



COMMONWEALTH OF PENNSYLVANIA

September 12, 2024

**E-FILED**

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

**Re: Pennsylvania Public Utility Commission v. PECO Energy Company –  
Electric Division / Docket No. R-2024-3046931**

Dear Secretary Chiavetta:

Enclosed please find the Statement in Support of the Joint Petition for Settlement of Rate Investigation, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

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

Sincerely,

*/s/ Sharon E. Webb*

Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995

*Enclosures*

cc: Kevin C. Higgins  
Parties of Record



## **II. Reasons for Support of Specific Issues**

### **A. Revenue Requirement**

In PECO's initial filing, it sought a total increase in distribution revenues of \$464 million. (*Settlement*, p. 2, ¶ 1). By contrast, the *Settlement* provides PECO with a net annual increase in electric operating revenues of \$354.0 million, accounting for the Distribution System Improvement Charge ("DSIC") revenue of \$64 million that will be recovered in base distribution rates while the DSIC rate will be reset to zero. (*Settlement*, p. 5, ¶ 13).

At a time when all types of utility service are becoming more expensive, and the results of the COVID-19 pandemic continues to impact customers, the significant reduction in the overall revenue increase provided by the *Settlement* will benefit all of PECO's consumers, including the Company's small business customers.

### **B. Electric Base Rate Stay-Out**

Additionally, the *Settlement* provides that PECO will not file for a general rate increase any sooner than March 16, 2026. (*Settlement*, p. 6, ¶ 15). This provision provides assurance to small business customers that the Company will not seek to increase rates for a significant period of time. Such assurance that electric rates will not increase for a set period of time provides certainty and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.

### **C. Revenue Allocation and Rate Design**

Paragraphs 16 through 18 of the *Settlement* contain provisions related to revenue allocation and rate design.

In its filing, PECO identified two specific principles that were used to develop the Company's proposed revenue allocation: 1) PECO's COSS should be used as a guide to allocate the Company's requested increase among rate classes as it moves all rate classes closer to their respective cost of service; and 2) customer impacts should be considered, so as to avoid assigning disproportionate increases (relative to the system average) to any of the Company's major rate classes. (PECO Statement No. 7, p. 2).

As noted by OSBA witness Mr. Higgins in his direct testimony, PECO's proposed revenue allocation was generally reasonable at the Company's proposed overall revenue requirement and recommended a proportional scale back, in the event of a lower than requested revenue (OSBA Statement No. 1, p. 11). Specifically with respect to the GS class, PECO's proposed revenue allocation resulted in an increase in revenue requirement that was 115% of the system average increase.<sup>2</sup>

The most important criterion for setting regulated utility rates is the cost incurred by the utility for providing the service.<sup>3</sup>

The final settlement results in a 22.3% increase overall. For the GS rate class, the increase is 25.6%, which is 115% above the average. This relative difference from the average (15%) matches what OSBA recommended in testimony in light of the cost-of-service analysis OSBA performed in response to PECO's filing. It is also consistent with PECO's recommendation for the GS rate class in its initial filing. As a result, the OSBA concludes that the *Settlement* revenue allocation provides a reasonable result and a fair outcome for small business customers.

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<sup>2</sup> PECO Exhibit JAB-1.

<sup>3</sup> The Commonwealth Court affirmed this basic principle, referring to cost of service as the "polestar" criterion. *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

#### **D. FPFTY Reports**

Paragraph 21 of the *Settlement* requires PECO to provide updates to PECO Exhibit MJT-2, Sch. C-2, and to present in its next rate case filing a comparison of its actual expenses and rate base additions for the twelve months ended April 1, 2025, to its projections in this case. (*Settlement*, p. 8, ¶ 19). The collection and presentation of such information will assist the OSBA in representing small business customers of the Company in the next rate case.

#### **E. DSIC**

The OSBA did not take a position on this issue.

#### **F. Storm Reserve Account**

The OSBA did not take a position on this issue.

#### **G. Universal Service Programs**

The OSBA took no position on the specific low-income programs. The OSBA supports the cost of low-income residential program being recovered from the residential customer classes. (OSBA Statement No. 1 at 10, and *Settlement*, p. 7, ¶ 20).

#### **H. Customer Service Issues**

The OSBA took no position on these issues.

#### **I. Electric Vehicle Programs**

The OSBA took no position on these issues.

#### **J. Assistance with Non-Company Clean Energy and Energy Conservation Programs**

The OSBA took no position on these issues.

**K. Interconnection Costs**

The OSBA took no position on these issues.

**III. Conclusion**

For the reasons set forth in the *Settlement*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Settlement* and respectfully requests that the ALJ and the Commission approve the *Settlement* in its entirety.

Respectfully submitted,

/s/ Sharon E. Webb  
Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID No. 73995

Commonwealth of Pennsylvania  
Office of Small Business Advocate  
555 Walnut Street  
Forum Place, 1<sup>st</sup> Floor  
Harrisburg, PA 17101

Dated: September 12, 2024

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility Commission** :  
: **Docket No. R-2024-3046931**  
v. :  
:  
**PECO Energy Company– Electric Division** :

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Darlene Heep  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, PA 19107  
[dheep@pa.gov](mailto:dheep@pa.gov)  
[sdelvillar@pa.gov](mailto:sdelvillar@pa.gov)

The Honorable Marta Guhl  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, PA 19107  
[mguhl@pa.gov](mailto:mguhl@pa.gov)

Carrie B. Wright, Esquire  
Bureau of Investigation & Enforcement  
400 North Street  
Commonwealth Keystone Building  
Harrisburg, PA 17120  
[carwright@pa.gov](mailto:carwright@pa.gov)

Anthony E. Gay, Esquire  
Jack R. Garfinkle, Esquire  
Adesola K Adegbesan, Esquire  
Richard Webster, Esquire  
Caroline S. Choi, Esquire  
PECO Energy Company  
2301 Market Street  
Philadelphia, PA 19103  
[anthony.gay@exeloncorp.com](mailto:anthony.gay@exeloncorp.com)  
[jack.garfinkle@exeloncorp.com](mailto:jack.garfinkle@exeloncorp.com)  
[adesola.adegbesan@exeloncorp.com](mailto:adesola.adegbesan@exeloncorp.com)  
[dick.webster@exeloncorp.com](mailto:dick.webster@exeloncorp.com)  
[caroline.choi@exeloncorp.com](mailto:caroline.choi@exeloncorp.com)

Gina L. Miller, Esquire  
Barret Sheridan, Esquire  
Jacob D. Guthrie, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923  
[OCAelecPECO2024@paoca.org](mailto:OCAelecPECO2024@paoca.org)

Kenneth M. Kulak, Esquire  
Mark A. Lazaroff, Esquire  
Brooke E. McGlinn, Esquire  
Catherine G. Vasudevan, Esquire  
Morgan, Lewis & Bockius LLP  
2222 Market Street  
Philadelphia, PA 19103  
[ken.kulak@morganlewis.com](mailto:ken.kulak@morganlewis.com)  
[mark.lazaroff@morganlewis.com](mailto:mark.lazaroff@morganlewis.com)  
[brooke.mcglinn@morganlewis.com](mailto:brooke.mcglinn@morganlewis.com)  
[catherine.vasudevan@morganlewis.com](mailto:catherine.vasudevan@morganlewis.com)

Charlotte E. Edelstein, Esquire  
Joline R. Price, Esquire  
Vikram A. Patel, Esquire  
Robert W. Ballenger, Esquire  
Community Legal Services, Inc.  
1424 Chestnut Street  
Philadelphia, PA 19102  
[cedelstein@clsphila.org](mailto:cedelstein@clsphila.org)  
[jprice@clsphila.org](mailto:jprice@clsphila.org)  
[vpatel@clsphila.org](mailto:vpatel@clsphila.org)  
[rballenger@clsphila.org](mailto:rballenger@clsphila.org)

Charles T. Joyce, Esquire  
Samuel E. Shopp, Esquire  
SPEAR WILDERMAN, P.C.  
230 South Broad Street  
Suite 1650  
Philadelphia, PA 19102s  
[ctjoyce@spearwilderman.com](mailto:ctjoyce@spearwilderman.com)  
[sshopp@spearwilderman.com](mailto:sshopp@spearwilderman.com)

Nicholas J. Enoch, Esquire  
LUBIN & ENOCH, P.C.  
349 North 4th Avenue  
Phoenix, AZ 85003  
[nick@lubinandenoach.com](mailto:nick@lubinandenoach.com)

Charis Mincavage, Esquire  
Adeolu A. Bakare, Esquire  
Brigid Landy Khuri, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
Harrisburg, PA 17108-1166  
[cmincavage@mcneeslaw.com](mailto:cmincavage@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[bkhuri@mcneeslaw.com](mailto:bkhuri@mcneeslaw.com)

Robert A. Weishaar, Jr., Esquire  
McNees Wallace & Nurick, LLC  
1200 G Street, NW, Suite 800  
Washington, DC 20005  
[rweishaa@mw.com](mailto:rweishaa@mw.com)

Steven Wing-Kern Lee, Esquire  
Barry A. Naum, Esquire  
Derrick P. Williamson, Esquire  
Spilman, Thomas & Battle, PLLC  
1100 Bent Creek Blvd.  
Suite 101  
Mechanicsburg, PA 17050  
[SLee@Spilmanlaw.com](mailto:SLee@Spilmanlaw.com)  
[BNaum@Spilmanlaw.com](mailto:BNaum@Spilmanlaw.com)  
[DWilliamson@spilmanlaw.com](mailto:DWilliamson@spilmanlaw.com)

Alan McCarthy  
705 E Barnard Street  
West Chester, PA 19382  
[Alanmccarthy25@hotmail.com](mailto:Alanmccarthy25@hotmail.com)

Laura Antinucci, Esquire  
Philadelphia Law Dept  
1515 Arch Street  
16<sup>th</sup> Floor  
Philadelphia, PA 19102  
[Laura.antinucci@phila.gov](mailto:Laura.antinucci@phila.gov)

Bernice I. Corman, Esquire  
Bicky Corman Law  
1250 Connecticut Avenue  
NW #700  
Washington, DC 20036  
[bcorman@bickycormanlaw.com](mailto:bcorman@bickycormanlaw.com)

Todd S. Stewart, Esquire  
Phillip D. Demanchick, Jr.  
Hawke McKeon & Sniscak, LLP  
100 N. Tenth Street  
Harrisburg, PA 17101  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)  
[pddemanchick@hmslegal.com](mailto:pddemanchick@hmslegal.com)

William Lesser, Esquire  
Cozen O'Connor  
3 WTC  
175 Greenwich Street, 55<sup>th</sup> Floor  
New York, NY 10007  
[wlesser@cozen.com](mailto:wlesser@cozen.com)

Jonathan Nase, Esquire  
David P. Zambito, Esquire  
Cozen O'Connor  
17 North Second Street  
Suite 1410  
Harrisburg, PA 17101  
[jnase@cozen.com](mailto:jnase@cozen.com)  
[dzambito@cozen.com](mailto:dzambito@cozen.com)

C. Baird Brown, Esquire  
ECO(N)LAW LLC  
230 S Broad Street  
17<sup>th</sup> Floor  
Philadelphia, PA 19102  
[baird@eco-n-law.net](mailto:baird@eco-n-law.net)

Alan Seltzer, Esquire  
John F. Polvilaitis, Esquire  
Buchanan Ingersoll & Rooney  
409 N Second Street, Suite 500  
Harrisburg, PA 17101-1357  
[Alan.seltzer@bipc.com](mailto:Alan.seltzer@bipc.com)  
[John.povilaitis@bipc.com](mailto:John.povilaitis@bipc.com)

Stephen Bright, Esquire  
Electrify America, LLC  
1950 Opportunity Way  
Suite 1500  
Reston, VA 20190  
[Steve.Bright@electrifyamerica.com](mailto:Steve.Bright@electrifyamerica.com)

DATE: September 12, 2024

/s/ Sharon E. Webb

Sharon E. Webb  
Assistant Small Business Advocate  
Attorney I.D. No. 73995