

COMMONWEALTH OF PENNSYLVANIA



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September 12, 2024

Via Electronic Filing

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

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of Settlement in the above-referenced proceedings.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/Barrett C. Sheridan
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Enclosures

cc: Honorable Administrative Law Judge Marta Guhl
Honorable Administrative Law Judge Darlene Heep
Certificate of Service (as indicated)

CERTIFICATE OF SERVICE

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

v.

**PECO ENERGY COMPANY –
GAS DIVISION**

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DOCKET NO. R-2024-3046932

I hereby certify that I have this day filed electronically on the Commission’s electronic filing system and served a true copy of the following document, the Office of Consumer Advocate’s Statement in Support, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 12th day of September 2024.

VIA FEDEX DELIVERY

The Honorable Marta Guhl
The Honorable Darlene Heep
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Pennsylvania Public Utility Commission
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Dated: September 12, 2024

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

STATEMENT OF THE OFFICE OF CONSUMER
ADVOCATE IN SUPPORT OF THE JOINT PETITION FOR
NON-UNANIMOUS PARTIAL SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Non-Unanimous Petition for Approval of Partial Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:¹

I. INTRODUCTION

On March 28, 2024, PECO Energy – Gas Division (PECO or the Company) filed Tariff Gas – PA. P.U.C. No. 6 (Tariff No. 6) to become effective May 27, 2024. PECO’s Tariff No. 6 proposes to increase the total annual operating revenues by approximately \$111 million per year, or 23.1 percent, over the amount of annual distribution revenues at present rates for the Fully Projected Future Test Year (FPFTY), ending December 31, 2025.

PECO is engaged in the business of providing natural gas distribution service to approximately 552,800 customers. The Company provides gas service to customers in Southeastern Pennsylvania, including portions of 5 counties.

¹ The Joint Petitioners agreed to reserve for litigation the Company’s proposed addition of a Weather Normalization Adjustment (WNA) tariff provision. Settlement at 1-2.

On April 11, 2024, the Office of Consumer Advocate (OCA) filed a Formal Complaint and Public Statement. The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on April 1, 2024. On April 16, 2024, the Office of Small Business Advocate (OSBA) filed its Formal Complaint and Public Statement. On April 17, 2024, the International Brotherhood of Electrical Workers, Local Union 614 (IBEW) filed a Petition to Intervene. On April 17, 2024 Alan McCarthy filed a Formal Complaint. On April 23, 2024 Representative Christina D. Sappey filed a Formal Complaint. On April 29, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On May 2, 2024, Walmart, Inc. filed a Petition to Intervene. On May 5, 2024, Pennsylvania Area Industrial Energy Users Group (PAIEUG) filed a complaint. On May 6, 2024, the National Railroad Passenger Corp. (Amtrak) filed a Petition to Intervene. On May 7, 2024, the Southeastern Pennsylvania Transportation Authority (SEPTA) filed a Petition to Intervene.

On April 25, 2024, the Commission issued a Suspension Order, initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase requests, and suspended the effective date of proposed Tariff No. 6, by operation of law. The Commission assigned this proceeding to the Office of Administrative Law and further assigned this proceeding to Administrative Law Judges Darlene Heep and Marta Guhl. The Office of Administrative Law Judge scheduled a telephonic Prehearing Conference for May 7, 2024.

The OCA filed a Prehearing Memorandum on May 6, 2024.

ALJs Heep and Guhl conducted the Prehearing Conference on May 7, 2024. At that Prehearing Conference a litigation schedule was established and modifications to the discovery rules were adopted. The agreed upon litigation schedule included the Company's agreement to extend the suspension period.

In accord with the litigation schedule, on June 17, 2024, OCA, I&E, OSBA, CAUSE-PA, IBEW, PAIEUG, SEPTA, and Walmart submitted direct testimonies. On July 17, 2024, OCA, I&E, OSBA, IBEW, PAIEUG, SEPTA and PECO submitted rebuttal testimonies. Also on July 17, 2024, the OCA submitted supplemental direct testimony addressing issues raised at the seven public input hearings. On August 2, 2024, OCA, I&E, OSBA, CAUSE-PA, IBEW, PAIEUG, and PECO submitted surrebuttal testimonies. On August 6, 2024, PECO submitted an outline of its proposed oral rejoinder testimonies. The OCA and parties participated in two days of evidentiary hearings on August 8 and 12, 2024.

PECO, I&E, OCA, OSBA, CAUSE-PA, PAIEUG, SEPTA, and Walmart (collectively the Joint Petitioners) engaged in extensive settlement discussions in an attempt to resolve the issues presented in this proceeding. On August 23, 2024, the Joint Petitioners reached a settlement in principle that resulted in the Joint Petition for Approval of Non-Unanimous Partial Settlement. The Joint Petitioners agreed to reserve the issue of the Company's proposed Weather Normalization Adjustment surcharge for litigation. IBEW Local 614 has not joined the Settlement and may brief issues.

The OCA submits that the Settlement is in the public interest and should be approved without modification.

II. SETTLEMENT TERMS AND CONDITIONS

The Commission encourages settlement, and to do so it must recognize the balance of compromises struck by settling parties. While the OCA does not address all issues addressed by the Settlement in this Statement in Support, the OCA does not oppose terms and conditions not expressly addressed herein. The OCA submits that the Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. The OCA

submits that the Settlement overall is in the public interest and supports Commission approval of the Settlement without modification.

A. Revenue Requirement (Settlement at ¶¶ 13-14)

In its filing, PECO proposed to increase its total annual operating revenues by \$111 million, or 23.1%, over the amount of annual distribution revenues at present rates *exclusive* of what it is currently also collecting in Distribution System Improvement Charge (DSIC) revenue. This net increase in base distribution revenues was calculated based upon a Fully Projected Future Test Year (FPFTY) ending December 31, 2025. In addition, PECO's rate filing proposed to set the Distribution System Improvement Charge (DSIC) to zero and recover those surcharge revenues of \$18 million through distribution rates. Thus, PECO's total revenue request could reasonably be characterized as a \$129 million request inclusive of its DSIC revenues at present rates.

Under the Settlement, the Company will be permitted to increase annual operating revenues by \$78 million, *exclusive* of DSIC revenues. Settlement at ¶ 28. The \$78 million revenue increase in the Settlement reflects an increase of approximately 16.2 percent as compared to the Company's original request of a 23.1 percent increase of \$111 million in distribution revenues, exclusive of DSIC revenues. Settlement at ¶ 16. The agreed upon increase is approximately 70 percent of the Company's requested increase of \$111 million and is within the range of reasonably projected outcomes in this proceeding. As part of the change in base rates, the \$18 million revenues collected currently through the DSIC will be rolled into distribution rates for a total revenue increase of \$94 million over current distribution rates *inclusive* of DSIC revenue. Settlement at ¶ 13.

The OCA submits that while the agreed upon revenue requirement is higher than the OCA's litigated position, based on the facts examined by the OCA in this case, it represents a reasonable compromise that is consistent with what PECO would likely have received if the case

had been fully litigated. By settling the case, the OCA was able to achieve other outcomes that benefit consumers that either would not have occurred in a fully litigated case – such as the rate case stay out discussed in the next section – or that would have been more difficult to achieve in litigation. The OCA submits that the Settlement revenue increase will provide sufficient funds to maintain PECO’s distribution system in a reliable manner, while avoiding the harsh rate impacts that an increase at the full request would have caused.

The terms of the Settlement provide that the increase will go into effect on January 1, 2025. Settlement at ¶ 4.

This represents a “black box” settlement of all revenue requirement and return on equity issues, with the limited exceptions contained in the Settlement. Black box settlements provide timely resolution of disputes without the significant expense of prolonged litigation. The OCA submits that it is unlikely that the parties would have been able to reach consensus on each disputed accounting and ratemaking issue in this matter as policy and legal positions can differ widely.

Based on the OCA’s analysis of the Company’s filing, discovery responses received, testimony filed, and various cost of capital proposals, the revenue increase under the Settlement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The increase, when accompanied by other important conditions in the Settlement, overall yields a result that is in the public interest.

B. Stay Out Provision (Settlement at ¶ 15)

The Settlement provides that PECO will not file a proposed general increase in distribution rates under Section 1308(d) of the Public Utility Code prior to March 16, 2026, which is 2 years from the date that PECO filed its current rate case. This is an important provision as it ensures some level of rate stability for PECO’s customers, as any potential new rates would not go into

effect until at least December 2026. This 2 year stay out guarantee would not have been able to be achieved in a fully litigated proceeding and was a significant factor in the OCA's agreement to enter the settlement.

C. Revenue Allocation and Rate Design (Settlement at ¶¶ 16-20)

1. Revenue Allocation (Settlement at ¶¶ 16-20)

In its filing, PECO proposed an increase of \$111 million for a system average distribution increase of 23.1 percent. OCA St. 3 (Corrected) at 35. Of that amount, the Company proposed to allocate approximately \$83,980 million or 70.7 percent of its proposed \$111 million revenue increase request to residential customers. OCA St. 3 (Corrected) at 21, 25. Under the Settlement, the Residential Class GR rates will increase to provide \$55,695,164 in additional distribution revenues, a 16.7 percent increase. Settlement at ¶ 16. The residential revenue increase under the Settlement will account for approximately 71 percent of the overall Settlement revenue amount of \$78 million.

OCA witness Clarence L. Johnson reviewed the Company's revenue allocation proposal and the Company's class cost of service study (CCOSS) upon which the Company's allocation was based. The OCA contested the Company's CCOSS in this matter, and Mr. Johnson submitted his own CCOSS based upon a Peak & Average methodology. OCA St. 3 (Corrected) at 15-22, 25-26, Exhibit CJ-3. Mr. Johnson recommended a proportional scale back should an increase of less than \$111 million be authorized. OCA St. 3 (Corrected) at 4, 27-28.

Under Mr. Johnson's proposed allocation of the Company's full rate increase request, the residential class GR would receive a 22.13% percent distribution increase as compared to the Company's proposed 16.5 percent distribution rate increase. OCA St. 3 (Corrected) at 27, Exhibit CJ-4; PECO St. 7 at 27. In addition to the Company, the OCA and other parties also

submitted allocation recommendations in their direct testimonies based on the results of the Company's cost of service study. The allocation proposals varied widely.

Based on the OCA's review of the cost of service studies presented in this proceeding and the varying revenue allocation proposals presented by other parties, the OCA views the Settlement to be within the range of reasonable outcomes that would result from the full litigation of this case. The distribution rate increase in the Settlement reflects an increase in total annual distribution revenues of approximately 16.2 percent as compared to the Company's original request of a 23.1 percent increase in distribution revenues. Settlement at ¶ 16. The OCA submits that the revenue allocation is reasonable, and in the public interest, and should be approved.

2. Residential Rate Design (Settlement at ¶ 17)

In its filing, PECO proposed increasing the monthly residential customer charge for Rate GR from \$14.25 to \$19.38, a \$5.13 increase. OCA St. 3 (Corrected) at 28, 35. The OCA recommended that the customer charge be increased to no more than \$15.70, as linked to the OCA's class revenue allocation recommendation. *Id.* at 4, 28-35. Under the Settlement, the Joint Petitioners agreed to a monthly residential customer charge for rate GR of \$15.70. Settlement at ¶ 17. Under the Settlement, only Rates GR and GC will pay lower customer charges than proposed by the PECO rate filing. *Id.*

The compromise position here is reasonable, and well within the results that might have been obtained through litigation considering the various positions of the Company, the OCA and other parties. The residential customer charge of \$15.70 represents a 10.2% percent increase over the Company's existing charge. OCA St. 3 (Corrected) at 34. This increase will continue to promote conservation efforts as the greater portion of the revenue increase assigned to the residential class under the proposed Settlement will be accounted for in the volumetric rates. *Id.* at

34-35; Settlement at ¶¶ 16, 17. Accordingly, the OCA submits the Settlement provisions as to Rate Design are reasonable, in the public interest, and should be approved without modification.

D. FPFTY Report (Settlement at ¶ 21)

Under the Settlement, the Company has agreed to file no later than April 21, 2025 an update with the Bureau of Technical Utility Services, I&E, the OCA and OSBA of a key PECO accounting exhibit showing the Company's capital expenditures, plant additions and retirements for the FTY. Settlement at ¶ 21. The Company will provide another update no later than April 1, 2026, showing the Company's capital expenditures, plant additions and retirements for the FPFTY (calendar year 2025). Further, the Company will also provide in its next base rate proceeding a comparison of actual expenses and rate base additions for the twelve months ending December 31, 2025 to its projections in this case. Settlement at ¶ 21. The OCA submits that this provision is in the public interest because it is consistent with Section 315, 66 Pa. C.S. § 315(e), which states that whenever a utility utilizes a fully projected future test year (FPFTY) as the basis for its rate increase, the utility shall provide appropriate data evidencing the accuracy of the estimates of its FPFTY. This reporting requirement will permit parties to compare the accuracy of PECO's projections in this matter to its actual expenditures.

E. DSIC (Settlement at ¶¶ 22-24)

The Settlement provides that the Company will be entitled to include plant additions in its DSIC effective no earlier than March 31, 2026, based on DSIC-eligible expenditure during January 1, 2026 to February 28, 2026. Settlement at ¶ 22. This is the first quarter after the end of the FPFTY. However, as an additional safeguard, the Company will not begin to impose a DSIC until the total aggregate gross plant costs (before retirement, depreciation or amortization in 2024 and 2025) associated with the eligible property that has been placed in service exceed \$4,679,514. This

\$4.679 million figure is the Company's total aggregate plant costs claimed in the FPFTY ending December 31, 2025. Settlement at ¶ 23. Stated differently, the Settlement clearly establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered through the DSIC as well as the fact that even if this plant level is met *before* the end of the FPFTY period, no DISC can go into effect until March 1, 2026 at the earliest. The OCA submits that this provision provides clarity with regard to the timing and implementation of a DSIC and affords some protection for ratepayers that the DSIC will not begin until after the FPFTY and the plant investment noted in the settlement are reached.

Moreover, the Settlement provides, for purposes of 66 Pa. C.S. § 1358(b)(1) relating to the DSIC earnings cap, that it shall use the equity return rate contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities. Settlement at ¶ 24. The OCA submits that such a provision is common among utilities that have reached a black box settlement and have not designated a specific rate of return in the Settlement.

F. Universal Service Programs (Settlement at ¶¶ 25-35)

In his testimony, OCA witness Colton identified concerns about the affordability of PECO Gas's rates, the affordability of low-income customers' rates, the impact of affordability on collections, PECO Gas's CAP offset, and proposed revisions to PECO Gas's tariffs and practices to ensure the Company's practices are equitable and in compliance with Commission regulations. *See generally* OCA St. 4. The Settlement addresses the concerns of OCA witness Colton in addition to those raised by CAUSE-PA witness Marx. *See generally* CAUSE-PA St. 1. The Settlement includes several provisions which are designed to help mitigate the impact of the rate increase on low-income customers and to further ensure that adequate protections are provided to confirmed low-income customers. Settlement at ¶¶ 25-35. The OCA supports these provisions as in the public

interest for the reasons set forth in the testimony of CAUSE-PA witness Marx and in OCA witness Colton’s testimony regarding the disproportionate impact of the rate increases on low-income customers.

The Settlement addresses OCA witness Colton’s concerns regarding the CAP offset factor. The Settlement provides that “PECO will maintain the existing adjustment factor applied to [CAP] costs recovered through its Universal Services Fund Charge (‘USFC’) of 22% for bad debt and 5% for cash working capital, totaling 27%.” Settlement at ¶ 20. The Company, in its initial filing, proposed changing the portion of CAP costs recovered in rates from 27% to 10.5%, citing a need to reduce the bad debt portion of the offset to 5%. PECO Gas St. 10 at 6. OCA witness Colton, in response, testified that the data presented by the Company included the year 2021, which skewed the data presented; that any adjustment to the bad debt portion of the offset should result in an adjustment to the cash working capital portion, and, if this adjustment is done, the offset factor remains substantially similar; and that PECO Gas failed to provide evidence sufficient to support its proposal. OCA St. 4 at 103-09. The OCA recommended that the CAP offset factor be unchanged unless or until PECO Gas was able to provide evidence which supported a change, and that any changes to bad debt expense result in parallel changes to cash working capital costs. *Id.* The Settlement recognizes that data do not support an adjustment to the CAP offset factor at this time.

1) Customer Assistance Program

The Settlement assists low-income customers who receive Low-Income Home Energy Assistance Program (LIHEAP) grants more easily enroll in the Company’s CAP, as well as recertify their CAP-eligible status. Settlement at ¶¶ 25-26. The Commission recently entered an order which permits energy utilities to temporarily waive the portion of their universal service programs to engage in data-sharing with the Pennsylvania Department of Human Service’s (DHS) LIHEAP. *2023 Review of All Jurisdictional Fixed Utilities’ Universal Service Programs*, Docket

No. M-2023-3038944 (Order entered June 13, 2024). On July 31, 2024, PECO filed a letter providing that its electric and natural gas distribution companies intend to participate in the data sharing program. *PECO Energy Company's 2019-2028 Universal Service and Energy Conservation Plan, LIHEAP Data Sharing*, Docket No. M-2018-3005795 (Letter filed July 31, 2024).

As a result of the Settlement, not only are parties given a clear timetable on PECO Gas's implementation of data-sharing for CAP enrollment and recertification – within 60 days of the effective date of new rates – but they are also given the opportunity to participate in determining how data-sharing is implemented. Settlement at ¶¶ 25-26. Under the terms of the Commission's Order and PECO's responsive letter, PECO Gas was not required to provide a firm implementation date for when data-sharing would go into effect and was not required to convene stakeholders when developing plans for customer education, notice prior to automatic enrollment, treatment of shopping customers, and treatment of arrears for new enrollees. Instead, now parties such as the OCA and CAUSE-PA have the opportunity to assist PECO's Universal Services Advisory Committee (USAC) with making the most of data-sharing with DHS.

This term was of substantial importance to PECO Gas's customers. Eight customers testified at public input hearings that PECO should automatically enroll customers who seek funding from LIHEAP in its CAP. OCA Exh. NAD-1-SD at 10. Proactive enrollment and recertification of customers through data-sharing would permit low-income customers who qualify for CAP to immediately see, or continue to see, the benefits of CAP, including limiting monthly bill payments to a fixed percentage of income, without the need to apply for multiple programs. *Id.* Due to the significant number of qualifying but not enrolled low-income customers, using LIHEAP data to automatically enroll customers in CAP would help make rates affordable for the

PECO customers who need it most. *Id.* Similarly, permitting recertification through data-sharing lessens the burden on current CAP customers of producing the necessary documentation for PECO Gas after having previously provided it to DHS.

Securing PECO Gas's commitment in a settlement agreement to engage in data-sharing and with relevant stakeholders to improve the data-sharing process is a significant step forward. It is a commitment that could not have been secured in the course of litigation and weighs in favor of the Settlement being found in the public interest.

2) *Low-Income Usage Reduction Program (LIURP)*

Under the terms of the Settlement, PECO Gas commits to provide additional funding to its LIURP. Settlement at ¶¶ 27. Eight customers testified during the public input hearings in this proceeding that PECO Gas should expand funding for, and access to, its LIURP. OCA Exh. NAD-1-SD at 11. As stated by Ms. Lu at the June 12 afternoon public input hearing, "improving the energy efficiency of homes can both reduce energy consumption and demand as well as reduce air pollution. That can be integrated with other Home Weatherization and Repair Programs offered to low and moderate-income households to reach as many eligible households as possible." *Id.* This testimony showed that PECO Gas's customers recognize the benefits that LIURP provides for low-income households, reducing bills and usage for qualifying customers, and recognize that the benefits of LIURP should be wider-spread than at present. *Id.* An increase in LIURP funding can be extremely beneficial to low-income households.

This commitment has the potential to substantially benefit PECO Gas's low-income customers. This is also the type of commitments which can only be secured through a settlement agreement, and weighs in favor of the Settlement being found in the public interest.

3) *Matching Energy Assistance Fund (MEAF)*

The Settlement provides that PECO Gas will make a number of improvements to its MEAF program. The Company will amend its MEAF program to permit grants of up to an additional \$250 and permit customers to utilize MEAF funding to bring an account balance to \$0 if they are able to provide the difference between the MEAF grant and the \$0 account balance. Settlement at ¶ 28. PECO Gas will provide additional data regarding its MEAF programs to its USAC each quarter. *Id.* at ¶ 29. The Company will also provide more information regarding MEAF on its website, including contact information for MEAF agencies and the type of documentation which a MEAF agency may request when the customer applies for a grant. *Id.* at ¶ 30a. Importantly, during the period between when a MEAF agency approves a grant application and when the funds from the agency are disbursed to PECO, PECO Gas will stay the applicable customer's termination and, if the agency is unable to accept or process MEAF applications, PECO Gas will commit to seeking alternative options and put a 15-day hold on termination of impacted, unprocessed customer accounts. *Id.* at 30b.

CAUSE-PA witness Marx identified a number of concerns regarding the MEAF program. Specifically, the evidence presented by CAUSE-PA witness Marx shows that PECO Gas is underspending its MEAF funding, despite a clear and demonstrated need for emergency grant funding. CAUSE-PA St. 1 at 40-43. In part, it is possible that operational challenges to MEAF agencies can result in the under-delivery of MEAF grants. *Id.* at 49-50. Ms. Marx recommended that PECO Gas improve its oversight over MEAF agencies to ensure that they are processing applications at a pace which reflects the need of the applying customers, are better utilizing the pool of grant funding available to them, and are adequately serving low-income customers within PECO Gas's service territory. *Id.*

It is clear that MEAF needs improvements. PECO Gas's commitments regarding expanding funding and access to funding, however small, will assist MEAF funding in the households that need it most. By providing additional data regarding the performance of MEAF agencies, PECO Gas's USAC will be better able to target areas for improvement and development in the administration in the MEAF program, including improving accountability and oversight of MEAF agencies. Finally, the Settlement provisions regarding holding terminations while MEAF funds are processing or if a relevant MEAF agency is unable to process grant applications are a bridge solution until PECO Gas is able to develop MEAF into a more effective program. These commitments are beneficial to the customers who need MEAF grants-1, and weigh in favor of the Settlement being found in the public interest.

4) Other PECO Gas Commitments to Enhance Assistance to Low-Income Customers

In addition to the programmatic commitments addressed above, PECO Gas has also agreed to a number of specific commitments in the Settlement.

PECO Gas committed to extending its use of speech analytics software to assist with the quality monitoring of calls universal service programs and other low-income issues. Settlement at ¶ 31. OCA witness Colton recommended that PECO Gas begin using key words captured in the Company's speech analytics software currently in use to identify low-income or payment troubled customers in order to enhance PECO Gas's targeting for enrolling customers in its CAP. OCA St. 4 at 55-60. Improved targeting will enable the Company to better serve its low-income customers as well as reduce the costs of nonpayment, such as collection costs, uncollectibles, and working capital. *Id.* at 56. Expanding PECO Gas's current use of the program to include improved identification of and targeting for low-income customers is easy and cost-effective. *Id.* at 58. As a

result, the Company's commitment in the Settlement is a benefit to low-income customers without demanding substantial resources from the Company.

The Settlement also requires PECO Gas to use confirmation of low-income status to determine the length of payment arrangements. Settlement at ¶ 32. This change will bring PECO Gas's payment arrangement practices more in line with Chapter 14 of the Public Utility Code. OCA witness Colton recommended that the Company should consider customers to have confirmed their low-income status if they supply information which would reasonably place the customer in a low-income designation. OCA St. 4 at 37-38. Chapter 56 of the Commission's regulations does not require customers to provide proof of income documentation to confirm low-income status, and, instead, only requires information which would reasonably place the customer in a low-income designation. 52 Pa. Code § 56.2 (providing the definition of a "confirmed low-income customer"). PECO Gas disagrees with this interpretation of the Commission's regulations and, in the process of establishing a payment arrangement with a low-income customer, does not affirmatively require its customer service representatives to take an income statement to confirm what length of payment arrangement the customer qualifies for. PECO St. 10R at 11-12. Committing in the Settlement to make this small step towards compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations will provide benefits towards customers who may receive more affordable payment arrangements when PECO Gas properly considers their low-income status when establishing the arrangement.

The Settlement also provides that PECO Gas will include language in its 10-day termination notices which alert the customer at risk of termination that the customer may be eligible to apply for CAP, which may stop termination and/or include arrearage forgiveness. Settlement at ¶ 33. Providing an additional notice at the time of termination that a payment-

troubled customer may be able to avoid termination by applying for CAP increases customers' awareness of CAP and its benefits and may permit customers to avoid termination. OCA St. 4 at 38. This commitment recognizes that termination of electric service should be an EDC's measure of last resort for payment troubled customers and can reduce the costs associated with termination and disconnection for PECO Gas, customers who avoid termination by applying for CAP, and the ratepayers that ultimately bear the burden of funding terminations by the Company. *Id.*

The Settlement provides that confirmed low-income customers who had their service terminated by PECO Gas, and have not previously enrolled in CAP, will be able to have their service restored with lower reconnection fees and enrollment in CAP upon reconnection. Settlement at ¶ 34. OCA witness Colton recommended that PECO Gas require confirmed low-income customers to affirmatively acknowledge, at the time of reconnection, that they would elect to pay all reconnection fees and owed arrearages instead of enrolling in CAP and receiving the benefits of CAP. OCA St. 4 at 42-43. The Settlement compromises the positions of the OCA and PECO Gas by recognizing PECO Gas's policy of only offering arrearage forgiveness benefits to first-time CAP enrollees while potentially alleviating the burden of a portion of reconnection fees for CAP enrollees.

Similarly, the Settlement provides that PECO Gas will include a CAP application and universal services program information sheet during its Cold Weather Survey. Settlement at ¶ 35. Increasing the number of points of contact between the Company and potentially payment troubled customers provides PECO Gas's customer base with a greater awareness of CAP and its benefits, in addition to the benefits of other universal service programs, and will more likely lead to customers enrolling in the Company's CAP. OCA St. 4 at 50. This especially true during the Cold

Weather Survey to mitigate the impact of cold weather on customers who may see higher bills during the winter.

These commitments would not have been secured absent the Settlement agreement. They have the potential to benefit low-income customers within PECO Gas's service territory and weigh in favor of finding the Settlement to be in the public interest.

G. Customer Service and Consumer Protection (Settlement ¶¶36-42)

1) Call Center Performance

The Settlement provides that PECO Gas will investigate “material issues with call handling that were identified in the 2022 Audit Report” and that the Company will file a report on its investigation within six months of the effective dates of the rates established in this proceeding. Settlement at ¶ 36. OCA witness DeMarco identified that PECO Gas had no concrete implementation plan to meet its goals for call center performance improvement, despite the fact that the 2022 Audit Report and PECO Gas's responsive implementation plan identified several areas for focus and improvement, which caused Mr. DeMarco concern about the quality of the Company's call center performance. OCA St. 5 at 14-15. The Company's agreement to investigate material issues demonstrates the Company's desire to improve its customers' quality of customer service – as represented through call center performance – and is a critical step in improving its customers' ability to rely on PECO Gas to resolve their concerns on the first attempt.

2) Low-Income Customer Security Deposits and Disconnections

The Settlement provides for a number of improvements to the Company's security deposit collection practices. PECO Gas will conduct a review of all accounts for which a security deposit was collected from a customer with an income confirmed to earn at or below 250% of the federal poverty level (FPL) and refund those customers who, under Chapter 14 should not have been

subject to a security deposit collection to begin with, with ongoing quarterly reviews of the same. Settlement at ¶ 37. The Company will also add language to its security deposit letter informing customers that proof of income document showing the customer earns at or below 250% FPL in lieu of a security deposit. *Id.* at ¶ 38.

OCA witness Colton identified several concerns with the Company's security deposit collection practices. Mr. Colton presented data which indicate that PECO Gas has collected security deposits from customers that, under the Commission's regulations, should be exempt from such collections because the Company has confirmed the low-income status of those customers. OCA St. 4 at 53-54. By reviewing the accounts from which security deposits were collected, the Company will be able to ensure that its practices conform to Commission regulations and payment-troubled customers who provided cash security deposits will have those deposits returned to them. Furthermore, PECO Gas's additional language on its security deposit letter will make it more likely that customers from whom security deposits have not yet been collected – in addition to the existing customers addressed in Settlement paragraph 37 – will not have to provide security deposits when Commission regulations would not support a deposit being collected.

Finally, PECO Electric will conduct an analysis to ensure that those portions of its service territory considered to be Environmental Justice Communities are not being disproportionately targeted with termination notices, terminations for nonpayment, or security deposit collections. Settlement at ¶ 39. OCA witness Colton presented data which showed, controlling for other factors such as income, a disproportionate percentage of households in the zip codes with the highest penetration of Black households received termination notices, terminations for nonpayment, and security deposit collection activities. OCA St. 4 at 67-71. While Mr. Colton's analysis reached no conclusion as to why this was occurring, he requested that that PECO examine the data as the

Company nonetheless is obligated to ensure that its practices do not have an effect which disproportionately affects residents in Environmental Justice Communities. PECO Electric's commitment in the Settlement to analyze the data presented by OCA witness Colton and meet with the OCA and CAUSE-PA to discuss the Company's efforts to ensure no such disproportionate impact occurs is a meaningful step in this direction.

3) Language Access

The Settlement provides that PECO Gas will continue to engage with its Limited English Proficiency stakeholders to improve language access of PECO Gas's customer communications regarding taglines on residential customer bills and shutoff notices in English and Spanish. Settlement at ¶ 40. A number of customers at Public Input Hearings testified that the Company should endeavor to provide more customer communications in the languages its customers actually speak, such as termination notices and CAP enrollment and recertification letters. OCA Exh. NAD-1-SD at 9. CAUSE-PA witness Marx also presented testimony that a number of critical customer communications provided by PECO Gas are not available in Spanish or other languages besides English which are prevalent in PECO Gas's service territory. CAUSE-PA St. 1 at 56-60. Commission regulations require that termination notices, should be available to customers in languages other than English, including Spanish and a language spoken by at least 5% of the Company's customer base. 52 Pa. Code § 56.91. The Company's commitment to provide termination notices in both English and Spanish is a step towards ensuring that all customers will be apprised of critical information from PECO Gas in a language they speak.

4) Payment Processing

The Settlement provides that PECO Gas will undertake a good faith effort to negotiate lower payment processing fees with third-party vendors when it negotiates its next contract, will

track bill payment processing fees until its next rate case, and will propose the elimination of all bill payment fees in that rate case. Settlement at ¶¶ 41-42. OCA witness DeMarco remarked that not all PECO Gas customers have to pay bill processing fees; PECO Gas customers who pay their bills while enrolled in or logged into PECO Gas's MyAccount portal or pay by phone are not charged these fees. OCA St. 5 at 20-21. However, PECO customers who are not enrolled in MyAccount or do not pay by phone are subject to processing fees, such as for payments by eCheck, debit, commercial credit card, or in person at an authorized bill payment location. *Id.* Bill payment processing fees unnecessarily inflate a customer's monthly payment and can pose a barrier to customers' ability to pay on time and in full if customers are struggling to meet their monthly payments before the imposition of such fees. *Id.* By rolling these fees into base rates, PECO Gas would eliminate the potentially hidden nature of these fees and provide all customers the opportunity to make a payment that reflects the bill they receive electronically or in the mail, instead of one with processing fees added on top, not just those using the Company's portal or paying by phone. For these reasons, the Settlement's provisions regarding payment processing fees are beneficial to consumers and weigh in favor of the Settlement being found in the public interest.

H. Gas Safety (Settlement at ¶¶ 43-49)

The OCA does not take a position on these issues contained in the Settlement, but also does not object to their inclusion.

I. Customer Programs (Settlement at ¶¶ 50-51)

The OCA does not take a position on these issues contained in the Settlement, but also does not object to their inclusion.

J. Tariff Changes (Settlement at ¶ 52)

The Settlement includes Appendix A – Proposed Tariff (Settlement Rates), as a redline of proposed Gas Pa. P.U.C. No. 6. As discussed above, there are negotiated tariff provisions and language which provide benefits to PECO distribution service customers and the public. One example is PECO’s agreement to maintain the existing adjustment factor applied to [CAP] costs recovered through its Universal Services Fund Charge (‘USFC’). Settlement at ¶ 20; see Appendix A – Proposed Tariff (Settlement Rates), Original pages 1, 44.

The Settlement also clarifies that the Settlement Rates reflect the reduced Pennsylvania Corporate Net Income Tax (CNIT) rate of 7.99% for the 2025 tax year. Settlement at ¶ 14. The Company’s State Tax Adjustment Surcharge will be set to zero, subject to reconciliation for prior years, and modification in the event of future changes in covered tax rates. Settlement at ¶ 14.

Similarly, the Settlement reflects the Joint Petitioners’ agreement as to the future activation of the Company’s DSIC tariff provisions. Settlement at ¶¶ 20-22.

These Settlement terms and the Proposed Tariff reflect the Joint Petitioners’ agreement and provide clarity for implementation of the Appendix A – Proposed Tariff (Settlement Rates).

As stated in the Joint Petition, the parties reached no agreement regarding PECO’s proposed addition to its tariff of a Weather Normalization Adjustment (WNA) charge. The parties to the Joint Petition for Non-Unanimous Partial Settlement reserved that issue for litigation. Settlement at ¶ 52.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Partial Settlement, taken as a whole, represent a fair and reasonable resolution of the issues and claims arising in this proceeding as covered by the Non-Unanimous Joint Petition. The OCA further submits that, for the reasons detailed above, the Commission should approve the Settlement without modification as it is in the public interest.

Respectfully Submitted,

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