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September 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 for filing is the **Main Brief of PECO Energy Company** (“Main Brief”), in the above-captioned proceeding. As evidenced by the Certificate of Service, copies of the Main Brief are being served upon Administrative Law Judge Marta Guhl, Administrative Law Judge Darlene Heep, and all parties of record.

If you have any questions, please contact me at 215.963.5384.

Very truly yours,



Kenneth M. Kulak

KMK/tp
Enclosures

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

**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 the **Main Brief of PECO Energy Company** on the following persons in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

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Dated: September 6, 2024

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**MAIN BRIEF OF
PECO ENERGY COMPANY**

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I. INTRODUCTION

A. Description of Company

PECO Energy Company (“PECO” or “the Company”) is a public utility as defined in 66 Pa.C.S. § 102.¹ The Company provides natural gas service to over half a million customers. PECO’s natural gas service region is located throughout a 1,900 square-mile area in southeastern Pennsylvania adjacent to, but exclusive of, the City of Philadelphia. The Company’s gas service territory comprises all or portions of Bucks, Chester, Delaware, Montgomery, and Lancaster counties and includes a total population served of approximately 2.6 million people. PECO is a subsidiary of Exelon Corporation (“Exelon”).²

A. Procedural History

On March 28, 2024, PECO initiated this rate case by filing with the Commission Tariff Gas – Pa. P.U.C. No. 6 (“Tariff No. 6”) requesting approval by the Pennsylvania Public Utility Commission (the “Commission” or “PUC”) of an increase in total operating revenues to become effective May 27, 2024. The requested increase in PECO’s initial filing equaled \$111 million based on data for a fully projected future test year (“FPFTY”) ending December 31, 2025. PECO also requested PUC approval of a weather normalization adjustment (a “WNA”) as an alternative rate mechanism in accordance with Section 1330 of the Code.³

On April 25, 2024, the Commission instituted a formal investigation of PECO’s existing and proposed rates and the Company’s proposed tariff was suspended by operation of law until December 28, 2024. On May 28, 2024, PECO filed a suspension tariff supplement reflecting a

¹ Hereafter all references to a “Section” are to the Pennsylvania Public Utility Code (“Code”), 66 Pa.C.S. §§ 101 *et seq.*, unless indicated otherwise.

² See PECO St. 1, pp. 2-3; PECO St. 2, pp. 23-24.

³ PECO St. 1, p. 5; PECO Exhibit MJT-1, Sch. A-1.

conditional extension of the suspension period to December 30, 2024 that would allow the Company to recoup revenues lost during the period from the anticipated effective date of new rates (i.e., January 1, 2025) through the date the Commission makes those rates effective by approving PECO's compliance filing in these proceedings.

Following discovery, testimony, evidentiary hearings and extensive negotiations, PECO, the Commission's 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"), the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), the Southeastern Pennsylvania Transportation Authority ("SEPTA"), and Walmart Inc. ("Walmart") (collectively, the "Joint Petitioners") entered into a Joint Petition for Non-Unanimous Partial Settlement of Rate Investigation ("Joint Petition"). The Joint Petition, filed on August 30, 2024, has a detailed procedural history, which is incorporated herein by reference. If the settlement embodied in the Joint Petition ("Settlement") is approved without modification, it will resolve all issues in this rate case among the Joint Petitioners except for PECO's proposed WNA. Local 614 of the International Brotherhood of Electrical Workers, AFL-CIO ("IBEW" or the "Union") is the only party that opposes the Settlement.

B. Overview of PECO's Filing

The principal reason for this rate request is PECO's substantial investment in new and replacement gas utility plant to maintain and enhance the safety and reliability of PECO's gas distribution system. As the Company's witnesses testified, PECO will invest approximately \$786 million in new and replacement gas utility plant in 2024 and 2025. At the same time,

materials and contracting costs have escalated as a result of general inflationary trends and high interest rates.⁴

Due in large part to the Company's substantial investment in utility plant, PECO's gas operations are projected to produce an overall return on invested capital of only 5.82% for the FPFTY. More importantly, the indicated return on common equity under presented rates is anticipated to be only 6.90%, which is far less than required to provide the Company with a reasonable opportunity to attract capital.⁵

C. Overview of the Settlement

The Settlement provides an annual increase in PECO's gas distribution revenues of \$78 million to become effective as of January 1, 2025, in addition to the Distribution System Improvement Charge revenue of \$18 million that will be rolled into base rates.⁶ Significantly, if the Joint Petition is approved, PECO will not file for another gas distribution base rate increase prior to March 16, 2026.⁷

The Settlement also includes significant enhancements to augment PECO's low-income customer assistance programs, address customer service and consumer protection issues raised in these proceedings, and improve gas safety.⁸ The Joint Petitioners were also able to agree on the customer class allocation of the revenue increase under the rates shown in the gas tariff provided as Appendix A and the proof of revenues set forth in Appendix B to the Joint Petition.⁹

⁴ PECO St. 1, p. 5; PECO St. 2, pp. 3-4.

⁵ See PECO St. 2, p. 7; PECO Ex. MJT-1 Revised, Sch. A-1.

⁶ See Joint Petition, ¶ 13.

⁷ *Id.*, ¶ 15.

⁸ See *id.*, ¶¶ 25-52.

⁹ *Id.*, ¶ 16.

Furthermore, the Joint Petitioners agreed that the Settlement was just, reasonable, supported by substantial evidence and in the public interest.¹⁰

The Joint Petitioners did not agree on PECO's proposed WNA, with the OCA and CAUSE-PA opposing the Company's WNA, and I&E and OSBA recommending that if the WNA is approved, the Commission impose certain conditions, some of which the Company opposes. Under the Settlement, the Joint Petitioners reserved all of the WNA issues for litigation and resolution by the Commission.

D. Burden of Proof

While Section 315(a) provides that a utility has the burden to prove that proposed rates are just and reasonable, it "cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing."¹¹ A party proposing an adjustment to a ratemaking claim bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment,¹² and Section 332(a) establishes a burden of proof separate from that in Section 315 for those entities that propose a rule or order. Rejecting evidence contrary to a public utility's position is not an impermissible shifting of the evidentiary burden.¹³

II. SUMMARY OF ARGUMENT

In its initial filing, PECO proposed a gas base rate increase of \$111 million. Under the terms of the Settlement, if approved, PECO would: (1) increase its base rates by approximately \$78 million and (2) agree to a base rate stay-out that will provide customers base rate stability for

¹⁰ *Id.*, ¶¶ 53-54.

¹¹ *Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Elec. Div.*, Docket No. R-2017-2640058 (Order entered Oct. 4, 2018), p. 7.

¹² *NRG Energy, Inc. v. Pub. Util. Comm'n.*, 233 A.2d 936 (Pa. Commw. Ct. 2020), p. 23.

¹³ *U.S. Steel Corp. v. Pub. Util. Comm'n.*, 456 A.2d 686 (Pa. Commw. Ct. 1983).

a period of at least two years. The record evidence supports the increase provided in the Settlement that is more than \$30 million less than PECO's original request. As set forth in the Joint Petition, the settling parties agree that the Settlement rates are just and reasonable and substantiated by the evidence in this case.

With respect to the single issue reserved for litigation under the Settlement, the Commission has made clear that WNAs – which ensure that utilities are better able to recover their fixed costs to support long-term planning and system improvements while protecting customers from high charges in the event weather is colder-than-normal – are entirely permissible under the Code and in the public interest. Four natural gas distribution companies (“NGDCs”) in Pennsylvania serve customers using a WNA,¹⁴ and a fifth – Peoples Natural Gas (“Peoples”) – has proposed a WNA that was recently recommended for Commission approval.¹⁵ The Company's proposed WNA is similar in function and substance to the WNAs that the Commission has already approved, consistent with the Commission's Policy Statement on alternative ratemaking, and fully supported by the evidence presented by PECO in this proceeding.

Contrary to the arguments of the OCA and CAUSE-PA, PECO's WNA will not impermissibly shift risk to customers, nor will it disproportionately impact low-income customers in light of the protections in place for customers participating in PECO's customer assistance program (“CAP”), the ability to combine the WNA with PECO's budget billing

¹⁴ See *Pa. Pub. Util. Comm'n v. Nat'l Fuel Gas Distrib. Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023); *Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2021-3030218 (Opinion and Order entered Sept. 15, 2022); *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-2012-2321748 (Order entered May 23, 2013); *Pa. Pub. Util. Comm'n v. Phila. Gas Works*, Docket No. R-00017034 (Order entered Aug. 8, 2002).

¹⁵ *Pa. Pub. Util. Comm'n v. Peoples Nat. Gas Co. LLC*, Docket No. R-2023-3044549 (Recommended Decision issued July 15, 2024), pp. 42-46.

program, and the continuing ability of customers to reduce their overall bill by lowering their consumption through energy efficiency or other actions. Similarly, certain proposed revisions to the WNA by OSBA and I&E – namely, an increased “deadband” and heating degree day threshold that would preclude application of the WNA when actual weather varies from normal weather, and a new process for monitoring customers’ implied heating usage – are both unnecessary and unsupported in the record. And to the extent that the OCA raises broader issues for NGDCs, such as incorporating climate risk into load forecasting or additional regulatory changes, those issues should be addressed in a generic Commission proceeding and not in an individual utility proceeding.

As previously noted, IBEW is the only party that opposes the Settlement. In Sections IV and V, PECO addresses IBEW’s various proposals relating to PECO’s customer service representatives (“CSRs”), allegations regarding PECO’s vacancy rate and proposed changes to PECO’s workforce planning, and requests that PECO provide a variety of additional reports for IBEW and others. PECO’s witnesses discussed each of IBEW’s requests in detail in their testimony and at hearings, and none of IBEW’s proposals have merit. For example, the Company already provides extensive training to its CSRs (and their supervisors), and feedback from the CSRs themselves regarding this training has been quite positive. Similarly, IBEW’s argument that PECO should provide reports similar to its affiliate, Baltimore Gas and Electric (“BGE”), regarding annual capital and operations and maintenance (“O&M”) project lists along with reconciliations of rate base and operating income ignores the fact that those reports were required as part of the Maryland Public Service Commission’s approval of a multi-year rate plan for BGE – an alternative ratemaking structure that PECO has not proposed. The Commission

should therefore reject each of IBEW’s proposals and approve the Settlement supported by the Joint Petitioners, with the WNA as proposed by PECO.

III. WEATHER NORMALIZATION ADJUSTMENT

A. PECO’s Proposed WNA

Section 1330 of the Code provides that a public utility may propose alternative rates and rate mechanisms in a base rate proceeding.¹⁶ The Commission’s regulations also expressly state that an NGDC may propose a WNA in a base rate proceeding.¹⁷

WNAs have been in place in the Commonwealth for over two decades. The Commission first approved a WNA for Philadelphia Gas Works (“PGW”) in 2002.¹⁸ Commission approval of a WNA for Columbia Gas of Pennsylvania (“Columbia”) followed in 2013.¹⁹ The Commission more recently approved WNAs for UGI Utilities, Inc. - Gas Division (“UGI”) in 2022²⁰ and National Fuel Gas Distribution Corporation (“NFG”) in 2023.²¹ And Peoples proposed a WNA in its most recent base rate case, which was approved by the Administrative Law Judge (“ALJ”) in a Recommended Decision and is currently before the Commission for review.²²

¹⁶ 66 Pa.C.S § 1330(b). *See also* 52 Pa. Code § 69.3301.

¹⁷ 52 Pa. Code § 69.3303. The Commission further explained that a WNA, “if proposed and implemented with care, could balance utility and consumer needs by just and reasonable means that better ensure utility revenue recovery and system use.” *Fixed Utility Distribution Rates Policy Statement*, Final Policy Statement Order at 25, Docket No. M-2015-2518883 (July 11, 2019).

¹⁸ *Pa. Pub. Util. Comm’n v. Phila. Gas Works*, Docket No. R-00017034 (Order entered Aug. 8, 2002).

¹⁹ *Pa. Pub. Util. Comm’n v. Columbia Gas of Pa., Inc.*, Docket No. R-2012-2321748 (Order entered May 23, 2013).

²⁰ *Pa. Pub. Util. Comm’n v. UGI Utilities, Inc. – Gas Div.*, Docket No. R-2021-3030218 (Opinion and Order entered Sept. 15, 2022)

²¹ *Pa. Pub. Util. Comm’n v. Nat’l Fuel Gas Distrib. Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023).

²² *Pa. Pub. Util. Comm’n v. Peoples Nat. Gas Co. LLC*, Docket No. R-2023-3044549 (Recommended Decision issued July 15, 2024).

The Company's proposed WNA is similar in function and substance to the WNAs that the Commission has already approved and which are being utilized by NGDCs in the Commonwealth today. WNAs ensure that utilities are better able to recover their fixed costs while protecting customers from high charges in the event weather is colder-than-normal. Greater revenue stability also allows utilities to focus on long-term planning and infrastructure improvements to benefit customers. Thus, customers and gas distribution utilities mutually benefit from WNAs. As explained by then-Chairman Gladys Brown Dutrieuille when the Commission approved Columbia's WNA:

The Weather Normalization Adjustment works bi-directionally to insulate customers from high bills during the extremely cold months, while also limiting the decline in revenue for Columbia during unseasonably warm heating months. This...stabilizes Columbia's cash flow, and in turn, allows Columbia to more acutely focus on operational items within its control; namely infrastructure upgrades and repairs. Further, since this decoupling mechanism is only applied to the distribution component of the bill, and not the natural gas commodity charge, incentives for efficient consumption are maintained.²³

PECO similarly proposed its WNA mechanism for two primary purposes: to (i) provide customers with more predictability, which will enable customers to budget and pay their bills and mitigate the impact of higher bills during severely cold months, and (ii) provide PECO with greater certainty in its ability to earn the distribution revenues authorized by the Commission when setting rates.²⁴

²³ *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Statement of Chairman Gladys M. Brown, Docket No. R-2018-2647577 (Dec. 6, 2018).

²⁴ PECO St. 3, p. 66, PECO St. 3-R, pp. 11-12. *See also* Hearing Tr. 824:3-15 ("customers will be able to budget based on normal weather – or, to put it more simply – budget based on their actual bill in a given month based on normal temperatures.").

The WNA will operate in a similar manner to the other WNAs that have been approved by the Commission.²⁵ PECO witness Michael J. Trzaska explained in detail how the Company will calculate billing adjustments under the WNA, noting that PECO's WNA shares many similarities with the WNAs of NFG, Columbia, PGW, and UGI.²⁶ The WNA will be applied to PECO's residential and non-residential customers receiving service under the Company's GR and GC rate schedules in the months of October through May, and will adjust the amount billed to customers to offset the impact of actual heating degree day variations for normal heating degree days.²⁷ The Company also proposed to incorporate customer protections including utilizing a 1% deadband (i.e., no adjustment will be applied if actual weather falls within the deadband),²⁸ implementing a cap on May distribution revenues under the WNA,²⁹ and developing WNA educational materials for customers.³⁰ The Company also agreed to annual reporting obligations proposed by I&E witness Ethan Cline³¹ and with OSBA witness Mark Ewen to adopt communication and outreach efforts consistent with programs implemented by other utilities after approval of a WNA mechanism.³²

The OCA and CAUSE-PA offer various reasons for why the Commission should deny the Company's proposed WNA, but as explained in further detail below, the Company's WNA is

²⁵ PECO St. 3, pp. 69-73.

²⁶ *Id.* (noting that the WNAs mostly apply with residential heating customers and certain non-residential heating customers, and utilize a similar calculation).

²⁷ *Id.*, p. 69.

²⁸ *Id.*

²⁹ Hearing Tr. 826:22-827:6.

³⁰ PECO St. 3, p. 79; PECO St. 3-R, pp. 24-25.

³¹ *See* I&E St. 3, pp. 6-7; PECO St. 3-R, p. 22.

³² PECO St. 3-R, p. 24. Following approval of the WNA, PECO will (i) notify customers and provide a bill insert describing the implementation of the WNA and instructions to access further information; (ii) have "FAQs" (i.e., frequently asked questions) on PECO's website to educate customers; (iii) provide its CSRs with WNA-specific training; and (iv) monitor customer feedback and adjust its customer approach if necessary.

reasonable and should be approved. The Company fully supported its proposal, demonstrated a clear need for the WNA, and showed that it is consistent with the Code, Commission precedent, and the Commission's policy factors set forth at 52 Pa. Code § 69.3302.³³ Furthermore, the Company proposed appropriate customer protections, refuted the arguments advanced by the OCA and CAUSE-PA that the WNA will unfairly shift risk to customers and disproportionately impact low-income customers, and demonstrated that I&E's and OSBA's proposed revisions to the WNA are unnecessary and unsupported.³⁴ In addition, PGW's experience in May 2022 does not warrant denying or modifying the Company's WNA, and broader policy considerations should be addressed outside of this base rate case.³⁵

B. The WNA Is Necessary to Better Enable the Company to Recover Its Commission-Authorized Distribution Revenue

The Company's cost structure is largely fixed and does not vary depending on customer usage of natural gas due to the significant fixed investments required to construct and operate the Company's distribution system.³⁶ However, fixed costs are primarily recovered on a volumetric basis through the Company's rate design.³⁷ Volumetric rates are designed to match customers' contributions to fixed costs through rate calculations that are based on the Company's sales projections utilizing "weather normal" assumptions.³⁸ The Company derives these assumptions

³³ See *infra* Sections III.B, III.D., and III.F.

³⁴ See *infra* Sections III.C, III.D, and III.H.

³⁵ See *infra* Sections III.G and III.I.

³⁶ PECO St. 3, pp. 66-67.

³⁷ *Id.*

³⁸ *Id.*

by analyzing thirty years of data, and the assumptions are recalculated annually using the latest thirty-year period.³⁹

Actual weather will always vary to some degree from the Company's weather normal assumptions. As a result, the actual amounts paid by customers and recovered by the Company through volumetric rates will not exactly match the Company's Commission-authorized volumetric cost recovery.⁴⁰ If actual temperatures are colder-than-normal, it will result in customers paying more to the Company than its authorized revenue, and when temperatures are warmer-than-normal, it will result in customers paying less to the Company than its authorized revenue.⁴¹ The Company's inability to recover its Commission-authorized revenues could impair its ability to continue to maintain and enhance the safety and reliability of its system.⁴² Significant deviation in actual weather from normal weather can also produce volatile financial results, which can impact the Company's ability to attract the capital necessary to fund its investments.⁴³ Conversely, the enhanced revenue stability provided by the WNA will support PECO's focus on long-term planning and infrastructure improvements to benefit its customers. The WNA is intended to reduce volatility in customer bills due to changes in weather conditions as well as the Company's ability to recover its authorized distribution revenues.

Other utilities experienced similar circumstances when seeking a WNA. For example, when the Commission approved UGI's WNA, then-Chairman Gladys Brown Dutrieuille stated:

UGI recovers a significant portion of its fixed costs utilizing volumetric rates. Such fixed costs do not vary with the amount of gas delivered to customers. The Weather Normalization

³⁹ PECO St. 2, pp. 21-22.

⁴⁰ PECO St. 3, p. 67.

⁴¹ *Id.*

⁴² *Id.*, pp. 79-80.

⁴³ *Id.*, p. 80.

Adjustment here is designed to recover distribution revenues needed to satisfy the cost-of-service requirements determined in this proceeding while mitigating the variance between actual and projected revenues due to weather. This decoupling of uncontrollable weather from revenues should stabilize UGI's cashflow, and in turn, allow UGI to focus on operational items within its control, namely infrastructure upgrades and repairs. Further, since this decoupling mechanism is only applied to the distribution component of the bill, and not to the natural gas commodity charge, incentives for efficient consumption are maintained.⁴⁴

The Commission should find here that the WNA is necessary to assist the Company in recovering its Commission-authorized distribution revenues.

C. The WNA Will Not Unfairly Shift Risk to Customers

OCA witness Ron Nelson and CAUSE-PA witness Elizabeth Marx assert that the WNA will unfairly shift risk from shareholders to customers.⁴⁵ Mr. Nelson also concludes that the WNA will impermissibly shift climate change risk to customers.⁴⁶ However, the OCA and CAUSE-PA ignore that the Commission has already determined that WNAs are an acceptable ratemaking mechanism to address the inherent unpredictability in weather that benefits both utilities and customers. The Company's WNA does not unfairly shift risk to customers. The WNA is a reciprocal mechanism that will provide credits to customers when actual weather is colder-than-normal, and is designed to ensure that customers will only pay for, and the Company will only collect, the distribution revenue authorized by the Commission, as adjusted by the proposed deadband.⁴⁷ The Company will benefit from greater certainty in revenue when weather is warmer-than-normal and customers will be protected against higher bills when weather is

⁴⁴ *Pa. Pub. Util. Comm'n v. UGI Utilities, Inc. – Gas Div.*, Statement of Chairman Gladys Brown Dutrieuille, Docket No. R-2021-3030218 (Sept. 15, 2022).

⁴⁵ OCA St. 6, pp. 8-18; CAUSE-PA St. 1, p. 67.

⁴⁶ OCA St. 6, p. 9; OCA St. 6-SR, pp. 4-5.

⁴⁷ PECO St. 3-R, pp. 11-12.

colder-than-normal. Thus, the WNA reduces risk to both the Company and customers.⁴⁸ ALJ Long's decision regarding the OCA's opposition to Peoples's WNA is particularly relevant. The Recommended Decision states:

While it seems like a WNA does nothing more than shift the risk of warmer weather from a utility to its customers, it is also true that gas utilities have certain fixed costs for providing service that may be impacted by the revenue lost due to lower consumption during warmer winter months. Accordingly, the Commission has approved WNA mechanisms for other gas utilities in the Commonwealth. The arguments made by OCA in opposition to this settlement term are arguments that can be made in opposition to *any* WNA. While Peoples concedes that its customer profile and weather are different from PGW, there is no evidence to conclude that Peoples is significantly unique from other gas utilities in neighboring regions. As the WNA in the Joint Petition is consistent with WNAs that the Commission has approved for other gas utilities, I recommend that the Commission approve the WNA in the Joint Petition.⁴⁹

The Commission should reach the same result here.

The OCA's claim that the WNA is an attempt to shift climate change risk to customers should also be rejected. The Company's 30-year weather normal calculations are updated on an annual basis and, therefore, take into account the most recent weather data when forecasting sales and usage and anticipated heating degree days.⁵⁰ The OCA and CAUSE-PA seem to believe it is a foregone conclusion that weather will be warmer-than-normal in any given month. While customers may experience warmer-than-normal weather, they may also experience colder-than-normal weather and, in those months, the WNA will protect customers from higher bills.

⁴⁸ *Id.*

⁴⁹ *Pa. Pub. Util. Comm'n v. Peoples Nat. Gas Co., LLC*, Recommended Decision, Docket No. R-2023-3044549 (July 15, 2024) at 46.

⁵⁰ PECO St. 3-R, p. 13.

The Commission has determined that is a reasonable result for PGW, Columbia, UGI, and NFG, and should reach the same conclusion with respect to PECO's WNA.

D. The WNA Will Not Disproportionately Impact Low-Income Customers

The OCA and CAUSE-PA also express concern that the WNA will disproportionately impact low-income customers.⁵¹ However, the Company demonstrated that this will not be the case. First, low-income customers enrolled in the Company's CAP will continue to receive bill discounts based on affordability under their percentage of income payment plan ("PIPP").⁵² These customers will not be impacted by the proposed WNA mechanism. Low-income CAP customers will be protected against bill increases if weather is colder-than-normal and, in the event that weather is warmer-than-normal, CAP customers will never be required to pay more than their PIPP affordability level. Second, as explained by PECO witness Trzaska, the combination of the WNA and budget billing will provide all low-income customers with greater billing predictability and stability than budget billing alone.⁵³ Third, customers will still be able to realize the benefits of reducing their usage through lowering their consumption or otherwise increasing their efficiency since non-weather-related reductions in usage will still reduce a customer's overall bill, including the portion of their bill subject to the WNA and commodity charges.⁵⁴ Finally, neither the OCA nor CAUSE-PA demonstrated that PECO's WNA will have

⁵¹ OCA St. 4, pp. 84-94; OCA St. 4-SR, pp. 1-6; CAUSE-PA St. 1, pp. 66-68; CAUSE-PA St. 1-SR, pp. 3-10.

⁵² PECO St. 3-R, p. 20.

⁵³ PECO St. 3-R, pp. 19-20, Hearing Tr. 824:3-20.

⁵⁴ *Id.*, p. 20. See also *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Statement of Chairman Gladys M. Brown, Docket No. R-2018-2647577 (Dec. 6, 2018); *Pa. Pub. Util. Comm'n v. UGI Utilities, Inc. – Gas Div.*, Statement of Chairman Gladys Brown Dutrieuille, Docket No. R-2021-3030218 (Sept. 15, 2022) (explaining, when the Commission approved the Columbia and UGI WNAs, that customers will still be incentivized to reduce consumption).

any greater or different impact on PECO's low-income customers than the impact of the respective WNAs of PGW, Columbia, UGI, and NFG on their low-income customers.

E. The Company Provided Adequate Support For Its Proposal

The OCA asserts that the Company did not provide adequate support for its WNA proposal since PECO did not conduct a customer-level impact analysis.⁵⁵ OCA witness Nelson claims that the Company's class-level revenue analysis is deficient.⁵⁶ However, there is no requirement to provide a customer-level analysis and the Commission has approved other WNAs that were not supported by customer-level analysis.

The Company provided a class-level analysis that reasonably assessed the potential impact of the WNA,⁵⁷ consistent with analyses provided to the Commission by other NGDCs prior to obtaining Commission approval of comparable WNA mechanisms.⁵⁸ The Company also understands the need for the Commission, customers, and other interested parties to understand how the WNA will impact customers going forward, and the Company has agreed to the annual reporting obligations proposed by I&E witness Cline.⁵⁹

F. Application of the Commission's Policy Statement Supports Approval of the WNA

Despite the OCA's and CAUSE-PA's assertions to the contrary,⁶⁰ application of the Commission's "distribution rate considerations" set forth at 52 Pa. Code § 69.3302 supports approval of the WNA.⁶¹ Notably, (i) the WNA will better align distribution revenues with cost

⁵⁵ OCA St. 6, p. 19.

⁵⁶ *Id.* See also OCA St. 6-SR, pp. 16-17.

⁵⁷ The Company's class-level analysis showed what the monthly impact of a WNA would have been over a ten-year period with 5%, 3%, and 1% deadband alternatives. See OCA St. 6, Exhibit RN-3.

⁵⁸ PECO St. 3-R, p. 14.

⁵⁹ See I&E St. 3; pp. 6-7; PECO St. 3-R, p. 22.

⁶⁰ OCA St. 6, pp. 22-23; OCA St. 6-SR, pp. 9-15; CAUSE-PA St. 1-SR, pp. 8-10.

⁶¹ See PECO St. 3, pp. 74-79; PECO St. 3-R, pp. 16-18.

causation principles, appropriately accounting for customer variation in usage due to weather;⁶² (ii) the WNA does disincentivize energy efficiency as the WNA mechanism only addresses variations due to weather;⁶³ (iii) customers will continue to be incentivized to employ energy efficiency measures and distributed energy resources as the WNA mechanism will not impact savings from non-weather related reductions in usage;⁶⁴ (iv) CAP customers will not be disproportionately impacted by the WNA mechanism;⁶⁵ (v) the WNA will improve rate stability in customer billing and mitigate volatility in monthly costs;⁶⁶ (vi) the WNA will insulate customers from higher bills during colder-than-normal months;⁶⁷ (vii) the WNA is understandable as it is not a new concept to gas customers in Pennsylvania or the broader regulated utility industry and PECO will develop appropriate educational materials and customer service training;⁶⁸ and (viii) the WNA will improve reliability by ensuring the Company recovers its cost of service.⁶⁹

CAUSE-PA also asserts that the Commission’s recent order in Pennsylvania-American Water Company’s (“PAWC’s”) recent base rate case indicates that the Company’s WNA proposal is not compliant with “the Commission’s decoupling framework.”⁷⁰ However, the WNA differs significantly from the revenue decoupling mechanism (“RDM”) proposed by

⁶² PECO St. 3, p. 75.

⁶³ *Id.*, p. 76. This was also noted by then-Chairman Gladys Brown Dutrieuille when the Commission approved Columbia’s and UGI’s respective WNAs. *See supra* fns. 23 and 44.

⁶⁴ *Id.*

⁶⁵ *Id.*, p. 77.

⁶⁶ *Id.*

⁶⁷ *Id.*, pp. 78-79.

⁶⁸ *Id.* p. 79.

⁶⁹ *Id.* This benefit was also recognized by then-Chairman Gladys Brown Dutrieuille when the Commission approved Columbia’s and UGI’s respective WNAs. *See supra* fns. 23 and 44.

⁷⁰ CAUSE-PA St. 1-SR, pp. 8-9. *See Pa. Pub. Util. Comm’n v. Pa. Am. Water Co.*, Docket No. R-2023-3043189 (Order entered July 22, 2024).

PAWC. The RDM would have compared revenues collected under Commission-approved rates with revenues that would have been collected utilizing straight fixed variable pricing.⁷¹ In contrast, the WNA will only result in a credit or surcharge if weather is colder-than-normal or warmer-than-normal, respectively, after application of the Company's proposed deadband.⁷² CAUSE-PA also noted that the Commission found the RDM would diminish the value of savings achieved from conservation efforts.⁷³ Unlike the RDM, WNAs maintain incentives for efficient consumption.⁷⁴ Similarly, the other factors for Commission disapproval of the RDM raised by CAUSE-PA should not result in the disapproval of the WNA since the Commission has already found that WNAs are a reasonable alternative ratemaking mechanism and has approved four mechanisms similar to the WNA proposed by the Company.

G. PGW's WNA Experience in May 2022 Does Not Warrant Disapproval of the Company's WNA

OCA asserts that the experience of PGW in May 2022 warrants substantial modifications to the Company's WNA or outright disapproval.⁷⁵ WNAs have been in operation in the Commonwealth since PGW's WNA was first approved by the Commission in 2002. The Company reviewed the experience of PGW and the other natural gas utilities in Pennsylvania with active WNAs.⁷⁶ The Company does not seek to minimize the impact to PGW customers in May 2022, but recognizes that PGW and the Commission took appropriate actions to reverse the

⁷¹ *Pa. Pub. Util. Comm'n v. Pa. Am. Water Co.*, Docket No. R-2023-3043189 (Order entered July 22, 2024) at 299.

⁷² PECO St. 3, pp. 69-70.

⁷³ CAUSE-PA St. 1-SR, p. 9.

⁷⁴ *See, e.g., Pa. Pub. Util. Comm'n v. UGI Utilities, Inc. – Gas Div.*, Statement of Chairman Gladys Brown Dutrieuille, Docket No. R-2021-3030218 (Sept. 15, 2022).

⁷⁵ *See* OCA St. 6, pp. 24-25; OCA St. 6-SR, pp. 16-17, 19-20.

⁷⁶ Hearing Tr. 826:1-10.

initial charges billed to customers and ensure PGW customers were not harmed.⁷⁷ Furthermore, PGW's WNA remains in place today⁷⁸ and the Commission approved the WNAs of UGI and NFG, and the continuance of Columbia's WNA, *after* the May 2022 PGW incident.⁷⁹ Neither the facts nor Commission precedent support denial of the Company's WNA proposal. Moreover, the Company believes that the customer protections discussed herein are sufficient to protect customers.

H. The Commission Should Reject the Additional Conditions Requested by I&E and OSBA

I&E and OSBA requested that if the Commission approves PECO's WNA, it should modify PECO's WNA to include certain conditions that PECO opposes. I&E recommended that the Commission require the inclusion of a 3% deadband.⁸⁰ The Company believes that a 1% deadband is appropriate. The purpose of the WNA is to account for variations in actual weather from normal weather. A higher deadband would undercut the intent of the WNA by limiting its application when actual weather varies from normal weather.⁸¹ OSBA proposed that the WNA

⁷⁷ *Petition of Philadelphia Gas Works for Emergency Order*, Docket No. P-2022-2022477 (Emergency Order entered July 1, 2022); *Pa. Pub. Util. Comm'n v. Phila. Gas Works (Tariff Supplement No. 152)*, Docket Nos. R-2022-3034229, P-2022-3034264 (Order entered Sept. 21, 2023).

⁷⁸ OCA recommended that the Commission suspend the operation of PGW's WNA. The ALJ, and ultimately the Commission, found that the OCA's position was not supported. The Recommended Decision noted that "[t]he Commission has already approved PGW's usage of the WNA mechanism and PGW has been successfully employing the alternative rate making method for a number of years. As PGW noted, the WNA only assists the Company in supporting revenues that have already been approved by the Commission in previous Base Rate Cases." The Recommended Decision also noted that "the use of the WNA mechanism helps to alleviate the need for even higher rate requests in the Base Rate Cases." *Pa. Pub. Util. Comm'n v. Phila. Gas Works*, Docket No. R-2022-3034229 (Recommended Decision July 19, 2023).

⁷⁹ *Pa. Pub. Util. Comm'n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2021-3030218 (Opinion and Order entered Sept. 15, 2022), *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-2022-3031211 (Opinion and Order entered Dec. 8, 2022), *Pa. Pub. Util. Comm'n v. Nat'l Fuel Gas Distrib. Corp.*, Docket No. R-2022-3035730 (Opinion and Order entered June 15, 2023), *Pa. Pub. Util. Comm'n v. Phila. Gas Works*, Docket No. R-2022-3034229 (Opinion and Order entered Sept. 21, 2023).

⁸⁰ I&E St. 3, pp. 5-6; I&E St. 3-SR, p. 6.

⁸¹ PECO St. 3, p. 70, PECO St. 3-R, pp. 19-20.

be modified so that it will not apply when actual heating degree days for a billing period are below 100 heating degree days, and that PECO be required to develop a process for monitoring customers' implied heating usage per degree day.⁸² These recommendations are not necessary nor are they supported in the record and, therefore, should be denied.⁸³

I. The Commission Should Address Broader Concerns in a Generic Proceeding

The OCA raised several concerns in the context of the WNA that the Company believes would be more appropriately addressed in a generic Commission proceeding rather than in the Company's base rate case. Mr. Nelson recommends that the Commission require PECO to incorporate climate change risk into its load forecasting and planning process and that the Company be required to update its most recent long-term infrastructure improvement plan in certain respects, including contracting with a third party to develop a range of load forecasts, and discussed the need for comprehensive reforms related to natural gas utilities.⁸⁴ As Mr. Trzaska explained, these concerns would be more appropriately addressed in a generic forum involving all natural gas utilities in the Commonwealth, not just PECO.⁸⁵

Mr. Nelson also asserts that the WNA should be complemented by more "robust" regulation relating to performance-based rates.⁸⁶ However, Mr. Nelson ignores to an extent that the Commission already undertook a comprehensive proceeding to consider alternative ratemaking mechanisms that may mutually benefit customers and utilities and established a framework through which utilities may propose alternative ratemaking mechanisms, including

⁸² OSBA St. 1, pp. 26-27.

⁸³ PECO St. 3-R, pp. 23-24.

⁸⁴ OCA St. 6, pp. 17-20; OCA St. 6-SR, pp. 17-18.

⁸⁵ PECO St. 3-R, p. 15.

⁸⁶ OCA St. 6, p. 11.

decoupling mechanisms in general and WNAs in particular.⁸⁷ That is exactly what the Company has done in this proceeding.

Furthermore, the Commission has recognized that the unpredictable nature of weather can have a detrimental effect on a gas distribution utility's ability to recover its Commission-authorized distribution revenues. The Commission has approved, for multiple gas utilities, the implementation of a WNA to alleviate that concern as well as to protect customers from higher bills in the event of colder-than-normal weather. The Commission has considered, from a policy and ratemaking perspective, many of the issues the OCA is raising; Mr. Nelson just does not like the result.

IV. CUSTOMER SERVICE REPRESENTATIVE ISSUES

In February 2024, PECO transitioned to a new customer care and billing software system known as "CC&B." In this proceeding, IBEW witness James Glenn made various allegations regarding the manner in which the CSRs were trained to use the CC&B system and proposed several recommendations based on his allegations. As PECO witness Jaqueline F. Golden testified, none of Mr. Glenn's recommendations are appropriate in light of the extensive CC&B training CSRs actually received and the steps PECO has taken during and following CC&B implementation to ensure that CSRs are able to perform well and are satisfied in their positions.

A. Adequacy of CSR Training on New Billing System

According to IBEW witness Glenn, PECO's CSRs were not given adequate training and time to practice use of the new software and that they are facing "great stress and pressure" because of PECO's new billing system. In his opinion, PECO should provide "formal and

⁸⁷ See Docket No. M-2015-2518883; 66 Pa.C.S. § 1330.

uniform training regarding use of the CC&B program to CSRs.”⁸⁸ However, Mr. Glenn’s assertions were entirely refuted by the testimony of PECO witness Golden, who detailed the extensive CSR training PECO provided consistent with industry best practices. After noting that PECO hired 200 additional CSRs in August and September of 2023 (which Mr. Glenn applauded), Ms. Golden explained the extensive training the CSRs received on PECO’s CC&B system:

The first phase of training, “Set the Foundation”, began in February 2022 and concluded in October 2022. This phase introduced CSRs to core CC&B concepts like the V-Model and included thirty-two (32) video demonstrations and training materials which are accessible to CSRs via the project’s New Horizons Resource Hub.

The second phase of the training, “Make it Real,” began in February 2023 and concluded in July 2023. This phase of training consisted of twenty-six (26) courses, focused on core processes that CSRs would need to follow in CC&B. Notably, approximately three hundred seventy-five (375) job aids were created to accompany these twenty-six (26) courses, all of which are accessible to CSRs via the project’s New Horizons Resource Hub. In addition, answers to questions CSRs asked in Make It Real were posted on the New Horizons Resource Hub.

The third phase of the training, “Practice and Prepare,” began in September 2023 and concluded in January 2024. This phase of training consisted of practice labs and refresher training on key topics. Many of these topics were solicited from CSRs themselves. Notably, one hundred percent (100%) of the CSRs completed this Practice and Prepare phase of the training.⁸⁹

As Ms. Golden also testified, PECO’s training program received positive feedback from the CSRs.⁹⁰

⁸⁸ IBEW St. 1-R, pp. 7-8.

⁸⁹ PECO St. 10-SR, pp. 2-3.

⁹⁰ *Id.*, pp. 3-4.

Mr. Glenn’s additional recommendations related to CSR CC&B training are also not warranted given that the Company has already addressed the recommendations raised with respect to CC&B:

- ***The “provision of the prior format of training for credit to CSRs.”*** As noted by Ms. Golden, CSRs were trained on CC&B’s credit and collections functionality beginning the week of May 27, 2024.⁹¹
- ***“CSRs be allowed to access the prior billing program (“CIMS”) while the CC&B program is further finessed.”*** As stated in the testimony of Ms. Golden, CIMS was permanently shut down on July 16, 2024.⁹²
- ***Faster training of new hires so that they can do more than “stop/start” emergency calls.*** The Company has already begun to implement quicker training and coordination of new hiring training in conjunction with CC&B training.⁹³
- ***No additional evaluations of CSRs while PECO is working through implementation of the new software.*** The Company did not hold CSRs accountable for their scorecard performance during initial roll out of CC&B until May 20, 2024. As of the end of June 2024, most CSRs were able to return to a nearly fully-remote work environment after they demonstrated proficiency with CC&B.⁹⁴

⁹¹ *Id.*, p. 5.

⁹² *Id.*

⁹³ *Id.*, p. 6.

⁹⁴ *Id.*, pp. 6-7.

B. Adequacy of Supervisor Support to CSRs

As with his CSR allegations, Mr. Glenn asserts that PECO should increase its training of supervisors with respect to certain billing matters. However, as Ms. Golden testified, PECO is in the process of implementing additional CC&B training for front-line supervisors which will be completed by the end of 2024.⁹⁵ And as Ms. Golden also explained, PECO arranged for “coaches” to be trained at the same time as the CSRs, and those coaches will provide support to CSRs in real time when they are addressing challenging questions.⁹⁶

C. CSR Overtime Requirements and Satisfaction

In his testimony, Mr. Glenn also contends that the CC&B rollout caused “great stress and pressure on CSRs” and “unplanned mandatory overtime.”⁹⁷ But as Ms. Golden explained, a CSR’s job responsibilities include mandatory overtime when required to assist customers.⁹⁸ And while the Company recognizes the challenges the CSRs faced during the CC&B rollout, the CSRs have quickly built proficiency with CC&B and have returned to a nearly fully-remote work environment.⁹⁹ In short, there is no additional action necessary in light of the completion

⁹⁵ *Id.*, pp. 5-6.

⁹⁶ *Id.*, p. 6.

⁹⁷ IBEW St. 1-R, p. 10.

⁹⁸ PECO St. 10-SR, pp. 5-6.

⁹⁹ *Id.*, pp. 6-7.

of the CC&B rollout, the Company’s ongoing training programs, and the success of CSRs in PECO’s new billing environment.

V. IBEW PROPOSALS

A. Worker Safety and Safety Standards

IBEW witness Glenn acknowledges that PECO has met required safety and reliability metrics for its customers but implies that PECO has not met requirements for its workers.¹⁰⁰ Mr. Glenn also argues that bargaining unit employees (“BUEs”) should have overseen the installation of the 11.5 mile pipeline and natural gas plant infrastructure in West Conshohocken,¹⁰¹ and that the Union should be included in future meetings to discuss the Company’s Pipeline Safety Management System (“PSMS”).¹⁰²

Mr. Glenn’s testimony is simply not consistent with the record evidence of PECO’s safety programs. As PECO witness Amy Hamilton explained, PECO has numerous programs to enhance worker safety and ended 2023 with its best safety record since 2018.¹⁰³ The Company uses a wide variety of tools to support the elimination of serious injuries and fatalities, including “the event free performance tool book; investigation and correction action programs; safety best practice program; regularly held safety meetings at a local, regional and companywide level; safety plans developed at a team level; and employee led safety teams department and companywide.”¹⁰⁴ As with many other gas and electric utilities across the nation, the Company also is working on implementing energy-based safety tools that have been recognized as a best

¹⁰⁰ IBEW St. 1, p. 10.

¹⁰¹ *Id.*, p. 11.

¹⁰² *Id.*

¹⁰³ PECO St. 1, pp. 27-28.

¹⁰⁴ PECO St. 1-R, p. 19.

practice by the Edison Electric Institute.¹⁰⁵ In fact, at the end of 2023, the American Petroleum Institute conducted an audit of PECO's conformance with all ten elements of the PSMS and PECO Gas received a scored 2.8 out of a possible 3.0.¹⁰⁶

The Company did not use BUEs to build the West Conshohocken project for two reasons. First, PECO's crews performing the day-to-day work on PECO's gas distribution system simply do not have the necessary pipeline project experience.¹⁰⁷ Second, the work that PECO's crews perform across the entire distribution system, including leak detection and remediation, maintenance and repair of system mains and services, and work required to install new customers, could not be done if those crews were assigned to a large, multi-year construction project.¹⁰⁸ As Ms. Hamilton explained, if PECO crews were used, the "project would have required at least six (6) crews ([comprised] of seven (7) members each) for two and a half (2.5) years. PECO would not have been able to complete this work and cover requirements with day-to-day operations of the utility gas business if it had used represented employees."¹⁰⁹

Moreover, contrary to Mr. Glenn's suggestions, PECO does consider input from its employees when considering improvements to workplace safety. And, once a change is made, the Company ensures that such change is widely publicized by issuing Procedure Change Notifications, convening safety meetings to review the new procedure(s), and displaying the change on the television slides located at every service building, which are updated weekly.¹¹⁰

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*, p. 20.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*, p. 21.

¹⁰⁹ *Id.*

¹¹⁰ *Id.*, p. 20.

B. PECO's Vacancy Rate, Budgeting and Workforce Planning Process

IBEW witness Glenn agrees that PECO should “be afforded rate relief sufficient to allow it to proactively ramp up its hiring in skilled classifications” so that the Company will have the right number of trained employees in place as retirements occur.¹¹¹ According to Mr. Glenn, this will allow PECO “to continue to provide safe and reliable service.”¹¹² Nonetheless, Mr. Glenn, relying on an order issued by the Arizona Corporation Commission (“ACC”),¹¹³ requests that the Company be required to publicly file an annual workforce planning report to ensure that PECO is making appropriate hiring decisions.

In rebuttal, Mr. Glenn states that he would support PECO's 2% vacancy factor “if PECO demonstrated it was implementing new methods for recruitment that would justify predicting a change in its vacancy factors.”¹¹⁴ However, in his surrebuttal testimony, Mr. Glenn complains that the record evidence does not show that PECO has made a commitment to change its hiring practices. He states that the Company has “poor internal workforce planning” and its budgeting process suffers because it does not track and plan hiring and retention efforts by job classification.¹¹⁵ As a result, Mr. Glenn no longer supports the Company's 2% vacancy rate and instead claims that payroll amounts in the FPFTY (\$173,658,000) be adjusted to reflect the OCA's proposed 4.4% vacancy rate, proposing a reduction of \$4,164,000¹¹⁶ – a claim the OCA itself is no longer pursuing, having joined the Settlement. Furthermore, the basis for Mr. Glenn's outsized proposed adjustment is entirely unclear since OCA witness DeFever's proposed payroll

¹¹¹ IBEW St. 1, p. 7.

¹¹² *Id.*

¹¹³ *Id.*, pp. 8-9.

¹¹⁴ IBEW St. 1-R, pp. 4-5.

¹¹⁵ IBEW St. 1-SR, p. 2.

¹¹⁶ *Id.*, p. 4.

expense reduction in this proceeding, based on applying a 4% vacancy rate, was only \$1,049,000.

The Company's 2% vacancy rate accounts for the fact that there always will be a certain level of predictable vacancies. PECO witness Marissa Humphrey explains that OCA witness John Defever inappropriately derived his proposed 4.4% vacancy rate by averaging actual vacancies over 2019 through 2023 since it would be "unreasonable to use a simple five-year average of actual vacancies when the Company's ability to hire and retain workers was significantly impacted in and around 2020-2022 by the COVID-19 pandemic."¹¹⁷ Moreover, a 2% vacancy rate is consistent with the Company's actual 1.9% vacancy rate through the first quarter of 2024.¹¹⁸

Mr. Glenn's request for a change to PECO's hiring and recruitment practices should be rejected. PECO witness Hamilton testified that the Company offers competitive wage and benefit packages for its employees and that the 2% vacancy rate demonstrates that PECO's current hiring and retention practices are clearly effective.¹¹⁹ She also noted that PECO and the Union have negotiated several collective bargaining agreements that reflect mutual agreement on wages and benefits. Mr. Glenn himself also stated that PECO and the Union have a "mature and stable" relationship and have successfully negotiated new collective bargaining agreements that are "the product of good-faith bargaining, characterized by give-and-take exchanges, proposals, [and] counter-proposals."¹²⁰

¹¹⁷ PECO St. 2-R, pp. 8-11.

¹¹⁸ *Id.*

¹¹⁹ PECO St. 1-SR, p. 4.

¹²⁰ IBEW St. 1, p. 3.

Furthermore, PECO is already engaged in expanded hiring of BUEs. PECO witness Humphrey explained that there is a plan in place to increase projected head count from 682 full-time equivalent employees (“FTEs”) to 701 FTEs by December 31, 2024, and 705 FTEs by December 31, 2025, including employees in PECO’s field operations department (“Field Ops”).¹²¹ This hiring will primarily be accomplished by the schools PECO runs each year, as Ms. Humphrey explained:

The Company’s Gas Mechanic school is held annually (with the exception of 2020 due to the COVID-19 pandemic). A Gas Mechanic school has been scheduled for the FTY (October 2024) and the FPFTY (October 2025). The Company has regularly met its hiring projections from its schools. The scheduled schools in the FTY and FPFTY are expected to result in 35 graduates (i.e., FTEs) hired into the Company’s Field Ops by the end of the FPFTY. Each school and its hiring goals are planned based upon current vacancies and forecasted attrition to enable the Company to maintain its required workforce.

The schedule and hiring goals of these schools are also planned to align with the Company’s Field Ops hiring plan and Gas Operations work plan, which are fundamental to ensuring continued safe and reliable operations, and which also support the Company’s Pennsylvania Public Utility Commission (“Commission”)-approved long-term infrastructure improvement plan (“LTIIIP”). The Company needs to plan years in advance to ensure that it has enough fully trained and experienced employees, some of whom require more than three years of training to implement the Company’s work plan and maintain a safe working environment.¹²²

Mr. Glenn also expresses concern that the Company’s budget process and hiring plan is ineffective because PECO does not budget by job classification.¹²³ While the Company’s operational plan includes a total “headcount” of the number of personnel required to execute the

¹²¹ See PECO St. 2-R, pp. 2-4.

¹²² *Id.*, pp. 3-4.

¹²³ IBEW St. 1-SR, p. 2.

plan and is an input into the Company’s financial budget, the headcount budget reflects various payroll levels of the Company’s employees, not the Company’s numerous individual job classifications. As Ms. Hamilton explained, Mr. Glenn is essentially making an “apples to oranges comparison” and arguing for a level of granularity that is not efficient nor necessary.¹²⁴

This does not mean, however, that the Company does not engage in detailed workforce planning. For example, as Ms. Hamilton explained:

[F]or Gas Operations, I know exactly how many approved complements (or FTEs) I have in my department, broken out by group, job classification, and hiring status (*e.g.*, filled, vacant, posted, etc.). I meet monthly with my team to review the information and work in coordination with human resources and recruiting to fill vacant positions with qualified talented individuals. That process is clearly working as PECO Gas typically maintains a vacancy level around two percent, except for the years of and immediately following the global pandemic. In other words, high level financial workforce budgeting is very different than the detailed workforce planning and management that occurs at the department level. Finally, the Company’s actual headcount will be subject to review in the next base rate case.¹²⁵

Mr. Glenn has not provided any specific evidence in this proceeding to support a finding that PECO faces “challenges” in its workforce planning, nor has he provided any specific evidence to support a finding that there is a current or future lack of availability of skilled workers to maintain the Company’s historical 2% average vacancy rate. The Commission has long recognized that it does not function as a utility “super board of directors,” and a utility is entitled to manage its own affairs consistent with the public interest and the limited powers of the Commission.¹²⁶ Accordingly, the Commission should reject Mr. Glenn’s claims regarding

¹²⁴ Hearing Tr., 778:2-20.

¹²⁵ *Id.*, 778:21-779:13.

¹²⁶ *See, e.g.*, Opinion and Order, *Pub. Util. Comm’n v. Columbia Water Co.*, R-2008-2045157 (Jun. 10, 2009), p. 39 (“The Commission, as a creation of the General Assembly, has only the powers and authority granted to it

PECO's vacancy rate as well as IBEW's proposals for additional monitoring of PECO's workforce planning processes.

C. Construction Audits and Senior Contract Coordinators

The Company uses Senior Contract Coordinators ("SCC") to perform post-construction quality audits to track whether the number of job sites that might not be meeting the Company's standards is increasing or decreasing.¹²⁷ The Company further analyzes the post-construction audit observations by different categories such as type of failure and responsible contractor to identify failure trends or other increasing deficiencies within a particular month.¹²⁸ The Company uses this information to "have targeted performance observations with each of the Gas contractors."¹²⁹ Moreover, the Company "regularly evaluates the ratio of [SCCs] to contractor crews by considering the complexity of the work being performed, the geographical area being covered, and the amount of installation miles by program in the annual work plan."¹³⁰

IBEW witness Glenn asserts that the costs associated with construction quality audits can be avoided if PECO brings the work "in house" because PECO will have "full control and supervision over the quality of the work done" which would eliminate the necessity for the audits.¹³¹ Mr. Glenn's suggestion to bring the construction work "in-house" primarily because the "in-house" gas crews are dedicated to proactively detecting and addressing system leaks and otherwise maintaining the distribution system should be rejected. As Ms. Hamilton explained, as

by the General Assembly. The General Assembly did not grant the Commission the authority to act as a super board of directors for a public utility. Determining the employment practices and compensation of its directors, officers and employees is within the managerial discretion of a public utility.").

¹²⁷ PECO St. 1-R, p. 15.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ IBEW St. 1-R, p. 5.

the Company continues to reduce the number of leaks on its system, it will be able to transition some PECO crews away from system maintenance and move them to the type of construction work that is being handled by subcontractors today.¹³² However, it is not efficient or practical to bring all construction work “in house” because the number of projects throughout a given year can fluctuate due to weather and competing demands, which may require workforce reductions if the number of projects do not justify retention of FTEs.¹³³ Moreover, the Company disputes Mr. Glenn’s claim that costs associated with SCCs and audits will be reduced if PECO crews perform the work because the increased labor costs associated with hiring additional PECO foremen and first line supervisors to monitor the in-house crews would potentially offset cost savings realized from reducing the number of subcontractors.

Mr. Glenn also supported I&E witness Marin Salamonski’s original proposal that PECO hire additional SCCs, but further proposed that PECO only hire additional SCCs who are Senior Distribution Mechanics who have qualified as foremen. The Joint Petitioners did not agree to require PECO to hire more SCCs, and Mr. Glenn’s hiring restriction is unnecessary and improper: the SCC role “is an open, posted position,” and Senior Distribution Mechanics are welcome to apply with others who are qualified for the position.¹³⁴

D. IBEW’s Proposals For Additional Reporting Requirements

1. Annual Workforce Planning Report

For all the reasons set forth in Section V.B above, the Company should not be required to adopt a workforce planning report such as the one provided by Mr. Glenn at Exhibit IBEW-4.

After adjusting for COVID-19 impacts, historically, the Company has maintained an average

¹³² PECO St. 1-SR, pp. 2-3.

¹³³ *Id.*

¹³⁴ *Id.*, p. 3.

vacancy rate of 2% and does not anticipate any difficulty reaching the projected headcounts for the FTY and the FPFTY as described by PECO witnesses Humphrey and Hamilton. Field Ops positions will be filled through Company “schools” being held in October 2024 and October 2025 and the CSR and administrative positions will be filled through standard recruiting efforts. Mr. Glenn has not presented a legitimate reason why the Company should be required to expend additional resources and time to compile a report that will serve no meaningful purpose and involves business planning that should remain within the Company’s managerial discretion.¹³⁵

In addition, it is clear from even a cursory review of IBEW-4 that the ACC required Arizona Public Service Company to file that report due to specific workforce challenges. That is clearly not the case in this proceeding, as PECO has demonstrated its current actual, and historical (when adjusted for COVID-19 pandemic impacts), vacancy rate is approximately 2% and it fully anticipates meeting its hiring goals in the FPFTY. The Commission should therefore reject IBEW’s request to require PECO to file an annual workforce planning report.

2. Annual Capital and O&M Project Lists

Mr. Glenn requests that the Commission require PECO to file a report similar to the one identified as Exhibit IBEW-2, which was filed on February 12, 2024, by BGE with the Public Service Commission of Maryland (“Maryland PSC”) providing a list of projects with schedules, by project, capital and O&M contingencies identified as remaining in BGE’s multi-year plan budget. However, this report is not necessary or appropriate given the differences in this case

¹³⁵ PECO St. 1-R, p. 22.

and the recent BGE rate case, as well as the annual capital expenditure reporting that currently is provided to the Commission.

First, in the BGE case, the utility sought and obtained Maryland PSC approval to implement a multi-year rate plan, which requires an annual reconciliation of forecasted and actual capital and O&M expenditures for Maryland PSC approval. That is not the case here. PECO does not have, nor is it seeking approval of multi-year rates. Thus, an annual reconciliation report like Exhibit IBEW-2 is entirely unnecessary. Moreover, under the Settlement, PECO will report to the Commission's Bureau of Technical Services on its actual capital expenditures, plant additions, and retirements in the FTY and FPFTY.¹³⁶ And, during the next rate case, the Company's actual expenditures will also be subject to review.

Second, it is unnecessary for the Commission to require PECO to provide an annual filing like Exhibit IBEW-2 because the Company already is required to file an annual asset optimization plan ("AAOP"), which provides information regarding capital project expenditures and capital work that it completed compared with the LTIP.¹³⁷ The AAOP also provides forecasts for capital spending and workplans for future LTIP years. In short, requiring additional reporting would be duplicative and a waste of both the Commission's and PECO's resources.

3. Annual Reconciliation of Rate Base and Operating Income

Mr. Glenn also requests that the Commission require PECO to file an annual report similar to the one identified as Exhibit IBEW-3, which was filed by BGE on April 1, 2024 with the Maryland PSC providing a reconciliation of BGE's actual distribution rate base and

¹³⁶ PECO St. 3-R, p. 22.

¹³⁷ 52 Pa. Code § 121.6.

operating income over a specified period compared to the amounts approved by the Maryland PSC in BGE's prior rate case, and BGE's actual capital expenditures and O&M expenses in a capital workplan that was filed separately with the Maryland PSC (e.g., Exhibit IBEW-2). Again, unlike the BGE case, PECO does not have, nor is it seeking approval of multi-year rates. Thus, an annual reconciliation report similar to Exhibit IBEW-3 is entirely unnecessary. Moreover, and as noted above, PECO will report to the Commission's Bureau of Technical Services on its actual capital expenditures, plant additions, and retirements in the FTY and FPFTY,¹³⁸ and the Company's actual expenditures be subject to review during the Company's next base rate case.

4. Schedule of Affiliate Transactions

The Company should also not be required to file an annual report similar to the one provided by Mr. Glenn at Exhibit IBEW-1. First, Exhibit IBEW-1 is a report by Delmarva Power & Light Company ("DPL") that was filed with the Delaware Public Service Commission ("DE PSC") providing a summary schedule of affiliate transactions between DPL and Exelon and its subsidiaries for the year ended 2023. The interactions between DPL and its unregulated affiliates are governed by the Cost Allocation Manual and Code of Conduct approved by the DE PSC in Order No. 5469 in PSC Docket No. 99-582.¹³⁹ Notably, the Delaware Code of Conduct requires DPL among other things, to report to the DE PSC, on an annual basis, all affiliated companies, contracts entered into with affiliated companies, transactions undertaken with affiliates without written contract, and data regarding affiliate transaction costs.¹⁴⁰ In short,

¹³⁸ PECO St. 3-R, p. 22.

¹³⁹ See *In the Matter of the Application of Delmarva Power & Light Co., d/b/a Conectiv Power Delivery, For Approval of a Cost Acctg. Manual and a Code of Conduct*, Docket No. 99-582, 2000 WL 1035896 (Del.P.S.C.), 202 P.U.R. 4th 53 (Order No. 5469 June 20, 2000).

¹⁴⁰ See *id.* at 73.

IBEW is recommending that the Commission require PECO to comply with regulatory requirements related to affiliate transactions and costs in a different jurisdiction.

Second, and more importantly, PECO's affiliate agreements are subject to Commission review and approval¹⁴¹ and PECO's affiliate transactions are periodically audited by the Commission pursuant to Section 516.¹⁴² These transactions are also subject to review in PECO's base rate cases. If the Commission believes that annual reporting regarding affiliate transactions, similar to those required in Delaware, is necessary, that obligation should be established through a generic, statewide proceeding and be applicable to all utilities.

VI. PUBLIC COMMENT ON THE SETTLEMENT

No customer that is a party to this proceeding provided any comments on the Settlement.

¹⁴¹ 66 Pa.C.S. § 2102.

¹⁴² *See, e.g.*, Management and Operations Audit of PECO Energy Company, Docket No. D-2021-3023906 (issued July 2022).

VII. CONCLUSION

For the reasons set forth above, the Commission's Investigation at Docket No. R-2024-3046932 should be terminated, the various Complaints consolidated therewith dismissed, the Company's proposed weather normalization adjustment should be approved, IBEW's proposals and recommendations should be denied, and the proposed rates, terms, and conditions under the Joint Petition for Non-Unanimous Partial Settlement filed on August 30, 2024 should be permitted to become effective without modification.

Respectfully submitted,



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Dated: September 6, 2024

Counsel for PECO Energy Company

APPENDIX A

PECO ENERGY COMPANY'S PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS ON RESERVED ISSUES AND NON-SETTLING PARTY ISSUES

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION** :
 :
 :
 v. : **DOCKET NO. R-2024-3046932**
 :
 PECO ENERGY COMPANY - :
 GAS DIVISION :

**PROPOSED FINDINGS OF FACT, CONCLUSIONS OF
LAW AND ORDERING PARAGRAPHS ON RESERVED ISSUES AND NON-
SETTLING PARTY ISSUES**

September 6, 2024

PROPOSED FINDINGS OF FACT

I. WEATHER NORMALIZATION ADJUSTMENT

1. The Pennsylvania Public Utility Commission (“Commission”) approved a weather normalization adjustment (“WNA”) for Philadelphia Gas Works (“PGW”) in 2002. *Pa. Pub. Util. Comm’n v. Phila. Gas Works*, Docket No. R-00017034 (Order entered Aug. 8, 2002).

2. The Commission approved a WNA for Columbia Gas of Pennsylvania (“Columbia”) in 2013. *Pa. Pub. Util. Comm’n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2012-2321748 (Order entered May 23, 2013).

3. The Commission approved a WNA for UGI Utilities, Inc. - Gas Division (“UGI”) in 2022. *Pa. Pub. Util. Comm’n v. UGI Utilities – Inc. – Gas Division*, Docket No. R-2021-3030218 (Order entered Sept. 15, 2022).

4. The Commission approved a WNA for National Fuel Gas Distribution Corporation (“NFG”) in 2023. *Pa. Pub. Util. Comm’n v. National Fuel Gas Distribution Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023).

5. Peoples Natural Gas Company (“Peoples”) proposed a WNA in its most recent base rate case, which was approved by the ALJ in a Recommended Decision and is currently before the Commission for review. *Pa. Pub. Util. Comm’n v. Peoples Natural Gas Co. LLC*, Docket No. R-2023-3044549 (Recommended Decision July 15, 2024).

6. WNAs ensure that utilities are better able to recover their fixed costs while protecting customers from high charges in the event weather is colder-than-normal. *See Penn. Pub. Util. Comm’n v. Columbia Gas Pa., Inc.*, Statement of Chairman Gladys M. Brown, Docket No. R-2018-2647577 (Dec. 6, 2018).

7. PECO Energy Company (“PECO” or the “Company”) proposed its WNA, similar to other mechanisms that have been in place for over two decades in Pennsylvania, for two primary purposes: to (i) provide customers with more predictability, which will enable customers to budget and pay their bills and mitigate the impact of higher bills during severely cold months, and (ii) provide PECO with greater certainty in its ability to earn the distribution revenues authorized by the Commission when setting rates. PECO St. 3, p. 66, PECO St. 3-R, pp. 11-12. *See also* Hearing Tr. 824:3-15.

8. The Company’s cost structure is largely fixed and does not vary depending on customer usage of natural gas due to the significant fixed investments required to construct and operate the Company’s distribution system. PECO St. 3, pp. 66-67.

9. Fixed costs are primarily recovered on a volumetric basis through the Company’s rate design. Volumetric rates are designed to match customers’ contributions to fixed costs through rate calculations that are based on the Company’s sales projections utilizing “weather normal” assumptions. PECO St. 3, pp. 66-67. The Company derives these assumptions by analyzing thirty years of data, and the assumptions are recalculated annually using the latest thirty-year period. PECO St. 2, pp. 21-22.

10. Actual weather will always vary to some degree from the Company’s weather normal assumptions. As a result, the actual amounts paid by customers and recovered by the Company through volumetric rates will not exactly match the Company’s Commission-authorized volumetric cost recovery. PECO St. 3, p. 67.

11. The WNA will minimize volatility of recovery of the Company’s cost of service, including investments needed to continue to enhance the safety and reliability of the Company’s system. PECO St. 3, pp. 79-80.

12. Significant deviation in actual weather from normal weather can also produce volatile financial results, which can impact the Company's ability to attract the capital necessary to fund its investments. PECO St. No. 3, p. 80.

13. PECO witness Trzaska explained in detail how the Company will calculate billing adjustments under the WNA, noting that PECO's WNA shares many similarities with the WNAs of NFG, Columbia, PGW, and UGI. PECO St. 3, pp. 69-73.

14. The WNA will be applied to PECO's residential and non-residential customers receiving service under the Company's GR and GC rate schedules in the months of October through May, and will adjust the amount billed to customers to offset the impact of actual heating degree day variations for normal heating degree days. *Id.*, p. 69.

15. The Company proposed applying a 1% deadband. *Id.*, p. 70, PECO St. 3-R, pp. 19-20.

16. The Company proposed implementing a cap on May distribution revenues. Hearing Tr. 826:22-827:6.

17. The Company agreed with Office of Small Business Advocate ("OSBA") witness Ewen to adopt communication and outreach efforts consistent with programs implemented by other utilities after approval of a WNA mechanism. PECO St. 3-R, pp. 24-25.

18. The Company's WNA does not unfairly shift risk to customers. The WNA is a reciprocal mechanism that will provide credits to customers when actual weather is colder-than-normal, and is designed to ensure that customers will only pay for, and the Company will only collect, the distribution revenue authorized by the Commission, as adjusted by the proposed deadband. PECO St. 3-R, pp. 11-12.

19. The Company will benefit from greater certainty in revenue when weather is warmer-than-normal and customers will be protected against higher bills when weather is colder than normal. Thus, the WNA reduces risk to both the Company and customers. PECO St. 3-R, pp. 11-12.

20. The Company's 30-year weather normal calculations are updated on an annual basis and, therefore, take into account the most recent weather data when forecasting sales and usage and anticipated heating degree days. PECO St. 3-R, p. 13.

21. Low-income customers enrolled in the Company's customer assistance program ("CAP") will continue to receive bill discounts based on affordability under their percentage of income payment plan ("PIPP") and, therefore, will not be impacted by the proposed WNA mechanism since CAP customers will never be required to pay more than their PIPP affordability level. PECO St. 3-R, p. 20.

22. The combination of the WNA and budget billing will provide all low-income customers with greater billing predictability and stability than budget billing alone. PECO St. 3-R, pp. 19-20, Hearing Tr. 824:3-20.

23. Customers will be able to realize the benefits of reducing their usage through lowering their consumption or otherwise increasing their efficiency since non-weather related reductions in usage will still reduce a customer's overall bill, including the portion of their bill subject to the WNA and commodity charges. PECO St. 3-R, p. 20.

24. The Company provided a class-level analysis that reasonably assessed the potential impact of the WNA, consistent with analyses provided to the Commission by other natural gas distribution companies ("NGDCs") prior to obtaining Commission approval of comparable WNA mechanisms. PECO St. 3-R, p. 14.

25. Recognizing the need for the Commission, customers and other interested parties to assess how the WNA will impact customers going forward, the Company agreed to the annual reporting obligations proposed by Bureau of Investigation and Enforcement (“I&E”) witness Cline. *See* I&E St. 3; pp. 6-7; PECO St. 3-R, p. 22.

26. Application of the Commission’s “distribution rate considerations” set forth at 52 Pa. Code § 69.3302 supports approval of the WNA. *See* PECO St. 3, pp. 74-79; PECO St. 3-R, pp. 16-18.

27. The WNA differs significantly from the revenue decoupling mechanism (“RDM”) proposed by Pennsylvania-American Water Company. *See Pa. Pub. Util. Comm’n v. Pa.-Am. Water Co.*, Docket No. R-2023-3043189 (Opinion and Order entered July 22, 2024), p. 299. The RDM would have compared revenues collected under Commission-approved rates with revenues that would have been collected utilizing straight fixed variable pricing while the WNA will only result in a credit or surcharge if weather is colder-than-normal or warmer-than-normal, respectively, after application of the Company’s proposed deadband. PECO St. 3, pp. 69-70.

28. The Company reviewed the experience of PGW and the other natural gas utilities in Pennsylvania with active WNAs. Hearing Tr. 826:1-10.

29. A 1% deadband is appropriate. The purpose of the WNA is to account for variations in actual weather from normal weather. A higher deadband would undercut the intent of the WNA by limiting its application when actual weather varies from normal weather. I&E St. 3, pp. 5-6; I&E St. 3-SR, p. 6.

30. OSBA’s recommended heating degree day threshold and proposed monitoring process are not necessary or supported in the record. PECO St. 3-R, pp. 23-24.

II. CUSTOMER SERVICE REPRESENTATIVE ISSUES

A. Adequacy of CSR Training on New Billing System

31. In February 2024, PECO transitioned to a new customer care and billing software system known as “CC&B.” Hearing Tr. 764; IBEW St. 1-R, p. 8.

32. PECO witness Jacqueline F. Golden’s rebuttal testimony details the extensive training PECO provided consistent with industry best practices and the positive feedback received from the customer service representatives (“CSRs”) after the CC&B training was delivered. PECO St. 10-SR, pp. 2-4.

33. The recommendation of Local 614 of the International Brotherhood of Electrical Workers, AFL-CIO (“IBEW” or the “Union”) for the “provisions of the prior format of training for CSRs” is unnecessary because all CSRs were trained on CC&B credit and collections functionality beginning the week of May 27, 2024. PECO St. 10-SR, p. 5.

34. IBEW does not explain the need for the recommendation that “CSRs be allowed to access the prior billing program (“CIMS”) while the CC&B program is further finessed,” which is also not possible because CIMS was permanently shut down on July 16, 2024. PECO St. 10-SR, p. 5.

35. PECO has already begun to implement IBEW’s recommendation calling for faster training of new hire so that they can do more than “stop/start” emergency calls. PECO St. 10-SR, p. 6.

36. PECO has already implemented IBEW’s recommendation to not hold CSRs accountable for their evaluations during the initial rollout of CC&B. PECO St. 10-SR, p. 6-7.

37. The CSRs have achieved proficiency with the new billing system and most CSRs were able to return to a nearly fully remote work environment as of the end of June 2024. PECO St. 10-SR, p. 6-7.

B. Adequacy of Supervisor Support to CSRs

38. PECO is already in the process of implementing IBEW’s recommendation to provide additional training to supervisors and arranged for training of “coaches” to provide support to CSRs in real time when they are addressing challenging questions. PECO St. 10-SR, p. 6.

C. CSR Overtime Requirements and Satisfaction

39. The Company acknowledges that the CSRs faced challenges during the CC&B rollout but explained that a CSR’s job responsibilities include mandatory overtime when required to assist customers. PECO St. 10-SR, p. 4.

40. No additional action is required in light of the completion of the CC&B rollout, the Company’s ongoing training programs, and the success of the CSRs in PECO’s new billing environment. PECO St. 10-SR, pp. 2-7.

III. IBEW PROPOSALS

A. Worker Safety and Safety Standards

41. IBEW acknowledges that PECO has met required safety and reliability metrics for its customer but implies that it has not met requirements for its workers. IBEW St. 1, p. 10.

42. IBEW’s concern about PECO’s safety program are not supported by the record. PECO St. 1, pp. 27-28.

43. PECO has numerous programs to enhance worker safety and ended 2023 with its best safety record since 2018. PECO St. 1, pp. 27-28.

44. PECO has a variety of tools to support the elimination of serious injuries and fatalities, including “the event free performance tool book; investigation and correction actions programs; safety best practice program; regularly held safety meetings at a local, regional and

companywide level; safety plans developed at a team level; and employee led safety teams department and companywide.” PECO St. 1, p. 19.

45. Like other utilities across the country, the Company is also working on the implementation of energy-based safety tools that have been recognized as a best practice by the Edison Electric Institute. PECO St. 1, p. 19.

46. At the end of 2023, the American Petroleum Institute conducted an audit of PECO’s conformance with all ten elements of the Company’s Pipeline Safety Management System (“PSMS”) and PECO Gas a score of 2.8 out of a possible 3.0. PECO St. 1, p. 20.

47. The Company did not use bargaining unit employees (“BUEs”) to build the West Conshohocken because PECO’s crews performing the day-to-day work on PECO’s gas distribution system do not have the necessary pipeline project experience. PECO St. 1-R, p. 20.

48. The Company also did not use BUEs to build the West Conshohocken because the work that PECO’s crews perform across the entire distribution system, including leak detection and remediation, maintenance and repair of system mains and services, and work required to install new customers, could not be done if those crews were assigned to a large, multi-year construction project. PECO St. 1-R, p. 21.

49. If PECO crews were used, the “project would have required at least six (6) crews ([comprised] of seven (7) members each) for two and a half (2.5) years. PECO would not have been able to complete this work and cover requirements with day-to-day operations of the utility gas business if it had used represented employees.” PECO St. 1-R, p. 21.

50. Contrary to IBEW’s claims, PECO does consider input from its employees when considering improvements to workplace safety and once a change is made, the Company ensures that such change is widely publicized by issuing Procedure Change Notifications, convening

safety meetings to review the new procedure(s), and displaying the change on the television slides located at every service building, which are updated weekly. PECO St. 1-R, p. 20.

B. PECO's Vacancy Rate, Budgeting and Workforce Planning Process

51. IBEW agrees that PECO should be “afforded rate relief sufficient to allow it to proactively ramp up its hiring in skilled classifications” to have the right number of trained employees in place when retirements occur and requests that the Company be required to submit an annual workforce planning report to provide transparency with respect to the Company’s hiring needs and efforts to fulfill such needs. IBEW St. 1, p. 7.

52. IBEW supports PECO’s 2% vacancy factor “if PECO demonstrated it was implementing new methods for recruitment that would justify predicting a change in its vacancy factors.” IBEW St. 1-R, pp. 4-5.

53. The Company’s 2% vacancy rate is appropriate and accounts for the fact that there always will be a certain level of predictable vacancies and is consistent with the Company’s actual 1.9% vacancy rate through the first quarter of 2024. *See* PECO St. 2-R, pp. 8-11.

54. The Company offers competitive wage and benefit packages for its employees and the 2% vacancy rate demonstrates that PECO’s hiring practices are clearly effective. PECO, St. 1-SR, p. 4.

55. The Company and the Union have successfully negotiated several collective bargaining agreements that reflect mutual agreement on wages and benefits, which the Union agrees “are the product of good-faith bargaining, characterized by give-and-take exchanges, proposals, [and] counter-proposals.” IBEW St. 1, p. 3.

56. PECO has a detailed plan in place to achieve its targets for full time equivalent employees (“FTEs”) for the future test year (“FTY”) and the fully projected future test year

(“FPFTY”) using the schools that PECO will run in October 2024 and October 2025. PECO St. 2-R, pp. 3-4.

57. PECO does not budget by job classification. While Company’s operational plan includes a total headcount of the number of personnel required to execute the plan and is an input into the Company’s financial budget, the headcount budget reflects various payroll levels of the Company’s employees, not the Company’s numerous individual job classifications. Hearing Tr. 778:2-20.

58. IBEW is making an “apple to oranges comparison” and arguing for a level of granularity that is not efficient nor necessary. Hearing Tr. 778:2-20.

59. The Company already has in place a detailed hiring plan as explained by PECO witness Hamilton. Hearing Tr. 779:21-779:13.

C. Construction Audits and Senior Contract Coordinators

60. The Company uses Senior Contract Coordinators (“SCC”) to perform post-construction quality audits to track whether the number of job sites that might not be meeting the Company’s standards is increasing or decreasing. PECO St. 1-R, p. 15.

61. The Company analyzes the post-construction audit observations by different categories such as type of failure and responsible contractor to identify failure trends or other increasing deficiencies within a particular month. PECO St. 1-R, p. 15.

62. The Company uses audit information to “have targeted performance observations with each of the Gas contractors.” PECO St. 1-R, p. 15.

63. The Company “regularly evaluates the ratio of [SCCs] to contractor crews by considering the complexity of the work being performed, the geographical area being covered, and the amount of installation miles by program in the annual work plan.” PECO St. 1-R, p. 15.

64. PECO crews are dedicated to proactively detecting and addressing system leaks and otherwise maintaining the distribution system. PECO St. 1-SR, pp. 2-3.

65. It is not efficient or practical to bring all construction work “in house” because the number of projects throughout a given year can fluctuate due to weather and competing demands, which may require workforce reductions if the number of projects do not justify retention of FTEs. PECO St. 1-SR, pp. 2-3.

66. It is unlikely that costs associated with SCCs and audits will be reduced if PECO crews perform the work because the increased labor costs associated with hiring additional PECO foremen and first line supervisors to monitor the in-house crews would potentially offset cost savings realized from reducing the number of subcontractors. PECO St. 1-SR, pp. 2-3.

67. The SCC role is an open and posted job position available to any qualified PECO employee, including Senior Distribution Mechanics. PECO St. 1-SR, pp. 3.

D. IBEW’s Proposals for Additional Reporting Requirements

1. Annual Workforce Planning Report

68. Exhibit IBEW-4 is a required “Workforce Planning Compliance Report” filed by Arizona Public Service Company (“APS”). The Arizona Corporation Commission (“ACC”) required this report due to workforce challenges facing APS. Exhibit IBEW-4; Hearing Tr. 797:9-18.

69. The Company expects to fill headcount projections for FTY and FPFTY through schools being held in October 2024 and October 2025, and CSR and administrative positions will be filled through standard recruiting efforts. PECO St. 2-R, pp. 24.

70. Business planning should remain within the Company’s managerial discretion. PECO St. 1-R, p. 22.

2. Annual Capital and O&M Project Lists

71. Exhibit IBEW-2 is a February 12, 2024, filing by Baltimore Gas and Electric Company (“BGE”) with the Public Service Commission of Maryland (“Maryland PSC”) providing a list of projects with schedules, by project, capital and operations and maintenance (“O&M”) contingencies identified as remaining in BGE’s multi-year plan budget. Hearing Tr., 779:25, 780:1-5.

72. BGE received approval from the Maryland PSC to implement a multi-year rate plan, which requires the annual reconciliation of forecasted and actual capital and O&M expenditures. Hearing Tr. 780:23-25.

73. PECO does not have, nor is it seeking approval of, multi-year rates. Hearing Tr. 781:10-15.

74. PECO will report to the Commission’s Bureau of Technical Services on its actual capital expenditures, plant additions, and retirements in the FTY and FPFTY. Hearing Tr. 781:17-21.

75. PECO is already required to file an annual asset optimization plan detailing capital project expenditures and capital work that it has completed compared with its Long-Term Infrastructure Improvement Plan. Hearing Tr. 781:24-25, 782:1-4.

3. Annual Reconciliation of Rate Base and Operating Income

76. Exhibit IBEW-3 is an April 1, 2024 filing with the Maryland PSC that provides a reconciliation of BGE’s actual distribution rate base and operating income over a specified period compared to the amounts approved by the Maryland PSC in BGE’s prior rate case, and BGE’s actual capital expenditures and O&M expenses in a capital workplan that was filed separately with the Maryland PSC (e.g., Exhibit IBEW-2). Hearing Tr. 780:11-20.

77. BGE received approval from the Maryland PSC to implement a multi-year rate plan, which requires the annual reconciliation of forecasted and actual capital and O&M expenditures. Hearing Tr. 780:23-25; 781:1-6.

78. PECO does not have nor is it seeking approval of multi-year rates. Hearing Tr. 781:10-15.

79. PECO will report to the Commission's Bureau of Technical Services on its actual capital expenditures, plant additions, and retirements in the FTY and FPFTY. Hearing Tr. 781:16-21.

80. During the next rate case, the Company's actual expenditures will also be subject to review. Hearing Tr. 781: 21-23.

4. Schedule of Affiliate Transactions

81. Exhibit IBEW-1 is a report by Delmarva Power & Light Company ("DPL") that was filed with the Delaware Public Service Commission ("DE PSC") providing a summary schedule of affiliate transactions between DPL and Exelon and its subsidiaries for the year ended 2023. Hearing Tr. 782: 4-20.

IV. PROPOSED CONCLUSIONS OF LAW

1. A public utility may propose alternative rates and rate mechanisms in a base rate proceeding pursuant to 66 Pa.C.S. § 1330 and decoupling mechanisms are expressly permitted pursuant to 66 Pa.C.S § 1330(b)(2).

2. Decoupling mechanisms such as the Company's proposed Weather Normalization Adjustment ("WNA") are explicitly authorized by Section 1330(b)(2). 66 Pa.C.S. § 1330(b).

3. NGDCs may propose a WNA in a base rate proceeding. 52 Pa. Code § 69.3303.

4. The Commission has approved weather normalization adjustments for several Pennsylvania natural gas distribution companies. *Pa. Pub. Util. Comm'n v. Phila. Gas Works,*

Docket No. R-00017034 (Order entered Aug. 8, 2002); *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2012-2321748 (Order entered May 23, 2013); *Pa. Pub. Util. Comm'n v. UGI Utilities – Inc. – Gas Division*, Docket No. R-2021-3030218 (Order entered Sept. 15, 2022); *Pa. Pub. Util. Comm'n v. National Fuel Gas Distribution Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023).

5. The record evidence supports approval of the Company's proposed Weather Normalization Adjustment.

6. The Commission has recognized that it does not function as a utility "super board of directors," and a utility is entitled to manage its own affairs consistent with the public interest and the limited powers of the Commission. *See, e.g., Pa. Pub. Util. Comm'n v. Columbia Water Co.*, Docket No. R-2008-2045157 (Order entered June 10, 2009).

7. While Section 315(a) provides that a utility has the burden to prove that proposed rates are just and reasonable, it "cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose." *Pa. P.U.C. v. Columbia Gas of Pa., Inc.*, Docket No. R-2020-3018835A (Opinion and Order entered Feb. 19, 2021).

8. A party proposing an adjustment to a ratemaking claim bears the burden of presenting some evidence or analysis tending to demonstrate the reasonableness of the adjustment, and Section 332(a) establishes a burden of proof separate from that in Section 315 for those entities that propose a rule or order. *NRG Energy, Inc. v. Pa. P.U.C.*, 233 A.2d 936 (Pa. Commw. Ct. 2020).

9. IBEW's recommendations with respect to training CSRs and supervisors are not appropriate and not supported by the record in this proceeding considering the extensive training

on CC&B that both CSRs and their supervisors (and coaches) received and the steps that PECO has taken during and following CC&B implementation to ensure that CSRs and their supervisors are able to perform well and are satisfied with their positions.

10. IBEW's recommendation to bring additional SCC's "in house" is not necessary or supported by the record evidence in this proceeding, and IBEW did not demonstrate any cost savings associated with its recommendation.

11. IBEW has not provided any evidence in this proceeding to support a finding that the Company has not met safety metrics for its employees.

12. IBEW has not provided any evidence in this proceeding to support a finding that Union employees rather than subcontractors should have overseen the installation of the pipeline and related infrastructure at the Company's West Conshohocken plant.

13. IBEW has not provided any evidence in this proceeding to support a finding that Union representatives should be included in future meetings to discuss the Company's PSMS.

14. IBEW has not provided any specific evidence in this proceeding to support a finding that PECO faces challenges in its workforce planning.

15. The evidence in this proceeding supports and validates the Company's proposed 2% vacancy rate.

16. IBEW has not provided any specific evidence in this proceeding to support a finding that there is a current or future lack of availability of skilled workers to maintain the Company's historical 2% average vacancy rate.

17. IBEW's recommendation to file an annual report consistent with regulatory requirements in other jurisdictions such as the one at Exhibit IBEW-4 is not necessary or supported by the record in this proceeding.

18. IBEW's recommendation to file annual report consistent with regulatory requirements in other jurisdictions such as the one at Exhibit IBEW-2 is not necessary or supported by the record in this proceeding.

19. IBEW's recommendation to file annual report consistent with regulatory requirements in other jurisdictions such as the one at Exhibit IBEW-3 is not necessary or supported by the record.

20. The interactions between DPL and its unregulated affiliates are governed by the Cost Allocation Manual and Code of Conduct approved by the DE PSC in Order No. 5469 in PSC Docket No. 99-582. *See In the Matter of the Application of Delmarva Power & Light Co., d/b/a Conectiv Power Delivery, For Approval of a Cost Acctg. Manual and a Code of Conduct*, Docket No. 99-582, 2000 WL 1035896 (Del.P.S.C.), 202 P.U.R. 4th 53 (Order No. 5469 June 20, 2000).

21. The Delaware Code of Conduct requires DPL among other things, to report to the DE PSC, on an annual basis, all affiliated companies, contracts entered into with affiliated companies, transactions undertaken with affiliates without written contract, and data regarding affiliate transaction costs. *Id.*, p. 73.

22. Affiliate agreements are subject to Commission review and approval pursuant to 66 Pa.C.S. § 2102.

23. Affiliate transactions are subject to Commission review in audits pursuant to 66 Pa.C.S. § 516.

PROPOSED ORDERING PARAGRAPHS

IT IS ORDERED:

1. That PECO is authorized to implement its proposed Weather Normalization Adjustment.
2. IBEW's recommendations and proposals are rejected.