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May 6, 2024

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-2024-3046932**

Dear Secretary Chiavetta:

Enclosed please find the **Prehearing Conference Memorandum of PECO Energy Company**, in the above-captioned matter.

As indicated on the enclosed Certificate of Service, copies have been served upon all parties of record.

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

Very truly yours,



Kenneth M. Kulak

KMK/tp
Enclosures

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

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May 6, 2024

VIA ELECTRONIC MAIL

The Honorable Marta Guhl
Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107

The Honorable Darlene Heep
Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107

**Re: Pennsylvania Public Utility Commission v.
PECO Energy Company – Gas Division
Docket No. R-2024-3046932**

Dear Judge Guhl and Judge Heep:

Enclosed please find the **Prehearing Conference Memorandum of PECO Energy Company**, in the above-captioned matter.

As indicated on the enclosed Certificate of Service, copies have been served upon all parties of record.

If you have any questions regarding this filing, please contact me directly at 215.963.5384.

Very truly yours,



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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

v.

**PECO ENERGY COMPANY –
GAS DIVISION**

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:
:
:
:
:
:

DOCKET NO. R-2024-3046932

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of **Prehearing Conference Memorandum of PECO Energy Company – Gas Division** on the following persons in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL

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Office of Administrative Law Judge
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The Honorable Darlene Heep
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Dated: May 6, 2024

Counsel for PECO Energy Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	Docket No. R-2024-3046932
	:	
PECO ENERGY COMPANY – GAS DIVISION	:	

**PREHEARING MEMORANDUM
OF
PECO ENERGY COMPANY – GAS DIVISION**

This memorandum is submitted in response to the Prehearing Conference Order issued by Administrative Law Judges Marta Guhl and Darlene Heep dated April 29, 2024.

I. INTRODUCTION

On March 28, 2024, PECO Energy Company (“PECO” or “the Company”) filed with the Pennsylvania Public Utility Commission (“Commission”) Tariff Gas – Pa. P.U.C. No. 6 (“Tariff No. 6”). Tariff No. 6 reflects an increase in annual natural gas distribution revenue of approximately \$111 million. The Company submitted a detailed Statement of Reasons supporting its requested rate increase with its initial filing, attached as Exhibit “A” hereto. By Order entered April 25, 2024, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of PECO’s existing and proposed rates, rules and regulations. Accordingly, Tariff No. 6 was suspended by operation of law until December 27, 2024.¹

Accompanying its tariff filing, PECO submitted extensive and detailed supporting information, including the prepared written testimony and exhibits of its ten initial witnesses.

¹ *Pa. P.U.C. v. PECO Energy Company*, Docket No. R-2024-3046932 (Order entered April 25, 2024).

During this case, PECO may submit additional testimony and exhibits in response to presentations of, or cross-examination by, other parties and with respect to any specific issues that might be raised by such parties. In addition, certain testimony and exhibits will be updated, as necessary, to reflect known changes that should be considered in this proceeding.

In support of its proposed rate increase, PECO has presented complete and separate data for the historic test year (“HTY”) ended December 31, 2023, the future test year (“FTY”) ending December 31, 2024, and the fully projected future test year (“FPFTY”) ending December 31, 2025. PECO intends, however, to rely primarily on the FPFTY data. PECO submits that the record at the close of this proceeding will fully demonstrate that the proposed rates are lawful, just and reasonable and should be approved in full by the Commission.

On April 1, 2024, Carrie B. Wright, Esquire, Prosecutor for the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed her Notice of Appearance. On April 11, 2024, the Office of Consumer Advocate (“OCA”) filed a formal Complaint and Public Statement, as well as a Notice of Appearance on behalf of Erin L. Gannon, Esquire, Gina L. Miller, Esquire, Barrett C. Sheridan, Esquire and Jacob D. Guthrie, Esquire. On April 16, 2024, Steven C. Gray, Esquire and Rebecca Lyttle, Esquire, entered a Notice of Appearance on behalf of the Office of Small Business Advocate (“OSBA”) as well as a Complaint, Public Statement and Verification. On April 17, 2024 and April 23, 2024, Alan McCarthy and State Representative Christina D. Sappey filed *pro se* formal Complaints.

As of this date, the Company has been served with a Petition to Intervene of Local 614 by the International Brotherhood of Electrical Workers, AFL-CIO (“IBEW”) on April 17, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), on April 26, 2024, and Walmart Inc. (“Walmart”), on May 2, 2024.

II. ISSUES

Generally, every rate case presents two major issues for resolution: (1) the total amount of the revenue increase to which the utility is entitled; and (2) the allocation of the increased revenues among the utility's rate classifications through a rate structure and rate design that will produce the required revenue.

A determination of the total revenue increase to which a utility is entitled involves several elements which may be grouped under three headings and characterized as the following major sub-issues herein:

A. Total Return. The total return (utility operating income) required by the utility to provide a fair rate of return on its claimed rate base. Fair rate of return involves the determination of the appropriate cost or return rate for the capital employed by the Company to furnish gas service. Such return must be sufficient to enable the Company to maintain the financial integrity of its existing capital and to attract additional capital on reasonable terms. In addition, the Company must be permitted an opportunity to earn, on the portion of its rate base financed by common equity, a return commensurate with the returns on investments in other enterprises having similar risks. The appropriate rate of return for the Company, and in particular the appropriate return rate for the Company's common equity, is an issue which is critical to the well-being of the Company and its ability to continue to provide the service that its customers have been receiving and are entitled to receive in the future.

B. Operating Expenses. The future or ongoing level of the utility's operating expenses to provide gas distribution service, including depreciation, amortizations and taxes, which must be recovered from customers through rates.

C. Revenues. The gas distribution revenue normally available to the utility under present rates and the level of revenue that will be produced by the proposed rates.

By comparing the gas distribution revenue produced by the utility's present rates with its total required operating income and anticipated electric distribution operating expenses, depreciation, amortizations and taxes, the necessary increase in revenue and rate levels required to provide a fair rate of return is determined.

PECO proposes certain changes in rate design, which include principally aligning fixed distribution/customer charges with, or closer to, customer-classified costs. Certain other changes in rate design and in the rules, regulations and riders set forth in the Company's tariff are described in the testimony of Mr. Joseph A. Bisti and Ms. Megan A. McDevitt (PECO Statement Nos. 7 and 8, respectively).

III. WITNESSES AND EVIDENCE

Listed below are the initial witnesses for PECO, together with a brief summary of the subject matter of their direct testimony.

1. **Amy E. Hamilton** (PECO Statement No. 1) is PECO's Vice President of Gas Operations. Ms. Hamilton describes PECO's gas operations; provides an overview of PECO's request for rate relief and the testimony filed in support of that relief; explains PECO's capital investment process and identifies, by major plant category, PECO's claimed FTY and FPFTY plant additions; discusses the Company's actions to ensure the safety and reliability of PECO's gas distribution system; supports the Company's claim for manufactured gas plant ("MGP") remediation expense; discusses PECO's customer service operations and additional programs to help customers save energy; describes measures taken by the Company with respect to safety, security, and its environmental impact; discusses PECO's fulfillment of obligations from the

Company's most recent gas base rate proceeding at Docket No. R-2022-3031113; describes PECO's community work and support for economic and workforce development and diversity, equity and inclusion; and addresses PECO's overall management performance in relation to the factors identified in Section 523 of the Public Utility Code.

2. **Marissa Humphrey** (PECO Statement No. 2) is Senior Vice President, Chief Financial Officer and Treasurer at PECO. Ms. Humphrey discusses PECO's need for rate relief and its efforts to minimize both customer and PECO's costs. Ms. Humphrey also provides an overview of PECO's principal accounting exhibits; discusses PECO's budgeting process; describes the services that PECO receives from affiliated entities and the estimated costs of those services during the FTY and FPFTY; and discusses the impact of the Corporate Alternative Minimum Tax.

3. **Michael J. Trzaska** (PECO Statement No. 3) is a Principal Regulatory and Rates Specialist at PECO. Mr. Trzaska sponsors PECO Exhibits MJT-1, MJT-2 and MJT-3, which set forth PECO's revenue requirement for the FPFTY ending December 31, 2025, FTY ending December 31, 2024, and HTY ended December 31, 2023, respectively. In those exhibits and his direct testimony, Mr. Trzaska specifically supports PECO's measures of value, revenue, operating expense and tax claims, and the Company's proposed Weather Normalization Adjustment ("WNA") mechanism.

4. **Caroline Fulginiti** (PECO Statement No. 4) is the Vice President and Assistant Controller at Exelon. Ms. Fulginiti describes PECO's accounting processes; supports the assignment and allocation of common costs between PECO's electric and gas operations; and explains the development of the depreciated original cost of the Company's gas utility plant in service and its claim for annual depreciation expense.

5. **Paul R. Moul** (PECO Statement No. 5) is the Managing Consultant of P. Moul & Associates, Inc. Mr. Moul presents testimony concerning the rate of return that PECO should be afforded an opportunity to earn on its rate base. He supports PECO's claimed capital structure ratios, its embedded costs of debt, and its requested equity allowance.

6. **Jiang Ding** (PECO Statement No. 6) is a Principal Regulatory and Rates Specialist at PECO. Ms. Ding presents an unbundled, fully allocated, customer class cost-of-service study ("COSS").

7. **Joseph A. Bisti** (PECO Statement No. 7) is a Manager of Rate Analysts at PECO. Mr. Bisti presents PECO's proposed tariff rates and explains how the results of Ms. Ding's COSS, as well as the consideration of other factors, were utilized in the rate design process.

8. **Megan A. McDevitt** (PECO Statement No. 8) is a Senior Manager, Retail Rates at PECO. Ms. McDevitt discusses proposed changes and clarifications to PECO's gas service tariff.

9. **Doreen L. Masalta** (PECO Statement No. 9) is the Director of Energy and Marketing Services at PECO. Ms. Masalta describes the Company's proposed enhancements to its residential and low-income gas energy efficiency programs and the proposed extension of PECO's Neighborhood Gas Pilot Rider.

10. **Jacqueline F. Golden** (PECO Statement No. 10) is the Director of Customer Financial Operations at PECO. Ms. Golden addresses Company proposals regarding Customer Assistance Program ("CAP") cost recovery, other universal service programs, enhancements to PECO's Matching Energy Assistance Fund ("MEAF"), gas customer safety program, and its small business grant program.

The Company may present additional witnesses to address the direct testimony of other parties; however, such witnesses cannot be identified until the direct testimony of such parties is reviewed and evaluated.

IV. DISCOVERY

To date, PECO has been served with 394 interrogatories and data requests, and PECO has responded to approximately 211 of those inquiries. PECO encourages informal exchanges of information and is prepared to meet with representatives of the other active parties to discuss issues of interest.

PECO proposes that discovery should be conducted in accordance with the Commission's regulations at 52 Pa. Code, Chapter 5, Subchapter D, subject to the modifications proposed in the attached Exhibit "B" hereto.

Pursuant to 52 Pa. Code § 5.341(b) and § 5.342(e), respectively, neither discovery requests and responses, nor objections to interrogatories, are to be served on the Commission or the Administrative Law Judges, although a certificate of service should be filed with the Commission's Secretary.

In addition, PECO has submitted to the parties for their consideration a proposed Protective Order, which is attached as Exhibit "C" hereto. It is substantially the same form of Protective Order approved by the presiding Administrative Law Judge in PECO's 2022 gas base rate proceeding. PECO also expects that the parties will have no objections to its adoption, and respectfully requests that the Administrative Law Judges enter the proposed Protective Order.

V. PROPOSED PROCEDURAL SCHEDULE

PECO proposes the schedule attached as Exhibit "D" to this Memorandum for the submission of testimony, public input hearings, the conduct of evidentiary hearings, and briefing.

The Company believes this schedule should be acceptable to the parties, subject to approval by the Administrative Law Judges of any scheduling accommodations in the order of witnesses at hearings.

VI. SETTLEMENT

PECO will pursue stipulations of individual issues with the parties and the possibility of settlement that might lead to a comprehensive resolution of this matter.

VII. SERVICE LIST

PECO requests that the official service list entry for the Company be as follows:

Jack R. Garfinkle (Pa. No. 81892)
Brandon J. Pierce (Pa. No. 307665)
Adesola K. Adegbesan (Pa. No. 326242)
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brandon.pierce@exeloncorp.com
adesola.adegbesan@exeloncorp.com

PECO also requests that a copy of all correspondence, discovery, testimony and other materials sent to the Company be provided to:

Kenneth M. Kulak (Pa. No. 75509)
Mark A. Lazaroff (Pa. No. 315407)
Catherine G. Vasudevan (Pa. No. 210254)
Brooke E. McGlinn (Pa. No. 204918)
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catherine.vasudevan@morganlewis.com
brooke.mcglinn@morganlewis.com

Additionally, PECO also requests that a copy of all correspondence, discovery, testimony and other materials sent to the Company be provided to Andrea Preate via electronic mail at andrea.preate-regni@morganlewis.com.

The lead attorney for the Company for purposes of the Prehearing Conference will be Kenneth M. Kulak of Morgan Lewis & Bockius LLP.

VIII. CONCLUSION

Based on the evidence referenced above, PECO submits that the rates proposed in Tariff Gas – Pa. P.U.C. No. 6 are lawful, just and reasonable in all respects. Accordingly, the requested rate increase should be approved by the Administrative Law Judges and the Commission at the close of this proceeding.

Respectfully submitted,



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Dated: May 6, 2024

Counsel for PECO Energy Company

EXHIBIT A

Statement of Reasons

PECO ENERGY COMPANY

STATEMENT OF SPECIFIC REASONS FOR PROPOSED INCREASE IN GAS RATES

I. Introduction

PECO Energy Company (“PECO” or the “Company”) is requesting an overall natural gas rate increase of approximately \$111 million per year. In accordance with Section 1308 of the Public Utility Code, the tariff setting forth the Company’s proposed rates bears an effective date of May 27, 2024. However, the Company anticipates that its requested increase will be suspended and investigated by the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) and, therefore, the Company does not expect that new Commission-approved rates will become effective until approximately January 1, 2025.

PECO last filed for a rate increase in 2022. The principle reasons for the Company’s proposed rate increase are: (1) to permit the Company to earn a fair return on the substantial investments used and useful in the Company’s provision of safe and reliable gas service to customers; (2) to support additional investments in utility infrastructure in accordance with the Company’s Commission-approved infrastructure replacement program; (3) to deploy new information technology to meet our customers’ expectations and drive operational improvements and efficiencies; and (4) to recover higher operating expenses necessary to provide gas utility service, including increased costs of labor, contracting, and materials.

II. Reasons for the Requested Rate Increase

A. Fair return on the substantial investments used to serve customers

PECO’s gas operations include over 7,300 miles of gas mains, approximately 480,000

gas services, 28 gate stations, over 300 regulator stations, and liquefied natural gas and propane-air peaking plants. It takes considerable expertise and significant capital investment and operations and maintenance (“O&M”) activities to provide PECO’s customers with safe and reliable service. PECO continuously strives to improve its system reliability, customer service, and service offerings to meet evolving customer expectations and needs.

Since rates were established in PECO’s last rate case in 2022,¹ PECO has continued to make substantial investments in new and replacement utility plant to ensure that our customers can continue to receive the safe and reliable service they have come to expect. Indeed, between January 1, 2024 and December 31, 2025, the end of the fully projected future test year (“FPFTY”), PECO will have invested \$786 million in additional gas distribution plant.

Absent a rate increase, the Company’s overall rate of return at present rates is projected to be only 5.80% for the FPFTY, as shown in Schedule A-1 of PECO Exhibit MJT-1, the Direct Testimony of Michael J. Trzaska (PECO Statement No. 3). More importantly, the indicated return on common equity under present rates is anticipated to be only 6.87%, which is inadequate by any reasonable standard and far less than required to provide the Company with a reasonable opportunity to attract capital.

Without the requested rate relief, PECO’s financial results would deteriorate even further in 2025 and thereafter. This would jeopardize the Company’s ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability, and customer-service levels. It would also have an adverse impact on PECO’s credit-coverage ratios and negative implications with respect to maintaining the Company’s current credit ratings, which

¹ *PECO Energy Company General Base Rate Filing for Gas Operations*, Docket No. R-2022-3031113, filed on March 31, 2022.

would increase the Company's financing costs and, ultimately, the cost to customers.

B. Support for Commission-approved infrastructure replacement

Many of the Company's capital investments are made in coordination with the goals and requirements of PECO's Long-Term Infrastructure Improvement Plan ("LTIIIP"), which the Commission approved on December 8, 2022. In that proceeding, the Commission approved PECO's plans to spend \$1 billion to continue PECO's accelerated replacement programs for the retirement of aging mains, services, and district regulator stations. By aligning the Company's planned capital investments through the FPPTY and the Company's planned LTIIIP expenditures, the Company is able to improve reliability and replace aging infrastructure more efficiently and at lower overall cost to customers.

C. Deployment of new information technology for system modernization and customer service

PECO is making significant capital investments in information technology to drive operational improvements and efficiencies, reduce risk and increase reliability. The Company is investing in a new Enterprise Asset Management system, which will enable improved asset management, work order development, and work management, as well as upgrades to its gas supervisory control and data acquisition ("SCADA") system. Additionally, information technology investments relating to customer operations and service include substantial improvements to the technology PECO customers use to access account and outage information; enroll in assistance and energy-saving programs; make start, stop, and move requests; receive usage data; and receive and pay bills.

D. Increased costs to provide public service

Continued investment in PECO's natural gas distribution system is needed to serve customers, but the cost of doing so has increased significantly. Inflation and interest rates

have also risen at a historic pace, which has raised the cost of investment and led to increases in the Company's labor and contracting expense.

The Company has successfully mitigated the impact of these costs to the extent possible. Notably, PECO's projected annual O&M growth rate since 2023 is nearly 30% below the recent average inflation rate of 6.25% in the Consumer Price Index.

Notwithstanding PECO's aggressive cost-containment and management efforts, the Company faces significant increases in a variety of areas that are not within PECO's control. These include inflation and other financial costs, as well as numerous other operational cost increases that cannot be avoided.

III. Management Performance

As set forth in the testimony accompanying this rate case filing, PECO has demonstrated superior management performance. The Company's efforts and accomplishments include:

Quality and Reliability of Service

- Replacing outmoded (i.e., cast iron and unprotected bare steel) mains on an accelerated basis in coordination with the Company's LTIP with a 40% reduction in incoming 1, 2A, and 2B leaks since 2019.
- Achieving top decile performance in odor response rate for the last 16 years among similar gas utilities per industry benchmarking. Additionally, gas odor calls have decreased in the last 15 years from approximately 33,000 calls a year to under 19,000 annually.

Energy Efficiency and Customer Energy Savings

- Continuing PECO's Safe and Efficient Heating Program ("SEHP") which provides qualifying low-income customers no-cost direct installation measures through the Low-Income Usage Reduction Program ("LIURP") and as part of free home energy assessments to improve the efficiency and safety of natural gas heating in their homes.
- Offering residential customers a mix of rebates to encourage upgrades to high-efficiency furnaces, boilers and water heaters, and direct install measures, and to

receive discounts on smart thermostats purchased through PECO's online marketplace.

Customer Service

- Investing in Customer Flight Path (“CFP”) projects, which improve the availability of customer products and the reliability of the underlying platforms.
- Increasing enrollment of gas customers in PECO’s “MyAccounts” on-line system, reaching enrollment of 373,000 gas customers (a 10% increase from 335,000 in 2022) with associated reductions in PECO’s customer operations costs.
- Increasing awareness of energy assistance offerings and streamlining the application process for PECO programs, while introducing new tools to make energy more affordable and helping customers proactively manage their energy use.

Employee Safety

- Maintaining the highest standards for workplace safety, finishing 2022 and 2023 with zero high energy serious injuries or fatalities.
- Continuously improving performance and fostering a safety culture that engages the entire workforce to prevent accidents, injuries, and occupational illnesses.
- Regularly reviewing and enhancing policies and procedures consistent with best practices and recommendations under the Pipeline Safety Management System.

Environmental Achievements

- Continuing to reduce greenhouse gas emissions from Company operations, with a reduction of approximately 50% from 2015 through 2023.
- On track to achieving goals of electrifying 30% of the Company’s vehicle fleet by 2025 and 50% by 2030.

Promoting PECO’s Communities and Diversity as well as Economic and Workforce Development

- Investing more than \$38 million through corporate donations and employee giving campaigns (with corporate matching gifts) in hundreds of local and regional non-profit programs, organizations and institutions in Southeastern Pennsylvania that provide access to arts and culture, and support STEM education, the environment and green spaces, community vitality, workforce development, and reduction of gun violence.
- Supporting our employees in volunteering nearly 60,000 hours with a wide variety of community organizations.

- Along with other Exelon operating companies and the Exelon Foundation, creating a \$36 million Community Equity Capital Fund to begin establishing access to capital for small businesses from under-resourced communities so that they can create more jobs, grow their companies, and reinvest in their neighborhoods and communities.

IV. Supporting Data

PECO is filing all of the supporting data required by the Commission's regulations, including data for the historic test year ("HTY") ended December 31, 2023; the future test year ("FTY") ending December 31, 2024; and the FPFTY ending December 31, 2025.

Because the Company is basing its claim principally on the level of operations for the FPFTY, the discussion that follows will address FPFTY data.

Rate Base. PECO's measures of value reflect the Company's balances of gas plant on December 31, 2025, including common plant used in, and appropriately allocated to, gas operations, as shown in Schedule C of PECO Exhibit MJT-1. The estimated original cost of gross plant on December 31, 2025 was developed by adding the estimated plant additions by account for 2024 and 2025, and subtracting the estimated plant retirements for 2024 and 2025 from the estimated original cost of gross plant as of December 31, 2023. The estimated accumulated book reserve on December 31, 2025 was calculated in similar fashion.

Specifically, the December 31, 2025 estimated accumulated depreciation was developed by:

(1) adding the 2024 and 2025 estimated annual depreciation accruals to the actual accumulated depreciation by account as of January 1, 2024; (2) subtracting the estimated 2024 and 2025 plant retirements by account; and (3) adding 2024 and 2025 estimated salvage and subtracting estimated removal costs that are closed to the book reserve, by account. The depreciated original cost of utility plant in service, cash working capital, materials and supplies, and gas storage inventory were included in the determination of the measures of

value, while accumulated deferred Federal income taxes, a thirteen-month average of customer advances, and a thirteen-month average of customer deposits were deducted from measures of value.

Operating Revenue and Expenses. The revenue and expense claims for the FPFTY have been prepared in accordance with accepted practices of the Commission. Operating revenues at present rates were derived from budgeted revenues for PECO's gas operations for the twelve months ending December 31, 2025 and adjusted in the manner summarized on Schedule D-5 of PECO Exhibit MJT-1. Principal revenue adjustments include annualizing revenues for changes in the number of customers and the discounts provided to customers in PECO's Customer Assistance Plan, and increasing revenue to reflect a normalized annual service period containing 365.25 days.

Pro forma FPFTY operating expenses were developed from PECO's budget for gas operations for the twelve months ending December 31, 2025. Budgeted expenses were prepared based on the business activities and related cost categories of PECO's gas division (e.g., payroll, pensions, employee benefits, outside contracting costs). The expenses were distributed to the accounts identified in the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts for Natural Gas Companies based on the expense distribution experienced by the Company during the HTY. The budget data, as distributed to FERC accounts, were annualized and/or normalized in accordance with established Commission ratemaking practices, and other appropriate adjustments were made, all of which are set forth in Schedule D of PECO Exhibit MJT-1. The necessary adjustments were made to the appropriate FERC accounts.

Annual depreciation expense for gas and common plant in service on December 31,

2025 was calculated using the remaining life method, which the Commission has previously approved for PECO's gas operations. PECO's claim for the estimated annualized depreciation accrual associated with gas plant in service on December 31, 2025 is set forth in Schedule D-17 of PECO Exhibit MJT-1 and is described by Mr. Trzaska in PECO Statement No. 3. The manner in which PECO developed its claimed annual accrual is described by Ms. Caroline Fulginiti (PECO Statement No. 4).

Income Taxes. Income taxes were calculated using procedures commonly accepted by the Commission. The interest expense deduction was synchronized with the Company's measures of value and claimed weighted-average cost of long-term debt. The normalization method was used to reflect the tax-book timing differences associated with the use of accelerated methods of tax depreciation to the extent permitted by the Commission and legal precedent. In addition, there are adjustments to other tax-book differences and flow-through amounts. The income tax expense claims for the FPFTY at present rate and proposed rate revenue levels are shown on PECO Exhibit MJT-1, Schedule D-18.

As is evident from the foregoing and the extensive supporting data filed by the Company, the proposed increase is just and reasonable and is the minimum increase necessary to enable the Company to earn a reasonable return on the fair value of its property that is used and useful in the public service, to maintain the integrity of its existing capital, and to attract new capital.

V. Rate Structure and Rate Design

As Mr. Joseph A. Bisti (PECO Statement No. 7) explains, in developing its rate-structure proposal, the Company considered the results of a cost of service study performed by Ms. Jiang Ding (PECO Statement No. 6). While the cost of service study was used as a guide,

the Company also considered the principle of gradualism that has traditionally been applied in Pennsylvania. Accordingly, the proposed rates were designed to mitigate the impact on each major rate class, to the extent practicable, while still making meaningful movement toward the system average rate of return.

PECO proposes certain changes in rate design, which include principally aligning fixed distribution/customer charges with, or closer to, customer-classified costs. Certain other changes in rate design and in the rules, regulations, and riders set forth in the Company's tariff are described in the testimony of Mr. Bisti and Ms. McDevitt (PECO Statement No. 8).

VI. Weather Normalization Adjustment

As part of its rate filing, the Company is also proposing a Weather Normalization Adjustment ("WNA") mechanism. The WNA mechanism is an alternative rate design mechanism designed to provide customers with predictability in billing, better enabling customers to budget and pay their bills; mitigate the impact of higher bills during severely cold months; and provide PECO with greater certainty in its ability to earn the projected distribution revenues authorized by the Commission when setting rates.

VII. Conclusion

The requested increase in revenues is the minimum necessary to enable the Company to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability, and customer-service levels; to maintain the integrity of PECO's existing capital; to attract additional capital at reasonable costs; and to have an opportunity to achieve a fair rate of return on its investment in property dedicated to public service. The Company's proposed revenue allocation and rate design are just, reasonable, and non-

discriminatory. Accordingly, the Company's proposed rates, rules, and terms of service should be permitted to become effective as filed.

EXHIBIT B

Proposed Discovery Modifications

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	Docket No. R-2024-3046932
v.	:	
PECO ENERGY COMPANY – GAS DIVISION	:	
	:	
	:	

PECO PROPOSED DISCOVERY PROCEDURE MODIFICATIONS

1. After the Company’s rebuttal testimony is served, answers to written interrogatories are to be served in-hand within twelve (12) calendar days of service of the interrogatories.
2. Objections to interrogatories are to be communicated orally within three (3) days of service; unresolved objections are to be served on the Administrative Law Judge in writing within five (5) days of service of the interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories are to be filed within three (3) business days of service of written objections.
4. Answers to motions to dismiss objections and/or directing the answering of interrogatories shall be filed within three (3) business days of service of such motions.
5. Requests for admission are deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
6. When an interrogatory, request for production, request for admission or motion is served after 12:00 p.m. on a Friday or the day before a holiday, the appropriate response period is deemed to start on the next business day.
7. Interrogatories, requests for production and requests for admissions that are objected to but which are not made the subject of a motion to compel will be deemed withdrawn.
8. Pursuant to 52 Pa. Code §5.341(b), neither discovery requests nor responses thereto are to be served on the Commission or the Administrative Law Judge, although a certificate of service may be filed with the Commission’s Secretary.

EXHIBIT C

Proposed Protective Order

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PECO ENERGY COMPANY –
GAS DIVISION**

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Docket No. R-2024-3046932

PROTECTIVE ORDER

IT IS ORDERED THAT:

1. This Protective Order is hereby GRANTED and shall establish procedures for the protection of all materials and information identified in Paragraphs 2 and 3 below, which are or will be filed with the Commission, produced in discovery, or otherwise presented during the above-captioned proceeding and all proceedings consolidated with it. All persons now or hereafter granted access to the materials and information identified in Paragraph 2 of this Protective Order shall use and disclose such information only in accordance with this Order.

2. The information subject to this Protective Order is all correspondence, documents, data, information, studies, methodologies and other materials, whether produced or reproduced or stored on paper, cards, tape, disk, film, electronic facsimile, magnetic or optical memory, computer storage devices or any other devices or media, including, but not limited to, electronic mail (e-mail), furnished in this proceeding that the producing party believes to be of a proprietary or confidential nature and are so designated by being stamped “CONFIDENTIAL” or “HIGHLY CONFIDENTIAL” protected material. Such materials are referred to in this Order as “Proprietary Information.” When a statement or exhibit is identified for the record, the portions thereof that constitute Proprietary Information shall be designated as such for the record.

3. For purposes of this Protective Order there are two categories of Proprietary Information: “CONFIDENTIAL” and “HIGHLY CONFIDENTIAL” protected material. A producing party may designate as “CONFIDENTIAL” those materials that are customarily treated by that party as sensitive or proprietary, that are not available to the public, and that, if generally disclosed, would subject that party or its clients to the risk of competitive disadvantage or other business injury. A producing party may designate as “HIGHLY CONFIDENTIAL” those materials that are of such a commercially sensitive nature, relative to the business interests of parties to this proceeding, or of such a private or personal nature, that the producing party determined that a heightened level of confidential protection with respect to those materials is appropriate. The parties shall endeavor to limit the information designated as “HIGHLY CONFIDENTIAL” protected material.

4. Subject to the terms of this Protective Order, Proprietary Information shall be provided to counsel for a party who meets the criteria of a “Reviewing Representative” as set forth below. Such counsel shall use or disclose the Proprietary Information only for purposes of preparing or presenting evidence, testimony, cross examination or argument in this proceeding. To the extent required for participation in this proceeding, such counsel may allow others to have access to Proprietary Information only in accordance with the conditions and limitations set forth in this Protective Order.

5. Information deemed “CONFIDENTIAL” shall be provided to a “Reviewing Representative.” For purposes of “CONFIDENTIAL” Proprietary Information, a “Reviewing Representative” is a person who has signed a Non-Disclosure Certificate and is:

- i. A statutory advocate, or an attorney for a statutory advocate pursuant to 52 Pa. Code § 1.8 or an attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i) above;
- iii. An expert or an employee of an expert retained by a party for the purpose of advising that party or testifying in this proceeding on behalf of that party; or
- iv. Employees or other representatives of a party to this proceeding who have significant responsibility for developing or presenting the party's positions in this docket.

6. Information deemed "HIGHLY CONFIDENTIAL" protected material shall be provided to a Reviewing Representative, provided, however that a Reviewing Representative, for purposes of "HIGHLY CONFIDENTIAL" protected material, is limited to a person who has signed a Non-Disclosure Certificate and is:

- i. A statutory advocate, or an attorney for a statutory advocate, pursuant to 52 Pa. Code § 1.8 or an attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i);
- iii. An outside expert or an employee of an outside expert retained by a party for the purposes of advising that party or testifying in this proceeding on behalf of that party; or
- iv. A person designated as a Reviewing Representative for purposes of HIGHLY CONFIDENTIAL protected material pursuant to paragraph 11.

Provided, further, that in accordance with the provisions of Sections 5.362 and 5.365(e) of the Commission's Rules of Practice and Procedure (52 Pa. Code §§ 5.362, 5.365(e)) any party may, by objection or motion, seek further protection with respect to HIGHLY CONFIDENTIAL protected material, including, but not limited to, total prohibition of disclosure or limitation of disclosure only to particular parties.

7. For purposes of this Protective Order, a Reviewing Representative may not be a “Restricted Person” absent agreement of the party producing the Proprietary Information pursuant to Paragraph 11. A “Restricted Person” shall mean: (a) an officer, director, stockholder, partner, or owner of any competitor of the parties or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor’s products or services or advising another person who has such duties; (b) an officer, director, stockholder, partner, or owner of any affiliate of a competitor of the parties (including any association of competitors of the parties) or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor's products or services or advising another person who has such duties; (c) an officer, director, stockholder, owner, agent (excluding any person under Paragraph 6.i or 6.ii), or employee of a competitor of a customer of the parties or of a competitor of a vendor of the parties if the Proprietary Information concerns a specific, identifiable customer or vendor of the parties; and (d) an officer, director, stockholder, owner or employee of an affiliate of a competitor of a customer of the parties if the Proprietary Information concerns a specific, identifiable customer of the parties; provided, however, that no expert shall be disqualified on account of being a stockholder, partner, or owner unless that expert’s interest in the business would provide a significant motive for violating the limitations of permissible use of the Proprietary Information. For purposes of this Protective Order, stocks, partnership or other ownership interests valued at more than \$10,000 or constituting more than a 1% interest in a business establish a significant motive for violation. A “Restricted Person” shall not include an expert for the Office of Small Business Advocate or Office of Consumer Advocate.

8. If an expert for a party, another member of the expert’s firm or the expert’s firm generally also serves as an expert for, or as a consultant or advisor to, a Restricted Person (other than an expert or expert firm retained by the Office of Small Business Advocate or Office of

Consumer Advocate), that expert must: (1) identify for the parties each Restricted Person and all personnel in or associated with the expert's firm that work on behalf of the Restricted Person; (2) take all reasonable steps to segregate those personnel assisting in the expert's participation in this proceeding from those personnel working on behalf of a Restricted Person; and (3) if segregation of such personnel is impractical, the expert shall give to the producing party written assurances that the lack of segregation will in no way adversely affect the interests of the parties or their customers. The parties retain the right to challenge the adequacy of the written assurances that the parties' or their customers' interests will not be adversely affected. No other persons may have access to the Proprietary Information except as authorized by order of the Commission.

9. Reviewing Representatives qualified to receive "HIGHLY CONFIDENTIAL" protected material may discuss HIGHLY CONFIDENTIAL protected material with their client or with the entity with which they are employed or associated, to the extent that the client or entity is not a "Restricted Person," but may not share with, or permit the client or entity to review or have access to, the HIGHLY CONFIDENTIAL protected material.

10. Proprietary Information shall be treated by the parties and by the Reviewing Representative in accordance with the terms of this Protective Order, which are hereby expressly incorporated into the certificate that must be executed pursuant to Paragraph 12(a). Proprietary Information shall be used as necessary, for the conduct of this proceeding and for no other purpose. Proprietary Information shall not be disclosed in any manner to any person except a Reviewing Representative who is engaged in the conduct of this proceeding and who needs to know the information in order to carry out that person's responsibilities in this proceeding, provided, however, that counsel for I&E, the Office of Consumer Advocate, and Office of Small Business Advocate may share Proprietary Information with the I&E Director, the Consumer Advocate, and the Small Business Advocate, respectively, without obtaining a Non-Disclosure

Certificate from these individuals, provided, however, that these individuals otherwise abide by the terms of the Protective Order.

11. Reviewing Representatives may not use anything contained in any Proprietary Information obtained through this proceeding to give any party or any competitor of any party a commercial advantage. In the event that a party wishes to designate as a Reviewing Representative a person not described in paragraph 6 (i) through (iii) above, the party must first seek agreement to do so from the party providing the Proprietary Information. If an agreement is reached, the designated individual shall be a Reviewing Representative pursuant to Paragraph 6 (iv) above with respect to those materials. If no agreement is reached, the party seeking to have a person designated a Reviewing Representative shall submit the disputed designation to the presiding Administrative Law Judge for resolution.

12. (a) A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Proprietary Information pursuant to this Protective Order unless that Reviewing Representative has first executed a Non-Disclosure Certificate in the form provided in Appendix A, provided, however, that if an attorney or expert qualified as a Reviewing Representative has executed such a certificate, the paralegals, secretarial and clerical personnel under his or her instruction, supervision or control need not do so. A copy of each executed Non-Disclosure Certificate shall be provided to counsel for the party asserting confidentiality prior to disclosure of any Proprietary Information to that Reviewing Representative.

(b) Attorneys and outside experts qualified as Reviewing Representatives are responsible for ensuring that persons under their supervision or control comply with the Protective Order.

13. The parties shall designate data or documents as constituting or containing Proprietary Information by stamping the documents “CONFIDENTIAL” or “HIGHLY CONFIDENTIAL” protected material. Where only part of data compilations or multi-page documents constitutes or contains Proprietary Information, the parties, insofar as reasonably practicable within discovery and other time constraints imposed in this proceeding, shall designate only the specific data or pages of documents which constitute or contain Proprietary Information. The Commission and all parties, including the statutory advocates and any other agency or department of state government will consider and treat the Proprietary Information as within the exemptions from disclosure provided in the Pennsylvania Right-to-Know Act (65 P.S. § 67.708(b)(11)) until such time as the information is found to be non-proprietary.

14. Any public reference to Proprietary Information by a party or its Reviewing Representatives shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Proprietary Information to understand fully the reference and not more. The Proprietary Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review.

15. Part of any record of this proceeding containing Proprietary Information, including but not limited to all exhibits, writings, testimony, cross examination, argument, and responses to discovery, and including reference thereto as mentioned in paragraph 14 above, shall be sealed for all purposes, including administrative and judicial review, unless such Proprietary Information is released from the restrictions of this Protective Order, either through the agreement of the parties to this proceeding or pursuant to an order of the Commission.

16. The parties shall retain the right to question or challenge the confidential or proprietary nature of Proprietary Information and to question or challenge the admissibility of Proprietary Information. If a party challenges the designation of a document or information as

proprietary, the party providing the information retains the burden of demonstrating that the designation is appropriate.

17. The parties shall retain the right to object to the production of Proprietary Information on any proper ground, and to refuse to produce Proprietary Information pending the adjudication of the objection.

18. Within 30 days after a Commission final order is entered in the above-captioned proceeding, or in the event of appeals, within thirty days after appeals are finally decided, the receiving party, upon request, shall either destroy or return to the parties all copies of all documents and other materials not entered into the record, including notes, which contain any Proprietary Information. In its request, a providing party may specify whether such materials should be destroyed or returned. In the event that the materials are destroyed instead of returned, the receiving party shall certify in writing to the providing party that the Proprietary Information has been destroyed. In the event that the materials are returned instead of destroyed, the receiving party shall certify in writing to the providing party that no copies of materials containing the Proprietary Information have been retained.

Date: _____, 2024

Marta Guhl
Administrative Law Judge

Darlene Heep
Administrative Law Judge

APPENDIX A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
: **Docket No. R-2024-3046932**
v. :
: **PECO ENERGY COMPANY –** :
GAS DIVISION :

NON-DISCLOSURE CERTIFICATE

TO WHOM IT MAY CONCERN:

The undersigned is the _____ of _____
(the receiving party).

The undersigned has read and understands the Protective Order deals with the treatment of Proprietary Information. The undersigned agrees to be bound by, and comply with, the terms and conditions of said Order, which are incorporated herein by reference.

SIGNATURE

PRINT NAME

ADDRESS

EMAIL

EMPLOYER

DATE: _____

EXHIBIT D

Proposed Rate Case Schedule

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	Docket No. R-2024-3046932
	:	
PECO ENERGY COMPANY – GAS DIVISION	:	

PROPOSED SCHEDULE

Rate Case Filing	March 28, 2024
Prehearing Conference	May 7, 2024
Public Input Hearings	Week of June 3, 2024
Non-Company Direct Testimony	June 17, 2024
Rebuttal Testimony	July 16, 2024 (by noon)
Surrebuttal Testimony	July 30, 2024
Written Rejoinder Outline	August 1, 2024 (by 4pm)
Oral Rejoinder Testimony and Hearings	August 5-7, 2024
Main Briefs	August 21, 2024
Reply Briefs	August 30, 2024