was just and reasonable, based upon the Company's corrected COSS.[7]

Other Parties presented alternative revenue allocation proposals, including proposals based upon COSS's that were previously rejected by the Commission. Nevertheless, the OSBA evaluated both the other Party proposals and the litigation risk faced by small business ratepayers. The revenue allocation set forth in the *Joint Petition* reflects the work of the OSBA and the other Parties. The OSBA respectfully submits that this agreement balances the interests of the other Parties while remaining generally consistent with the COSS and updated revenue allocation proposed by the Company and accepted by the OSBA.[8]

Once particularly contentious issue was the revenue allocation for the TS-F and TS-I customer classes. The *Joint Petition* proposes a revenue allocation of $2.4 million, split $2.2 million for TS-F and $0.2 million for TS-I. These increases are modestly higher than that proposed by most parties, but it was developed as part of an overall settlement wherein the litigation risk for large TS-F and TS-I customers associated with the I&E revenue allocation proposal and the OSBA rate design proposals is eliminated.

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[4] OSBA Statement No. 1, at 2.

[5] *Id*.

[6] OSBA Statement No. 1-S, 6-8.

[7] *Id*. at 8.

[8] *Joint Petition*, Paragraph 18.

Rate Design

Mr. Knecht testified extensively regarding rate design for the GC class in this proceeding.[9] Specifically, Mr. Knecht argued for a zero increase to the GC customer charge, compared to the Company's original proposed increase from $28.00 to $35.33 (23.75 percent). The *Joint Petition* proposes a moderate increase to the GC customer charge, from $28.00 to $29.86.[10] This change represents only a 6.6 percent increase, it is identical to the percentage increase to the Residential customer charge, and it is a reasonable resolution of this contentious issue. Moreover, the *Joint Petition* at Paragraph 21 requires the Company to undertake an analysis for its next base rates case as to whether a bifurcated customer charge for Rate GC (as suggested by Mr. Knecht) would better match revenues and costs for the wide range of customers in Rate GC.

Mr. Knecht also opined that the Company had not offered any cost evidence in support of its declining block commodity charge for Rate GC, wherein larger customers may receive a lower commodity charge than smaller customers. Rather than increase the two commodity block charges equally, Mr. Knecht recommended differential increases to gradually narrow the rate gap, pending the development of a proper cost analysis. The *Joint Petition* adopts a differentiated increase. Moreover, the *Joint Petition* requires PECO Gas to produce a cost analysis justifying any continuation of the declining block rate structure for Rate GC in the next base rates case.[11]

The TS-F and TS-I Customer Classes

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[9] *See, e.g.*, OSBA Statement 1-S, at 8-19.

[10] *Joint Petition*, Paragraph 19.

[11] *Joint Petition*, Paragraph 21.

Mr. Knecht testified regarding the rate treatment of the TS-F and TS-I customer classes. Specifically, PECO has not provided prepared any cost justification for the large volumetric rate differentials in Rates TS-F and TS-I between large and smaller customers. He proposed to narrow the rate differential between the two sets of customers within each rate class.

In response to Mr. Knecht's testimony, the *Joint Petition* proposes to require PECO, in its next gas base rate filing, to present a cost analysis of the relative cost to serve customers above and below 18 mmcf/year in the TS-F and TS-I rate classes. At a minimum, the Company will undertake the load factor analysis referenced at PECO Statement No. 7-R, page 20.[12] The OSBA respectfully submits that this is a reasonable resolution to a matter that has spanned the last two PECO Gas base rates cases, in that it will require the Company to develop a cost basis for its TS-F and TS-I rate design that will justify any higher rates for the smaller customers within those rate classes.

[12] *Joint Petition*, Paragraph 22.

Conclusion

For the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

Steven C. Gray

Steven C. Gray
Senior Supervising
Assistant Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101

Dated: September 19, 2022

Statement E

Joint Statement in Support of Joint Petition for Settlement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
v.	:	**DOCKET NO. R-2022-3031113**
PECO ENERGY COMPANY – GAS DIVISION	:	

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), one of the signatory parties to the Joint Petition for Settlement (Joint Petition or Settlement), respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge F. Joseph Brady and Pennsylvania Public Utility Commission (Commission). For the reasons stated more fully below, CAUSE-PA asserts that the terms and conditions of the Settlement are in the public interest and should be approved without modification.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of PECO Energy Company, Gas Division's (PECO, PECO Gas, or the Company) low income customers to access natural gas services under reasonable terms and conditions. CAUSE-PA introduced testimony and evidence that addressed the financial harm of the rate increase on low income households, and the need for

enhancements to PECO Gas's universal service and energy conservation programs to address unaffordability at both existing and proposed rates.

The Settlement would allow PECO to produce an annual increase in gas distribution revenue of $54.8 million, in in addition to the Distribution System Improvement Charge ("DSIC") revenue of approximately $7 million. (Joint Pet. at ¶ 14). This increase is much lower than the Company's proposed increase request of approximately $82.1 million. (Joint Pet. at ¶ 1).

The Settlement would also provide for several critical changes to PECO Gas's universal service programs, including improvements to its Low Income Usage Reduction Program (LIURP), and Matching Energy Assistance Program (MEAF). (Joint Pet. at ¶¶ 33-43). Although CAUSE-PA's positions in litigation were not fully adopted, the Settlement was arrived at through good faith negotiation by all parties and reasonable balances the varied interests of the Joint Petitioners. CAUSE-PA asserts that the Settlement is just, reasonable, and in the public interest in that it (1) addresses low income customers' ability to access safe and affordable natural gas service; (2) reasonable balances the interests of the parties; and (3) fairly resolves a number of important issues raised by CAUSE-PA and other parties to this proceeding. If the Settlement is approved, the parties will also avoid the considerable cost of further litigation and appeal. For these reasons, and the reasons stated throughout this Statement in Support, CAUSE-PA requests that the Settlement be approved without modification.

II. BACKGROUND

For the purposes of this Statement in Support, CAUSE-PA adopts the background and procedural history as set forth in the Section I of the Joint Petition. (Joint Pet. at ¶¶ 1-12).

IV. TERMS AND CONDITIONS OF SETTLEMENT

When determining whether a proposed rate increase is just and reasonable, special consideration must be given to impact of the proposed rate increase and the resultant rate structure on ability of the most vulnerable members of society to afford natural gas service. It is both unjust and unreasonable to charge rates, which could force families to do without service that is essential to meet basic human needs. (CAUSE-PA St. 1 at 4, 11-13). Low income households already struggle to afford necessities. (Id. at 15-17). An increase to cost of natural gas service will only worsen the affordability gap for these customers. (Id.)

For the reasons discussed below, CAUSE-PA asserts that the proposed Settlement is a reasonably balanced resolution to the issues in this proceeding, and takes rate affordability into account through enhancements to PECO Gas's universal service programs. CAUSE-PA asserts that the terms of the Settlement are just, reasonable, and in the public interest and should be approved. CAUSE-PA's silence with respect to any particular provision does not indicate that CAUSE-PA is not in agreement with the provision. CAUSE-PA respectfully requests that the ALJ and the Commission approve the Settlement in its entirety and without modification.

A. Revenue Requirement

In his direct testimony, CAUSE-PA's expert witness, Mr. Harry S. Geller, describes the impact of PECO's proposed rate increase for low income households. Mr. Geller extensively details how cost increases for essential life-sustaining natural gas services will have a significant impact on households who are already struggling to make ends meet. (CAUSE-PA St. 1 at 11-13). Mr. Geller recommended that a rate increase not be approved without implementation of substantial mitigation measures to address existing rate unaffordability and to remediate

additional unaffordability created by increased rates for low income and vulnerable households. (CAUSE-PA St. 1 at 6-8).

Pursuant to the Settlement, effective for services rendered on or after January 1, 2023, PECO will be permitted to charge rates designed to produce an annual increase in gas distribution revenues of $54.8 million, in addition to the Distribution System Improvement Charge (DSIC) revenue of approximately $7 million that will be added into base distribution rates and DSIC rate reset to zero. (Joint Pet. at ¶ 14). The Settlement also addresses several issues critical to the revenue determination in the present case, and provides that PECO will not seek rate recovery of COVID-19 related incremental expenses incurred during the calendar years of 2020 and 2021 in future gas base rate cases. (Id. at ¶ ¶ 15-16).

This represents a significant decrease from PECO's initial proposed rate increase in annual natural gas distribution revenue of approximately $82.1 million per year. (Joint Pet. at ¶ 1). This reduction in the revenue requirement is significant and will lessen the impact of the rate increase on low income consumers who already struggle to afford utility service. As described by Mr. Geller, PECO estimates that approximately 16.5% of its residential customers in its service territory are low income. (CAUSE-PA St. 1 at 8-9). As proposed in PECO's initial filing, the average monthly increase would have represented a substantial increase in basic living expenses, imposing a substantial financial burden on low income families. (Id. at 11-12). The reduction in the approved rate increase included in the Settlement is important to help lessen the financial impact of PECO's rate increase, helping PECO's residential customers to maintain natural gas service in their homes.

As discussed below, the proposed Settlement as a whole includes enhancements to universal service programs and customer protections which are critical in helping to mitigate the

impact of the rate increase for PECO Gas's customers – especially those low income customers who struggle profoundly to afford and maintain natural gas services. While CAUSE-PA's positions were not fully adopted, CAUSE-PA asserts that the Settlement terms help to address Mr. Geller's concerns related to existing rate unaffordability, and any additional unaffordability created as a result of increased rates. CAUSE-PA asserts that PECO's reduced revenue requirement in the proposed Settlement reasonably balances the varied interests of the parties, while taking into account the overall financial impact of PECO's proposed rates for gas service on PECO's natural gas customers.

B. Gas Base Rate Stay Out

CAUSE-PA did not take a formal position in this proceeding related to the gas base rate stay out. However, CAUSE-PA supports a restriction whereby PECO will not file for another general rate increased under Section 1308(d) of the Public Utility Code for its gas operations prior to March 15, 2024. (Joint Pet. at ¶ 17). CAUSE-PA is in support of this provision, as it helps to shield against any further increase in rates for at least the next two years. As Mr. Geller asserts in his direct testimony, any increase in costs for essential services, like natural gas, will severely impact low income households who already struggle profoundly to make ends meet. (CAUSE-PA St. 1 at 11-12). CAUSE-PA asserts that this Settlement provision is in the public interest and should be approved without modification, as it helps to temporarily stop any further rate increase during this time of great economic uncertainty.

C. Revenue Allocation and Rate Design

In Mr. Geller's direct testimony, he recommended that the Company's fixed monthly customer charge not be increased. (CAUSE-PA St. 1 at 53). Mr. Geller explained that the ability of customers to control costs through energy efficiency, conservation, and consumption

reduction are impacted when there are increases to fixed monthly charges. (Id. at 52). Increases to the fixed charge are particularly problematic for low income customers, who already struggle to afford natural gas services and rely on conservation and usage reduction to control costs. (Id.)

PECO Gas initially proposed to increase its fixed monthly residential customer charge from $13.63 to $18.50. (Id. at 50). Paragraph 19 of the Settlement significantly reduces the increased fixed charge for Rate GR to $14.25. (Joint Pet. at ¶ 19). While the position of CAUSE-PA and its expert witness were not fully adopted, an increase to $14.25 as proposed in the Settlement represents significant movement from the initial proposal of the Company. The fixed monthly charge proposed in the Settlement strikes a balance of the interests of the parties while also aiming to mitigate some of the impact of an increase in fixed cost for residential customers as discussed above. CAUSE-PA supports these Settlement provisions and asserts that the residential fixed charge included therein is in the public interest and should be approved without modification.[1]

CAUSE-PA did not take a specific position on the issues of revenue allocation reflected in Paragraphs 18, 20-23 of the Settlement.

D. Fully Projected Future Test Year Report

CAUSE-PA did not take a formal position related to the fully projected future test year report in this proceeding. (Joint Pet. at ¶ 24).

E. Distribution System Improvement Charge

CAUSE-PA did not take a formal position related to the Distribution System Improvement Charge in this proceeding. (Joint Pet. at ¶¶ 25-27).

F. Gas Safety

[1] CAUSE-PA did not take a formal position in this proceeding as to the GC service charge.

CAUSE-PA did not take a formal position related to the Gas Mapping Program or the Distribution Integrity Management Plan (DIMP). (Joint Pet. at ¶¶ 28-30). However, in his direct testimony, CAUSE-PA expert witness Mr. Geller described the need to more specifically target gas safety outreach and information to low income communities and communities of color who are more likely to experience gas safety issues compared to other communities. (CAUSE-PA St. 1 at 46). CAUSE-PA is supportive of the Settlement provisions related to gas safety that will improve mapping and analysis related to gas safety issues. CAUSE-PA asserts that these Settlement provisions are just, reasonable, and in the public interest, and should be approved without modification.

G. Customer Programs

(1) Gas Energy Efficiency and Conservation ("EE&C") Program

Paragraph 31 of the Settlement provides that PECO will maintain the original $2.008 million budget for Residential Rebates under PECO's Gas EE&C Program, along with two originally proposed rebates. (Joint Pet. at ¶ 31). This Paragraph further provides that PECO will perform an analysis of residential and small business commercial natural gas EE&C measures in 2023 that will include certain items, including projected impacts and savings, to ensure that PECO promotes reasonable measures to reduce natural gas use among residential and small commercial customers. (Id.) Finally, the Settlement provides that PECO retains the ability to add measures and adjust incentive levels and energy efficiency requirements. (Id.)

CAUSE-PA did not take a formal position in this proceeding about PECO's overall gas EE&C Program. Nevertheless, CAUSE-PA supports these Settlement provisions, as they will help maintain availability of assistance to help residential consumers to reduce their energy consumption and, in turn, better control their energy costs. Also, by requiring PECO to analyze

the effectiveness of its gas EE&C measures at reducing consumption and costs for residential and small business commercial natural gas customers, the Settlement provides the parties and the Commission with information critical to assessing PECO's voluntary EE&C program and determining whether the program should move forward. CAUSE-PA therefore asserts that these Settlement provisions are just, reasonable, and in the public interest, and should be approved by the Commission without modification.

(2) **Safe and Efficient Heating Program ("SEHP")**

Paragraph 32 of the Settlement provides that PECO agrees to withdraw its request to changes its existing Safe and Efficient Heating Program (SEHP) budget in this proceeding. (Joint Pet. at ¶ 32). In his direct testimony, CAUSE-PA expert witness Mr. Geller supported PECO's proposal to increase the budget for its SEHP, and recommended that the eligibility criteria of SEHP be amended so that low income households with incomes at or below 200% FPL could qualify for SEHP measures – regardless of homeownership. (CAUSE-PA St. 1 at 48-50).

CAUSE-PA recognizes that its positions related to the SEHP were not adopted in their entirety. However, on balance, the Settlement nevertheless represents a fair and balanced approach with satisfies the many and varied interests of the Joint Petitioners in a reasonable and just manner. In light of the totality of facts in this case, and improvements to PECO Gas's universal service programs described below, CAUSE-PA asserts that PECO's agreement to withdraw its proposal to increase the SEHP budget at this time is in the public interest, and should be approved without modification.

H. Universal Service Programs

(1) Low-Income Usage Reduction Program ("LIURP")

In his direct testimony, Mr. Geller explained that PECO Gas's LIURP is a critical universal service program designed to improve bill affordability, reduce arrearages and

termination rates, and help mitigate the disproportionate impact of the proposed rate increase on low income, high usage households. (CAUSE-PA at 27-28). Despite the value of LIURP in reducing usage and, consequently, reducing household energy burden, Mr. Geller raised concerns that PECO Gas's LIURP is not operating at a rate sufficient to fulfill the estimated need for comprehensive usage reduction services within a reasonable amount of time. (Id.) Mr. Geller similarly raised concerns that PECO Gas's LIURP is not appropriately funded to adequately serve low income natural gas customers across PECO Gas's service territory. (Id. at 31).

In order to meaningfully remediate the unaffordability of its rates at both current and proposed levels, Mr. Geller recommended that PECO increase its LIURP budget by $2,000,000 to bring its budget in parity with similarly sized NGDCs in Pennsylvania. (Id. at 32-33). Mr. Geller also recommended that PECO Gas: (1) increase its per-job health and safety budget for LIURP jobs to remediate issues in homes that prevent the provision of comprehensive energy efficiency and weatherization services; (2) actively coordinate referrals to other programs that could remediate health, safety, and other home repairs issues not resolved through PECO's health and safety budget; (3) adopt a lower high usage threshold for multifamily properties so consumers who reside in smaller living units with proportionately higher usage are able to access LIURP services; (4) provide a report to its USAC about the barriers to tenant participation; (5) adjust the LIURP high usage threshold for de facto heating customers; (6) roll over unspent LIURP funds to the subsequent program year to support health and safety remediation; (7) improve tracking of LIURP deferrals and rejections. (Id. at 33-36).

Pursuant to Paragraph 33 the Settlement, PECO will provide an additional $650,000 in annual LIURP funding (increasing its annual LIURP budget from $2.5 million to $3.15 million), and establish a three-year pilot program with an additional $100,000 annual budget ($300,000

total) to support health and safety remediation for natural gas customers who are deferred for participation in LIURP due to health and safety issues with their home. (Joint Pet. at ¶ 33). The Settlement also provides that PECO will share relevant pilot data on an annual basis with its Universal Service Advisory Committee (USAC) regarding participation rates, spending levels, and health and safety remediation through the Pilot. (Id.)

The Settlement further provides that unused LIURP budget will be rolled over and added to the LIURP budget for the following year. (Joint Pet. at ¶ 34). If the carryover exceeds 10% of the total budget, PECO will file a letter notifying parties of the reason of the underspending, and identifying steps to fully expend the remaining budget without impact to LIURP spending in subsequent program years. (Id.) The Settlement further requires PECO to track and report annually to its USAC on the number of LIURP jobs deferred due to health and safety issues or other extenuating circumstances, by reason of deferral. (Joint Pet. at ¶ 35).

Finally, the Paragraph 36 of the Settlement provides that, within 12 months of a Commission Order approving the Settlement, PECO will establish a multifamily working group comprised of USAC members to review multifamily usage data for low income customers. (Joint Pet. at ¶ 36). PECO will work in good faith with this working group to determine (1) if it is necessary to establish a LIURP pilot program designed to serve multifamily residents whose usage is comparatively high but does not meet PECO's high usage threshold and (2) how such pilot program would be funded. (Id.)

While the recommendations of CAUSE-PA and its expert witness were not adopted in their entirety, these provisions of the Settlement will help improve the ability of low income, high-usage households to access comprehensive usage reduction services through LIURP. These terms will help PECO Gas to serve additional homes through LIURP, and will help to ensure that

any unused funding will be carried over to support low income customers in subsequent program years. Further, the Settlement will help additional homes who may have health and safety issues and who would otherwise be deferred to receive LIURP services – despite the clear need of the household for comprehensive usage reduction services. By providing that PECO will track and report to its USAC on LIURP deferrals, by reason of deferral, the parties, USAC members, and the Commission will be able to more accurately assess potential barriers to LIURP services. The Settlement will also help to more specifically assess the need for a reduced high usage threshold for multifamily units to ensure that low income households who reside in multifamily buildings are equitably served by the program.

Taken together, these Settlement terms will help to mitigate the disproportionate impact of the rate increase on households that otherwise are unable to meaningfully reduce their usage as a result of housing conditions. In addition to improving low income energy costs, these provisions will also help to improve the health and safety in low income homes and the surrounding community – an essential public policy goal. Thus, CAUSE-PA asserts that these terms are just, reasonable, and in the public interest, and should be approved without modification.

(2) **Matching Energy Assistance Fund Program (MEAF)**

In his direct testimony, Mr. Geller explained that additional MEAF funding was critical to help alleviate rate unaffordability at both existing and proposed rates. (CAUSE-PA St. 1 at 36-37). Mr. Geller raised concerns in his testimony regarding MEAF undersubscription, and noted that PECO Gas did not have adequate processes in place to ensure that customers facing termination may learn about and assisted to apply for MEAF. (Id. at 37-38). Mr. Geller also raised concerns that PECO Gas was not appropriately tracking the number of gas customers who applied for MEAF, or the reasons for MEAF denials. (Id. at 38).

Mr. Geller recommended that PECO Gas (1) improve data tracking and reporting related to MEAF; (2) revise its policies, procedures, and training materials to ensure that there is a separate process whereby customers facing termination are informed of and assisted to apply for MEAF; (3) increase MEAF contributions by an amount at least proportional to any residential rate increase; (4) eliminate requirements that MEAF recipients achieve a zero balance. (Id. at 38-41).

Under Paragraph 37 of the Settlement, PECO will contribute $300,000 of shareholder funds annually to its MEAF program for grant assistance. (Joint Pet. at ¶ 37). At the end of each program year, PECO will allocate any funds for which it has not received a customer match (up to $300,000 annually) to MEAF agencies (in proportion to the number of low-income customers in each county within PECO's service territory) to support the distribution of additional MEAF grant assistance. (Id.) The Settlement further provides that all MEAF contributions will be used by MEAF agencies for the sole purpose of providing MEAF assistance to PECO customers, and that these Settlement provisions do not preclude an order or agreement in another case or context for additional MEAF funding. (Id.)

While the recommendations of CAUSE-PA and its expert witness were not adopted in their entirety, CAUSE-PA asserts that the Settlement provisions related to PECO's MEAF represent a reasonable balance of the varied interest of the parties, and help to address Mr. Geller's concerns related to the need for increased funding and accessibility of the MEAF. The additional MEAF funds provided for in the Settlement will help ensure that additional assistance is available protect low income customers facing payment trouble due to the increase in rates – helping shield against increased involuntary termination rates. By providing that PECO will allocate any funds for which it has received a customer match (up to $300,000 annually) at the

end of each program year to MEAF agencies, proportional to the number of low income customers in each county within PECO's service territory), the Settlement helps to leverage grant assistance and improve the accessibility of MEAF funding throughout PECO's service territory. By providing that the Settlement does not preclude an order or agreement for additional MEAF funding, the Settlement helps to ensure that additional hardship funds may be made available help low income customers stay connected to services. Overall, CAUSE-PA asserts that these improvements to MEAF are just, reasonable, and in the public interest, as they improve the funding and accessibility of MEAF for low income customers who struggle most to afford services. CAUSE-PA asserts that these provisions should be approved without modification.

(3) **Outcome Objectives**

In his direct testimony, Mr. Geller expressed concerns that PECO's CAP only assisted a small portion of eligible natural gas customers, noting that approximately 73% of estimated eligible customers are not enrolled in the program. (CAUSE-PA St. 1 at 23). Mr. Geller described how, notwithstanding a small increase in CAP enrollments in 2021, CAP enrollments have generally declined since 2015. (Id. at 24). Mr. Geller also explained that PECO Gas's count of confirmed low income customers provided only a limited subset and skewed assessment of its low income population, as it only includes the number of customers who have affirmatively sought out and obtained assistance within the last two years. (Id. at 8-9).

Mr. Geller recommended that PECO Gas improve efforts to screen, identify, and track low income customers, as well as improve its count of confirmed low income customers to more accurately reflect need amongst its residential customer base. (Id. at 24-26). Mr. Geller also recommended that PECO work with its USAC to identify the best methods of achieving measurable enrollment improvements in CAP and other universal service programs, and be required to report to the Commission annually to help benchmark progress related to the same.

(Id. at 27). Mr. Geller further recommended that PECO's success or failure to meet its CAP enrollment targets should be explicitly considered as party of future rate increase proposals. (Id. at 27; 54).

Under Paragraph 38 of the Settlement, beginning in 2025, PECO will provide an annual report to its USAC that includes measurable outcome objectives/metrics aimed at: (1) improving how confirmed low-income customers are identified and (2) increasing enrollment of confirmed low-income customers into CAP, by Poverty Level. (Joint Pet. at ¶ 38). These metrics will be measured against calendar year 2024 data as reported to the Commission's Bureau of Consumer Services, and PECO will provide an opportunity for parties to respond to and discuss its proposed outcome objectives in the last USAC meeting of 2024. (Id.)

Paragraph 39 of the Settlement provides that PECO will hold at least two collaborative meetings with parties and interested USAC members to discuss possible avenue for reducing CAP defaults for failure to recertify. (Joint Pet. at ¶ 39). The first of these meetings will be schedule within 12 months from the date rates are approved, and the second meeting will be schedule within 24 months from the dates are approved. (Id.) PECO will provide CAP failure to recertify default rates broken down by Poverty Level for the preceding 12 months prior to these meetings, and will consider the recommendations of the collaborative members in good faith when considering appropriate CAP modifications. (Id.) Finally, Paragraph 40 of the Settlement provides that its provisions will not limit the rights of any party to suggest future outcome objectives. (Id. at ¶ 40).

While the recommendations of CAUSE-PA and its expert witness were not adopted in their entirety, CAUSE-PA asserts that the Settlement helps to address the need to improve accurate identification and tracking of PECO Gas's low income population. By requiring that

PECO will provide annual reports to its USAC that includes outcome objectives and metrics aimed at improving identification of confirmed low income customers, the Settlement helps to address Mr. Geller's concerns about the need to improve tracking and identification of PECO's low income natural gas customers. The Settlement also helps to address PECO's historically low CAP enrollment levels by requiring that PECO work collaboratively with its USAC to provide information on outcome objectives related to increasing enrollment of confirmed low income customers in CAP. The Settlement also establishes a collaborative meeting process for discussing CAP defaults due to failure to recertify, and considering improvements to address the same, that will help PECO, the parties, and the Commission to more accurately assess and address barriers to customers maintaining CAP enrollment.

CAUSE-PA asserts that these Settlement provisions will, in tandem, help to address and improve identification of low income customers and accessibility of PECO's CAP. CAUSE-PA therefore asserts that these Settlement provisions are just, reasonable, and in the public interest, and should be approved without modification.

(4) **Outreach**

In his direct testimony, Mr. Geller generally supported PECO Gas's proposal in the present case to expand its outreach activities, as PECO Gas's outreach efforts to date have been fairly limited and insufficient to meaningfully inform low income customers of available universal service programs. (CAUSE-PA St. 1 at 43). However, to ensure that PECO Gas develop a robust plan related to consumer outreach that ensures that additional funding is being directly utilized in communities most in need, Mr. Geller recommended PECO work with its USAC to develop a plan for expanding outreach and education to low income communities, and to specifically target underserved populations in its service territory - including communities of

color and communities with a high percentage individuals with limited English proficiency. (Id. at 44-45).

Under the terms of the Settlement, PECO Gas will continue its simplified application process for Low-Income Home Energy Assistance Program (LIHEAP) recipients seeking to enroll in CAP, and will report annually to its USAC about the number of gas customers who are able to enroll through this simplified process. (Joint Pet. at ¶ 41). The Settlement also provides that PECO's low income brochure (which describes CAP and LIURP in English and Spanish), will be provided at outreach events and on request to customers, community partners, and other interested parties; and to new residential gas customers as part of the customer welcome packet. (Id. at ¶ 42). Pursuant to the Settlement, PECO will also provide this brochure as part of its Natural Gas Conversion Program. (Id. at ¶ 43). Within three months of Commission Order approving the Settlement, PECO will provide the draft brochure to USAC members for review and suggested edits. (Id.)

PECO's commitment in the Settlement to continue its simplified CAP application for LIHEAP recipients will help streamline CAP enrollment for customers who previously provided certain information necessary to receive LIHEAP, and will help to eliminate barriers to CAP enrollment. By providing that PECO will work with its USAC to develop an outreach brochure in both English and Spanish detailing PECO's CAP and LIURP, the Settlement helps to ensure that customers are aware of available programs and benefits, and will help a greater number of Spanish-speaking customers learn about PECO's CAP and LIURP. By providing that this brochure will be provided outreach events, to new residential customers, as part of the Natural Gas Conversation Program, and upon request, the Settlement will help to further spread information about the availability of CAP and LIURP.

While the recommendations of CAUSE-PA and its expert witness were not adopted in their entirety, CAUSE-PA asserts that these Settlement provisions reasonably balance the varied interest of the parties, while providing expanded outreach and education related to PECO Gas's universal service programs that will be offered in both English and Spanish. For these reasons, CAUSE-PA asserts that these Settlement provisions are just, reasonable, and in the public interest, and should be approved without modification.

I. Tariff Changes

CAUSE-PA did not take a formal position as to the Company's policies, procedures, or tariff language related to reconnection fees or charges in cases of fraud. (Joint Pet. at ¶ 44).

V. THE SETTLEMENT IS IN THE PUBLIC INTEREST

The Commission's regulations declare: "it is the policy of the commission to encourage settlements."[2] The Commission has explained that the results achieved from a negotiated settlement, in which the interested parties have had an opportunity to participate, "are often preferable to those achieved at the conclusion of a fully litigated proceeding."[3]

The present Settlement was achieved by the Joint Petitioners after an extensive investigation of PECO Gas's filing, including informal and formal discovery and the submission of direct, rebuttal, surrebuttal and rejoinder testimony by a number of the joint petitioners. (Joint Pet. at ¶ 9). Approval of this Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the joint Petitioner's and PECO Gas's customers. (See id. at ¶¶ 45-47).

Although CAUSE-PA's litigation positions were not fully adopted, the settlement was arrived at through good faith negotiation by all parties. The Settlement is in the public interest in

[2] 52 Pa. Code § 5.231.
[3] 52 Pa. Code § 69.401.

that it (1) addresses the ability of low-income customers' ability to access safe and affordable service, (2) balances the interests of the parties, and (3) fairly resolves a number of critical issues raised by cause-pa and other parties. If the Settlement is approved, the parties will also avoid the considerable cost of further litigation and/or appeals. Thus, CAUSE-PA hereby asserts that the Settlement is just and reasonable and in the public interest and should, therefore, be approved by the Commission.

VI. ADDITIONAL TERMS AND CONDITIONS

Paragraph IV of the proposed Settlement sets forth several additional terms and conditions related to the proposed Settlement, including but not limited to, that: (1) each term and condition in the Settlement, regardless of format or placement within the Settlement, is a material consideration of the entry into the Settlement; (2) the Commission's approval of the Settlement will not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement; (3) the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding, if it were fully litigated; (4) the Settlement is being presented only in the context of this proceeding in an effort to fully resolve the issues presented in this proceeding in a manner that is fair and reasonable; (5) the Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification; and (6) if the ALJ recommends that the Commission adopt the Settlement without modifications, the Joint Petitioners agree to waive the filing of Exceptions with respect to issues addressed in the Settlement. (Joint Pet. ¶¶ 48-53).

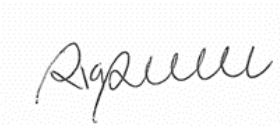
As a whole, the additional terms and conditions set forth in the proposed Settlement represent a balanced compromise of the interests of the Joint Petitioners and set forth additional

rights and obligations of the Joint Petitioners in a fair and reasonable manner that is in the public interest and should be approved.

VII. CONCLUSION

The proposed Settlement was achieved by the Joint Petitioners after extensive investigation of PECO Gas's filings and negotiation amongst the parties. CAUSE-PA asserts that the proposed Settlement is a reasonable resolution to a variety of complex issues entailed in the present matter, is in the public interest, and should be approved without modification. Acceptance of the Settlement avoids the necessity of further administrative and possible appellate proceedings in this case, which would have been undertaken at substantial cost to the Joint Petitioners, the Commission, and ultimately PECO Gas's ratepayers. Accordingly, CAUSE-PA respectfully requests that Administrative Law Judge F. Joseph Brady and the Commission approve the proposed Settlement in its entirety and without modification.

Respectfully submitted,
PENNSYLVANIA UTILITY LAW PROJECT
Counsel for CAUSE-PA



Ria M. Pereira, Esq., PA ID: 316771
John W. Sweet, Esq., PA ID: 320182
Elizabeth R. Marx, Esq., PA ID: 309014
Lauren N. Berman, Esq., PA ID: 310116
118 Locust Street
Harrisburg, PA 17101
Tel.: 717-236-9486
Fax: 717-233-4088
PULP@pautilitylawproject.org

Date: September 16, 2022.

Statement F

Statement in Support of Joint Petition for Settlement of the Philadelphia Area Industrial Energy Users Group

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2022-3031113
	:	
PECO Energy Company – Gas Division	:	

STATEMENT IN SUPPORT OF THE
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

The Philadelphia Area Industrial Energy Users Group ("PAIEUG"), by and through its counsel, submits that the Joint Petition for Settlement of Rate Investigation ("Joint Petition" or "Settlement") concurrently filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") in the above-captioned proceeding reflects a settlement among the Joint Petitioners with respect to PECO Energy Company's ("PECO" or "Company") March 31, 2022, filing of Tariff Gas – Pa. P.U.C. No. 5 ("Tariff No. 5").

As a result of settlement discussions, PECO, PAIEUG, the Bureau of Investigation & Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), (collectively, the "Joint Petitioners"), have agreed upon the terms embodied in the foregoing Joint Petition. PAIEUG offers this Statement in Support to further demonstrate that the Settlement is in the public interest and should be approved without modification.

BACKGROUND

1. On March 31, 2022, PECO filed Tariff No. 5, which contained proposed changes in rates, terms, and provisions calculated to produce an increase in PECO's annual distribution revenues of approximately $82.1 million.

2. On April 25, 2022, PAIEUG filed a Complaint in the above-captioned proceeding. On April 26, 2022, PAIEUG filed a Motion for Admission Pro Hac Vice of Diamond U. Wade that was subsequently granted by the ALJ. As noted in its Complaint, PAIEUG is an ad hoc group of energy intensive customers receiving transportation services from PECO, including service under Rate TS-I (Gas Transportation Service – Interruptible) and TS-F (Gas Transportation Service – Firm). PAIEUG members use substantial volumes of gas for their operational processes, and natural gas costs are a significant element of their respective costs of operation. As a result, PAIEUG members were concerned that the proposed increase could have an adverse impact on their costs of operations. PAIEUG's Complaint indicated that the PUC should investigate several aspects of PECO's filing, including whether the size of the requested rate increase is appropriate; whether the allocation of the proposed increase among customer classes is just, reasonable, and non-discriminatory; and whether the rate design and rate structure proposed by PECO are appropriate.

3. In accordance with the Commission's policy encouraging negotiated settlement of contested proceedings, the Joint Petitioners engaged in discussions to resolve the issues raised by the various parties. These negotiations resulted in the Settlement, which proposes a resolution of all of the issues between the Joint Petitioners in this proceeding as set forth below.

STATEMENT OF SUPPORT

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in negotiations in an effort to settle the issues raised in this proceeding. These ongoing discussions produced the foregoing Settlement.

5. The Joint Petitioners agree that approval of the proposed Settlement is overwhelmingly in the best interest of the parties involved.

6. The Joint Petitioners agree that the Company should be authorized to file a tariff supplement containing the rates set forth in the Joint Petition.

7. The Joint Petitioners agree that PECO should be permitted to implement rates that are designed to produce an annual increase in gas distribution revenues of $54.8 million, in addition to the Distribution System Improvement Charge ("DSIC") revenue of approximately $7 million that will be added into base distribution rates and the DSIC rate will be reset to zero. In addition, PECO agrees to not file for another general rate increase prior to March 15, 2024.

8. The Joint Petitioners also agree that this resulting rate increase should be allocated pursuant to the terms of the Settlement. Similarly, the Joint Petition provides the rate design to be used for the resulting allocation of the rate increase.

9. The Joint Petition is in the public interest for the following reasons:

   a. The Settlement provides for an annual net increase in gas distribution revenues of $54.8 million in lieu of the $82.1 million increase originally requested.

b. The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.

c. The Settlement Rates will allocate the agreed-upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure/cost of service positions of all Joint Petitioners.

d. The Joint Petitioners arrived at the Settlement terms after conducting discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by substantial record evidence.

10. The Joint Petition specifically satisfies the concerns of PAIEUG by reasonably allocating the proposed increase among customer classes. In addition, the Joint Petition satisfies PAIEUG's concerns regarding PECO's originally proposed tariff changes by:

a. Ensuring that customers served on Rates TS-I and TS-F receive revenue increases of approximately $200,000 and $2.4 million, respectively, which translates to increases of 2.1% and 16.0%, respectively. *See* Joint Petition, Paragraph 18. These increases are lower than those proposed for Rates TS-F and TS-I in PECO's Tariff Supplement No. 5, as well as lower than the litigation positions of certain Joint Petitioners.

b. Guaranteeing that PECO will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its gas operations prior to March 15, 2024. *Id*. at Paragraph 17.

c. Providing that PECO will not implement a Distribution System Improvement Charge ("DSIC") during the calendar year ending December 31, 2023, with the first DSIC in 2024 becoming effective no earlier than March 31, 2024, based on DSIC-eligible expenditures during January 1, 2024, to February 28, 2024. *Id*. at Paragraph 25.

d. Stipulating that PECO will present a cost analysis of the relative cost to serve customers above and below 18 mmcf/year in the TS-F and TS-I rate classes, or at a minimum, PECO will undertake the load factor analysis referenced at PECO Statement No. 7-R. *Id*. at Paragraph 22. While PECO has agreed to present this analysis, nothing in the Joint Petition prohibits the parties from challenging, questioning, or refuting this analysis as part of PECO's next gas base rate filing.

11. PAIEUG supports the foregoing Joint Petition because it is in the public interest; however, in the event that the Administrative Law Judge or the Commission disapproves the Settlement or modifies any terms or conditions herein, PAIEUG will resume its litigation position, which differs from the terms of the Joint Petition.

12. As set forth above, PAIEUG submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after numerous negotiations. Although Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties, as well as the Commission, to avoid expending the substantial resources that would have been required to fully litigate this proceeding while still reaching a just, reasonable, and non-discriminatory result. Joint Petitioners have thus reached an amicable resolution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation in this proceeding. *See* 52 Pa. Code § 69.391.

WHEREFORE, the Philadelphia Area Industrial Energy Users Group respectfully requests that Administrative Law Judge F. Joseph Brady and the Pennsylvania Public Utility Commission approve the foregoing Joint Petition for Settlement of Rate Investigation without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By_____

Charis Mincavage (PA. I.D. No. 82039)
Adeolu A. Bakare (PA. I.D. No. 208541)
Diamond U. Wade (D.C. I.D. No. 1719283)
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
717.232.8000 (p)
717.237.5300 (f)

Counsel to Philadelphia Area Industrial Energy Users Group

Dated: September 19, 2022