



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF  
INVESTIGATION  
&  
ENFORCEMENT

September 12, 2024

**Via Electronic Filing**

Secretary Rosemary Chiavetta  
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  
**I&E Reply Brief**

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Reply Brief of the Bureau of Investigation and Enforcement in the above-captioned proceeding.

Copies are being served on parties of record per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads 'Carrie B. Wright' with a stylized flourish at the end.

Carrie B. Wright  
Deputy Chief Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 208185  
(717) 783-6156  
[carwright@pa.gov](mailto:carwright@pa.gov)

CBW/ac  
Enclosures

cc: Administrative Law Judge Marta Guhl (*via Electronic and First-Class Mail*)  
Administrative Law Judge Darlene Heep (*via Electronic and First-Class Mail*)  
Per Certificate of Service



**TABLE OF CONTENTS**

**I. INTRODUCTION AND OVERVIEW ..... 1**

    A. Description of the Company ..... 1

    B. Procedural History ..... 1

    C. Overview of PECO’s Filing..... 1

    D. Overview of the Settlement ..... 1

    E. Legal Standards and Burden of Proof..... 1

**II. SUMMARY OF ARGUMENT ..... 1**

**III. WEATHER NORMALIZATION ADJUSTMENT ..... 2**

**IV. CUSTOMER SERVICE REPRESENTATIVE ISSUES..... 3**

**V. IBEW PROPOSALS..... 4**

**VI. CONCLUSION..... 5**

**TABLE OF CITATIONS**

**Cases**

*Pa. P.U.C. v. Columbia Gas, Inc.*,  
Docket No. R-2020-3018835, pp. 264-265 (Order entered February 19, 2021) ..... 3

## **I. INTRODUCTION AND OVERVIEW**

### **A. Description of the Company**

I&E incorporates the description of the Company as set forth in the I&E Main Brief.<sup>1</sup>

### **B. Procedural History**

I&E incorporates the procedural history as set forth in the I&E Main Brief and the Joint Petition for Settlement.<sup>2</sup>

### **C. Overview of PECO's Filing**

I&E incorporates the overview of PECO's filing as set forth in the I&E Main Brief and Joint Petition for Settlement.<sup>3</sup>

### **D. Overview of the Settlement**

I&E incorporates the overview of the settlement as set forth in the I&E Main Brief.<sup>4</sup>

### **E. Legal Standards and Burden of Proof**

I&E incorporates the legal standards and burden of proof as set forth in the I&E Main Brief.<sup>5</sup>

## **II. SUMMARY OF ARGUMENT**

As explained in the I&E Main Brief, most issues in this base rate case have been settled and I&E requests the ALJ's recommend and the Commission approve the Joint Petition for settlement. The remaining issue for litigation relates to PECO's request for a weather normalization adjustment (WNA). Further, Local 614 of the International Brotherhood of Electrical Workers (IBEW) has opposed the Settlement and suggests that

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<sup>1</sup> I&E MB, p. 1.

<sup>2</sup> I&E MB, pp. 1-2.

<sup>3</sup> I&E MB, p. 2.

<sup>4</sup> I&E MB, p. 3.

<sup>5</sup> I&E MB, pp. 3-4.

PECO should be granted its full requested rate increase, subject to some minor adjustments.

Therefore, this brief addresses only certain recommendations related to the WNA and IBEW's position that PECO be granted its full requested rate increase subject to some slight adjustments recommended by IBEW. As explained in the I&E Main Brief, I&E recommends that if the WNA is approved for PECO, a 3% deadband be imposed. Further, I&E recommends the ALJs' recommend and the Commission adopt the Joint Petition for Settlement and reject IBEW's recommendation that PECO be granted its full requested rate increase.

### **III. WEATHER NORMALIZATION ADJUSTMENT**

I&E continues to recommend that the Commission require PECO to impose a 3% deadband on its WNA, if approved, as a WNA is a departure from traditional ratemaking in that it allows the Company to actually adjust a customer's base rate bill, which is calculated based on Commission approved rates, outside the scope of a base rate case.

In Main Brief, PECO contends that rather than a 3% deadband, a 1% deadband would be appropriate.<sup>6</sup> PECO states that a higher deadband limits the application of a WNA when actual weather varies from normal, and thus undercuts the purpose of the WNA.<sup>7</sup> However, I&E submits that the WNA with the 3% deadband is a reasonable provision because it protects both the Company and customers from the effects of abnormal weather, which cannot be predicted or controlled. Additionally, a 3% deadband maintains consistency with the existing WNA's of Columbia Gas, National Fuel Gas, and UGI Gas.<sup>8</sup> This standard

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<sup>6</sup> PECO MB, pp. 17-18.

<sup>7</sup> PECO MB, p. 17.

<sup>8</sup> I&E St. No. 3, p. 6.

established by the Commission removes the perceived arbitrary nature out of the deadband by imposing a universal condition to the functioning of the WNA as utilized by other investor-owned NGDCs. In deciding whether or not a 3% deadband was appropriate in a 2021 Columbia Order, the Commission agreed with the Administrative Law Judge's finding that "...the 3% deadband is a reasonable provision, because it allows for a range of what is considered 'normal' weather in which the Company's Commission-approved rates would be applied without adjustment."<sup>9</sup>

For the reasons mentioned above, I&E continues to maintain that if the WNA is approved the 3% deadband is a reasonable provision because it serves to protect both the Company and customers from the effects of abnormal weather, which cannot be predicted or controlled. Therefore, I&E recommends that the 3% deadband be made a part of the Company's WNA. Further, I&E recommends the Company be required to provide a schedule at the instant docket on August 1<sup>st</sup> that display the following information for the April and May heating months: (1) actual HDD compared to the normalized HDD; (2) total adjustment to revenue as a result of the April and May weather; (3) impact to the bill of an average customer as a result of April and May weather; (4) the largest change to a customer bill; and (5) the smallest change to a customer bill.

#### **IV. CUSTOMER SERVICE REPRESENTATIVE ISSUES**

I&E is not presenting any arguments specifically related to customer service representative issues, however, as this was part of IBEW's proposal, I&E reiterates that PECO should not be granted its full requested rate increase subject to the IBEW adjustments,

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<sup>9</sup> *Pa. P.U.C. v. Columbia Gas, Inc.*, Docket No. R-2020-3018835, pp. 264-265 (Order entered February 19, 2021).

and that, rather, the Commission should adopt the Joint Petition for settlement including all terms therein as the appropriate resolution of this base rate proceeding.

## **V. IBEW PROPOSALS**

While I&E is not addressing each individual issue raised by IBEW, I&E does address IBEW's contention that PECO's full requested rate increase, subject to some slight adjustments by IBEW, is appropriate. In its Main Brief, IBEW contends that "[i]f PECO is insufficiently funded to provide a competitive employment package, PECO will begin to face a reduction in its highly skilled workforce..."<sup>10</sup> IBEW then states that the general purpose of a rate increase is to ensure that a public utility receives a fair rate of return.<sup>11</sup>

IBEW's position is problematic for a variety of reasons. Inherent in IBEW's recommendation is the premise that because PECO asked for it, the amount of rate increase requested is appropriate. This is simply not true as a variety of items requested in a base rate case may not be appropriate for recovery for various reasons, whether it be that they are not allowable by law, or they fall outside the fully projected future test year (FPFTY), or a variety of other reasons. Further, while the appropriate rate of return is a component of a base rate case, IBEW itself did not provide any rate of return analysis or any commentary on what the appropriate rate of return for PECO would be. Therefore, to offer the premise that the general purpose of base rate case is to determine the appropriate rate of return and imply that granting the full requested increase would generate the appropriate rate of return is imprudent with no analysis, or response to the other parties analysis, upon which to base this recommendation.

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<sup>10</sup> IBEW MB, p. 5.

<sup>11</sup> IBEW MB, p. 9.

Additionally, PECO, by virtue of agreeing in settlement to a certain revenue level has indicated that it believes it has the ability to provide safe and reliable service at that revenue level. As PECO is required to provide safe and reliable service, it would not be appropriate for PECO to agree to a revenue level that would not allow for the provision of safe and reliable service. Therefore, it stands to reason that the revenue requirement PECO agreed to is sufficient to meet its operating and hiring needs in order to meet its obligations under the Public Utility Code.

IBEW seems to believe that the revenue requirement PECO requested in its filing would all go to hiring a skilled workforce. This is simply untrue. PECO's filing contained requests for a variety of expense beyond hiring skilled employees. Both I&E and OCA provided a detailed analysis of PECO's ratemaking claims and revenue requirement, including rate of return. IBEW provided no such analysis. In fact, the settled upon revenue requirement is very close to the I&E litigation position<sup>12</sup> on revenue requirement demonstrating the reasonableness of the settlement.

As set forth and explained in the I&E Statement in Support of Settlement, the revenue requirement agreed to by all parties, including PECO itself, is appropriate and adequate in order for PECO to continue to provide safe and reliable service at reasonable rates.

## **VI. CONCLUSION**

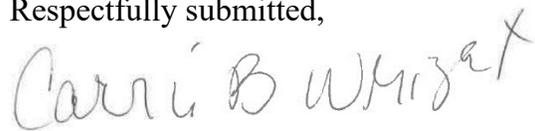
I&E recommends the Commission approve the Joint Petition for settlement of this rate investigation and reject IBEW's recommendation that PECO's full requested rate increase be granted subject to the adjustments identified by IBEW. Specifically regarding

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<sup>12</sup> I&E St. No. 1-SR, p. 4.

the WNA, I&E recommends the Commission require a 3% deadband if the WNA is approved. Further, I&E recommends the Company be required to provide a schedule at the instant docket on August 1<sup>st</sup> that display the following information for the April and May heating months: (1) actual HDD compared to the normalized HDD; (2) total adjustment to revenue as a result of the April and May weather; (3) impact to the bill of an average customer as a result of April and May weather; (4) the largest change to a customer bill; and (5) the smallest change to a customer bill.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carrie B. Wright".

Carrie B. Wright  
Deputy Chief Prosecutor  
PA Attorney ID No. 208185

Pennsylvania Public Utility Commission  
Bureau of Investigation and Enforcement  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Dated: September 12, 2024

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Reply Brief** dated September 12, 2024, in the manner and upon the persons listed below:

**Served via Electronic Mail Only**

Jack R. Garfinkle, Esq.  
Adesola K. Adegbesan, Esq.  
PECO Energy Company  
2301 Market Street  
Philadelphia, PA 19103  
[jack.garfinkle@exeloncorp.com](mailto:jack.garfinkle@exeloncorp.com)  
[adesola.adegbesan@exeloncorp.com](mailto:adesola.adegbesan@exeloncorp.com)  
*Counsel for PECO*

Steven C. Gray, Esq.  
Rebecca Lyttle, Esq.  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17101  
[sgray@pa.gov](mailto:sgray@pa.gov)  
[relyttle@pa.gov](mailto:relyttle@pa.gov)

Kenneth M. Kulak, Esq.  
Mark A. Lazaroff, Esq.  
Brooke E. McGlinn, Esq.  
Catherine G. Vasudevan, Esq.  
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)  
*Counsel for PECO*

Erin L. Gannon, Esq.  
Gina L. Miller, Esq.  
Barrett C. Sheridan, Esq.  
Jacob D. Guthrie, Esq.  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)

Jonathan P. Nase, Esq.  
David P. Zambito, Esq.  
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)  
*Counsel for UPENN*

Charlotte E. Edelstein, Esq.  
Joline R. Price, Esq.  
Vikram A. Patel, Esq.  
Robert W. Ballenger, Esq.  
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)  
*Counsel for CAUSE-PA*

Charis Mincavage, Esq.  
Adeolu A. Bakare, Esq.  
Brigid Landy Khuri, Esq.  
Rebecca Kimmel, Esq.  
McNees Wallace & Nurick  
100 Pine Street  
P. O. Box 1166  
Harrisburg, PA 17108  
[cmincavage@mcneeslaw.com](mailto:cmincavage@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[bkhuri@mcneeslaw.com](mailto:bkhuri@mcneeslaw.com)  
[rkimmel@mcneeslaw.com](mailto:rkimmel@mcneeslaw.com)  
*Counsel for PAIEUG*

Todd S. Stewart, Esq.  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)  
*Counsel for SEPTA*

Derrick Price Williamson, Esq.  
Barry A. Naum, Esq.  
Steven W. Lee, Esq.  
Spilman Thomas & Battle PLLC  
1100 Bent Creek Boulevard, Suite 101  
Mechanicsburg, PA 17050  
[dwilliamson@spilmanlaw.com](mailto:dwilliamson@spilmanlaw.com)  
[bnaum@spilmanlaw.com](mailto:bnaum@spilmanlaw.com)  
[slee@spilmanlaw.com](mailto:slee@spilmanlaw.com)  
*Counsel for Walmart*

Charles T. Joyce, Esq.  
Spear Wilderman PC  
230 S. Broad Street, Suite 1400  
Philadelphia, PA 19102  
[ctjoyce@spearwilderman.com](mailto:ctjoyce@spearwilderman.com)  
*Counsel for IBEW Local 614*

Nicholas J. Enoch, Esq.  
Lubin & Enoch  
349 North Fourth Avenue  
Phoenix, AZ 85003  
[nick@lubinandenoach.com](mailto:nick@lubinandenoach.com)  
*Counsel for IBEW Local 614*

John DeFever  
Larkin & Associates, PLLC  
15728 Farmington Road  
Livonia, MI 48154  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

Clarence Johnson  
CJ Energy  
3707 Robinson Avenue  
Austin, TX 78722  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

David Garrett  
Resolve Utility Consulting PLLC  
101 Park Avenue, Suite 1125  
Oklahoma City, OK 73102  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

Roger Colton  
Fisher, Sheehan & Colton  
34 Warwick Road  
Belmont, MA 02478  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

Nicholas A. DeMarco  
Regulatory Analyst  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

Ron Nelson  
Volt-Watt Consulting LLC  
1311 SE 53<sup>rd</sup> Avenue  
Portland, OR 97215  
[OCAGASPECO2024@paoca.org](mailto:OCAGASPECO2024@paoca.org)  
*Witness for OCA*

Robert D. Knecht  
Mark Ewen  
Industrial Economics, Inc.  
2067 Massachusetts Avenue  
Cambridge, MA 02140  
[rdk@indecon.com](mailto:rdk@indecon.com)  
[mewen@indecon.com](mailto:mewen@indecon.com)  
*Consultants for OSBA*

Billie S. LaConte  
Jeffrey Pollock  
J. Pollock, Inc.  
14323 South Outer 40 Road, Suite 206N  
Town and Country, MO 63017  
[bsl@jpollockinc.com](mailto:bsl@jpollockinc.com)  
[jcp@jpollockinc.com](mailto:jcp@jpollockinc.com)  
*Consultants for PAIEUG*

Elizabeth Marx  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
[emarx@pautilitylawproject.org](mailto:emarx@pautilitylawproject.org)  
*Witness for CAUSE-PA*

James Crist  
Lumen Group, Inc.  
4226 Yarmouth Drive, Suite 101  
Allison Park, PA 15101  
[jlcrist@aol.com](mailto:jlcrist@aol.com)  
*Witness for SEPTA*

James Glenn  
IBEW Local 614  
4613 West Chester Pike, Upper Level  
Newtown Square, PA 19073  
[jamesglenn@614ibew.com](mailto:jamesglenn@614ibew.com)  
*Witness for IBEW Local 614*

Alan McCarthy  
705 East Bernard Street  
West Chester, PA 19382  
[alanmccarthy25@hotmail.com](mailto:alanmccarthy25@hotmail.com)

Christina Sappey  
State Representative  
698 Unionville Road  
Kennett Square, PA 19348  
[repsappey@pahouse.net](mailto:repsappey@pahouse.net)



---

Carrie B. Wright  
Deputy Chief Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 208185  
(717) 783-6156  
[carwright@pa.gov](mailto:carwright@pa.gov)