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September 12, 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 **Reply Brief of PECO Energy Company** (“Reply Brief”), in the above-captioned proceeding. As evidenced by the Certificate of Service, copies of the Reply 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,



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Enclosures

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

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September 12, 2024

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Philadelphia, PA 19107

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

v.

**PECO ENERGY COMPANY –
GAS DIVISION**

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DOCKET NO. R-2024-3046932

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Reply 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 12, 2024

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PECO ENERGY COMPANY –
GAS DIVISION**

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DOCKET NO. R-2024-3046932

**REPLY BRIEF OF
PECO ENERGY COMPANY**

**Before Administrative Law Judges
Marta Guhl and Darlene Heep**

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I. INTRODUCTION AND OVERVIEW

PECO Energy Company (“PECO” or the “Company”) files this Reply Brief in response to the Main Briefs filed by the Pennsylvania Public Utility Commission’s (“Commission” or “PUC”) 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”), and Local 614 of the International Brotherhood of Electrical Workers, AFL-CIO (“IBEW” or the “Union”).

The central reason PECO is seeking a rate increase is to support its substantial investment in new and replacement gas utility plant to maintain and enhance the safety and reliability of its gas distribution system. PECO will invest approximately \$786 million in new and replacement gas utility plant in 2024 and 2025.¹ PECO is also seeking approval of an alternative rate mechanism pursuant to Section 1330 of the Code² – a weather normalization adjustment (“WNA”).

As detailed in the Joint Petition for Non-Unanimous Partial Settlement of Rate Investigation (“Joint Petition”) filed on August 30, 2024, PECO and all parties to this proceeding except IBEW (the “Joint Petitioners”) agreed to a comprehensive settlement (the “Settlement”) resolving all issues in this rate case except for the WNA. IBEW opposes the Settlement.

To a large extent, the issues raised in the opposing parties’ Main Briefs – limited to disagreement regarding the WNA and a small number of issues raised by IBEW – were fully addressed in PECO’s Main Brief, filed on September 6, 2024. Therefore, it is not necessary to extensively address in detail each issue raised by the opposing parties. However, as an aid to the

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

² PECO St. 1, p. 5; PECO Exhibit MJT-1, Sch. A-1.

Administrative Law Judges (the “ALJs”), this Reply Brief revisits certain of the key areas of disagreement.

II. SUMMARY OF ARGUMENT

PECO proposed a gas base rate increase of \$111 million in its initial filing. 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 until at least March 16, 2026. The record evidence supports the increase provided in the Settlement, which 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.

The WNA is the only issue reserved for litigation under the Settlement. PECO’s proposed WNA is consistent with the four Commission-approved WNAs in operation today and the WNA of Peoples Natural Gas Company LLC (“Peoples”) approved by the Commission on September 12, 2024, is supported by the Commission’s Policy Statement on alternative ratemaking and the evidence presented by PECO in this proceeding, and will better enable PECO to recover its Commission-authorized revenue requirement while protecting customers from higher charges in the event weather is colder-than-normal. The Commission should, therefore, approve the WNA as proposed by PECO.

As explained in PECO’s Main Brief, the only party to oppose the Settlement in this proceeding was IBEW. IBEW’s Main Brief largely restates IBEW witness testimony regarding IBEW proposals for PECO customer service representatives (“CSRs”) that PECO has already fully addressed, argues for specific adjustments to revenue that were effectively resolved by the Settlement, and seeks to impose requirements for PECO to report on its hiring plans and

expenditures that are entirely unnecessary. The Commission should therefore deny each of IBEW's proposals and approve the Settlement as requested by the Joint Petitioners.

III. WEATHER NORMALIZATION ADJUSTMENT

PECO must continuously invest in and improve its distribution system in order to provide customers with safe and reliable service, and incurs significant fixed costs in doing so.³

However, as described in the Company's Main Brief and by PECO witness Michael J. Trzaska, these fixed costs are primarily recovered on a volumetric basis through the Company's rate design.⁴ When actual weather varies from predicted normal weather, as it always does, the Company will earn either more or less than its Commission-authorized revenue requirement – to the detriment of customers when weather is colder-than-normal, and to the benefit of customers when weather is warmer-than-normal. The WNA is intended to reduce the inherent volatility in customer bills and PECO's recovery of distribution revenue resulting from the unpredictable nature of weather, providing reciprocal benefits to the Company and customers. The WNA is also consistent with Section 1330, the Commission's alternative ratemaking factors set forth at 52 Pa. Code § 69.3302, and the Commission-approved WNAs of Philadelphia Gas Works ("PGW"), Columbia Gas of Pennsylvania ("Columbia"), UGI Utilities, Inc. - Gas Division ("UGI"), National Fuel Gas Distribution Corporation ("NFG"), and Peoples.⁵

Nevertheless, the OCA and CAUSE-PA argue that the Commission should reject the WNA.⁶ OCA's and CAUSE-PA's opposition centers around the following primary arguments:

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

⁴ PECO Main Br., p. 10; PECO St. 3, pp. 66-67.

⁵ See *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 Pa., Inc.*, Docket No. R-2012-2321748 (Order entered May 23, 2013); *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. Nat'l Fuel Gas Distrib. Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023); *Pa. Pub. Util. Comm'n v. Peoples Nat. Gas Co. LLC*, Docket No. R-2023-3044549 (Order entered Sept. 12, 2024) (hereinafter referred to as the "Peoples Order").

⁶ See OCA Main Br., pp. 11-38; CAUSE-PA Main Br., pp. 6-17.

(i) the WNA is not supported by the Commission’s alternative ratemaking policy factors;⁷ (ii) the WNA will reduce customer incentives to increase efficiency and reduce natural gas consumption;⁸ (iii) the WNA will disproportionately impact low-income customers;⁹ and (iv) the WNA is confusing.¹⁰ The Commission should reject these arguments and approve PECO’s proposed WNA. The Commission has time and again recognized the value of WNAs to both NGDCs and customers. Most recently, the Commission considered a WNA proposed by Peoples, which the OCA opposed. The OCA’s arguments against the Peoples’ WNA were similar to its arguments against the PECO WNA, each of which were rejected by the Commission.¹¹ Further, As noted by the Commission in its approval of the Peoples’ WNA:

Alternative rate mechanisms that are decoupled from revenue are a relatively recent development in Pennsylvania. 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 the OCA in opposition to this settlement term are arguments that can be made in opposition to *any* WNA.¹²

The Company’s WNA is fully supported by the record in this proceeding and the Company’s Main Brief.¹³ Contrary to the assertions of the OCA, the Company is not simply

⁷ See OCA Main Br., pp. 13-18; CAUSE-PA Main Br., pp. 11-15.

⁸ See OCA Main Br., pp. 31-33; CAUSE-PA Main Br., pp. 13-14.

⁹ See OCA Main Br., pp. 27-31; CAUSE-PA Main Br., pp. 11-14.

¹⁰ See OCA Main Br., pp. 33-38; CAUSE-PA Main Br., pp. 14-15.

¹¹ See *Peoples Order*, pp. 87-93 (approving Peoples’ WNA and rejecting arguments that (1) the Peoples WNA provides Peoples with greater revenues when customers use less gas or if weather is warmer, counter to cost of service considerations; (2) the Peoples WNA disincentivizes conservation as it will collect portions of customer’s savings from reduced usage during months the WNA is in operation; (3) the Peoples WNA is complex and difficult for customers to understand; and (4) the Peoples WNA decreases affordability by, more likely than not, collecting more in charges than Peoples customers receive in credits and creating instability and unpredictability on a month-to-month basis, disproportionately impacting low-income customers).

¹² *Peoples Order*, pp. 92-93 (quoting *Pa. Pub. Util. Comm’n v. Peoples Nat. Gas Co. LLC*, Docket No. R-2023-3044549 (Recommended Decision issued July 15, 2024), p. 46).

¹³ See PECO Main Br., pp. 7-20.

pointing to the existence of the WNAs of PGW, Columbia, UGI, and NFG to satisfy its burden in this case. The Company provided extensive testimony as to why the WNA is reasonable and necessary **for PECO**. As Mr. Trzaska explained, warmer-than-normal weather can result in challenges in recovering Commission-authorized revenues, which could impair PECO's ability to continue to maintain and enhance the safety and reliability of its system and produce volatile financial results, impacting the Company's ability to attract the capital necessary to fund its investments.¹⁴ Mr. Trzaska also explained in detail how the WNA will function and the formula that PECO will utilize to calculate the WNA.¹⁵ Finally, Mr. Trzaska addressed each of the Commission's alternative ratemaking distribution rate considerations set forth at 52 Pa. Code § 69.3302, demonstrating that the rate considerations, on balance, support the approval of the WNA.¹⁶

The OCA and CAUSE-PA focused, in particular, on alternative rate factor number 1 (how the ratemaking mechanism and rate design align revenues with cost causation principles) and both assert that the WNA violates the Commission's cost causation principles. CAUSE-PA states that since the WNA will increase revenues when less gas is consumed, it will, in effect, allocate costs that were never incurred by PECO.¹⁷ The OCA argues that PECO does not have any true fixed costs; rather "all costs are variable in the long-term," and therefore, the WNA is inconsistent with cost causation principles.¹⁸ As Mr. Trzaska explained, however, the inverse is true. The WNA will assist PECO in recovering fixed costs that it might otherwise not recover through volumetric rates if weather is warmer-than-normal, and return costs to customers that it

¹⁴ PECO St. 3, pp. 79-80.

¹⁵ *Id.* pp. 69-73.

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

¹⁷ CAUSE-PA Main Br., p. 15.

¹⁸ OCA Main Br., pp. 20-21.

might otherwise over-recover through volumetric rates if weather is colder-than-normal, and will therefore “better align distribution revenues with cost causation principles; appropriately accounting for customer variation in usage due to weather.”¹⁹

The OCA and CAUSE-PA also contend that the WNA will reduce customers’ incentives to increase efficiency.²⁰ But in fact, since the WNA will only address variations in usage due to weather, 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.²¹ Customers that increase efficiency will therefore still realize the benefits of reducing their usage through lowering their consumption or otherwise increasing their efficiency. Chairman Gladys Brown Dutrieuille explicitly recognized this point – that WNAs continue to maintain incentives for efficiency – in her statements accompanying the Commission’s respective approvals of the UGI and Columbia WNAs:

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.²²

The OCA and CAUSE-PA are also incorrect that the WNA will have a disproportionate impact on low-income customers.²³ As explained in the Company’s Main Brief, the Company’s

¹⁹ PECO St. 3, pp. 74-75. *See also Peoples Order*, pp. 87-88, 92-93 (rejecting the OCA’s Exception No. 11, including arguments that the Peoples WNA is counter to cost of service considerations).

²⁰ OCA Main Br., pp. 4, 15-16; CAUSE-PA Main Br., p. 13.

²¹ PECO St. 3, p. 76; PECO St. 3-R, p. 17.

²² *Pa. Pub. Util. Comm’n v. UGI Utils., Inc. – Gas Div.*, Statement of Chairman Gladys Brown Dutrieuille, Docket No. R-2021-3030218 (Sept. 15, 2022); *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). *See also Peoples Order*, pp. 87-88, pp. 92-93 (rejecting the OCA’s Exception No. 11, including arguments that the Peoples WNA disincentivizes conservation).

²³ *See OCA Main Br.*, p. 16; *CAUSE-PA Main Br.*, pp. 11-12.

customer assistance program (“CAP”), budget billing program, and the customer protections that PECO has proposed incorporating into its WNA design will ensure that low-income customers are not disproportionately impacted by the WNA.²⁴ 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”)²⁵ and will never be required to pay more than their PIPP affordability level. The combination of the WNA and budget billing will provide all customers, including low-income customers, with greater billing predictability and stability than budget billing alone.²⁶ The Company’s proposed cap on May distribution revenues will also ensure that all customers are protected against a WNA similar to PGW’s problematic May 2022 WNA.²⁷

Mr. Trzaska also addressed the OCA’s and CAUSE-PA’s concern that non-CAP customers, and specifically low-income non-CAP customers, will unfairly be subjected to additional costs due to the resulting CAP “shortfall” from applying the WNA to CAP customers.²⁸ OCA characterizes this as a “double-recovery” from non-CAP customers, which it states could be cured by excluding CAP customers from the WNA.²⁹

The WNA will not result in a “double-recovery” or in the imposition of unfair charges to non-CAP customers. PECO will only be entitled to earn its Commission-approved revenue requirement and any CAP “shortfall” will continue to be recovered through PECO’s Universal Service Fund Charge.³⁰ As Mr. Trzaska explained:

²⁴ See PECO Main Br., pp. 14-15.

²⁵ PECO St. 3-R, p. 20.

²⁶ *Id.*, pp. 19-20, Hearing Tr. 824:3-20.

²⁷ PECO St. 3, p. 79; PECO St. 3-R, pp. 24-25. See also *Peoples Order*, pp. 88-89 92-93 (rejecting the OCA’s Exception No. 11, including arguments that the Peoples WNA disproportionately impacts low-income customers, and approving Peoples’ proposed cap on May bills, which is similar to the cap proposed by PECO).

²⁸ See OCA Main Br., p. 28; CAUSE-PA Main Br., p. 12.

²⁹ OCA Main Br., p. 28.

³⁰ PECO St. 3-R, p. 21. See also PECO St. 10, p. 4.

If weather is colder-than-normal, the WNA will be applied to CAP customer bills before CAP credits are applied, and to non-CAP customer bills. This will true-up the amount that non-CAP customers are responsible for under actual weather to the amount that non-CAP customers would have been responsible for under normal weather and Commission-approved rates.³¹

Furthermore, since the WNA will be applied to CAP customer bills *before* CAP credits are applied, excluding CAP customers from the WNA would result in an *increase* in the CAP shortfall.³² The OCA’s proposal to exclude CAP customers is therefore inappropriate since it would result in an increase in the aggregate amount that non-CAP customers would be responsible for, and “undermine the goal of the WNA of aligning PECO’s revenue recovery with Commission-approved revenues, and fully insulating both CAP and non-CAP customers from rate increases in the event of colder-than-normal weather.”³³

The OCA and CAUSE-PA also minimize the benefit to all customers, and particularly low-income customers, of being protected against higher bills in the event that weather is colder-than-normal. As Mr. Trzaska explained, the WNA addresses short-term volatility, and will still protect customers even if temperatures are increasing over the long-term.³⁴ The addition of the WNA to the Company’s existing budget billing option will also provide customers with the best option for smoothing bill predictability.³⁵

The OCA’s and CAUSE-PA’s additional claims that the WNA is too confusing are similarly unfounded, especially given the existing operating WNAs in the Commonwealth.³⁶

³¹ PECO St. 3-R, p. 21.

³² *Id.*

³³ *Id.*, pp. 21-22.

³⁴ Hearing Tr., pp. 828-29.

³⁵ See PECO St. 3-R, p. 19. The OCA’s Main Brief (p. 16) stated that PECO’s “conclusory statement [regarding the combination of the WNA with budget billing] was unsupported,” ignoring Mr. Trzaska’s explanation as to why the combination of the WNA with budget billing is the best option for customers.

³⁶ CAUSE-PA Main Br., pp. 14-15; OCA Main Br., pp. 10, 18. See also *Peoples Order*, pp. 88-89, pp. 92-92 (rejecting the OCA’s Exception No. 11, including arguments that the Peoples WNA is not understandable to customers).

The Company will develop WNA educational materials for its customers and agreed to the recommendations of OSBA witness Mark Ewen to adopt communication and outreach efforts consistent with programs implemented by other utilities after approval of a WNA mechanism.³⁷ Moreover, PECO's WNA – including the reasons it is necessary, the general premise of how it will function, and its formula – are similar to the existing WNAs of other natural gas distribution companies (“NGDCs”) in the Commonwealth under which customers receive service. There is no evidence to suggest that PECO's customers are less able to understand the WNA than the customers of NGDCs with approved WNAs. Moreover, while CAUSE-PA and the OCA note that four PECO customers expressed concern regarding their understanding of the WNA during the course of the seven public input hearings held in this proceeding,³⁸ the comments of four customers (out of more than 500,000 PECO Gas customers) simply do not “unequivocally demonstrate[] that customers have a difficult time understanding what the WNA is, what it does, or how to plan for it” as the OCA contends.³⁹ Notably, these customers have not yet had the benefit of the educational materials and customer support that the Company will make available to customers following approval of the WNA.⁴⁰ As explained by Mr. Trzaska, 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 regarding the new mechanism; (ii) have “FAQs” (i.e., frequently asked questions) on PECO's website to educate customers regarding the WNA; (iii) provide its CSRs with WNA-specific training to address

³⁷ PECO St. 3, p. 79; PECO St. 3-R, pp. 24-25.

³⁸ See CAUSE-PA Main Br., p. 14; OCA Main Br., pp. 10, 16-17.

³⁹ OCA Main Br., p. 38.

⁴⁰ See PECO St. 3, p. 79; PECO St. 3-R, pp. 24-25.

customer questions; and (iv) monitor customer feedback and adjust its customer approach if necessary.⁴¹

Additional points raised in opposing briefs include CAUSE-PA's and the OCA's assertions that the WNA is unreasonable since it does not take climate change into account and that it will unreasonably shift risk to customers.⁴² The Company affirmatively addressed these arguments in its Main Brief,⁴³ and reaffirms that the WNA will provide reciprocal benefits to customers 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.⁴⁴ The OCA's and CAUSE-PA's suggestion that the adoption of a shorter "weather-normal" period than the 30-year period utilized by the Company also lacks support. The Company evaluated 20- and 10-year alternatives and observed that moving to a 20-year period would only result in a 0.4 difference in normal weather – not significant enough to warrant a change in practice – and a 10-year period would not be appropriate to use in predicting future "normal" weather given the higher volatility within such a short data set.⁴⁵

The OCA also asserts that PECO's use of a fully projected future test year ("FPFTY") and distribution system improvement charge ("DSIC") obviate the need for a WNA since these ratemaking tools assist the Company in earning its revenue requirement.⁴⁶ However, these ratemaking tools serve very different purposes. The FPFTY and DSIC reduce regulatory lag and the DSIC is intended to encourage investment in between rate cases. Neither mechanism is

⁴¹ PECO St. 3-R, p. 24.

⁴² See CAUSE-PA Main Br., pp. 9-10; OCA Main Br., pp. 9-10.

⁴³ See PECO Main Br. pp. 12-14.

⁴⁴ PECO St. 3-R, pp. 11-12. See also *Peoples Order*, pp. 92-93.

⁴⁵ Hearing Tr., p. 825; PECO St. 3-R, pp. 17-18.

⁴⁶ See OCA Main Br., pp. 19-21. OSBA also made similar arguments that should be rejected for the same reason. See OSBA Main Br., pp. 4-5.

designed to address the issue of volatility in customer bills or Company revenue collection that can result from colder-than-normal and warmer-than-normal weather.

Finally, the Commission should reject I&E's and OSBA's proposed revisions to PECO's WNA for the reasons set forth in PECO's Main Brief.⁴⁷ A 1% deadband is appropriate as I&E's proposed 3% deadband would undercut the intent of the WNA by limiting its application when actual weather varies from normal weather.⁴⁸ And OSBA's proposed heating degree day threshold and process for monitoring customers' implied heating usage are not necessary or supported in the record.⁴⁹

In its Main Brief, OSBA also asserted that if the WNA is approved, PECO's return on equity ("ROE") should be reduced and "the 5% to 6% range may be appropriate."⁵⁰ This argument was improperly raised by OSBA. OSBA did not reserve the issue of PECO's ROE for litigation, and the OSBA and the other parties to the Settlement agreed to PECO's revenue requirement in a "black box" settlement. Therefore, there is no "ROE" to reduce. Furthermore, OSBA does not cite any testimony with respect to the "5% or 6% range" because it cannot – the OSBA did not provide any rate of return analysis in this proceeding, let alone one that would support its improper contention now.⁵¹

IV. CUSTOMER SERVICE REPRESENTATIVE ISSUES

IBEW's Main Brief presents arguments that largely repeat the testimony of its witness, James Glenn, calling for additional CSR training and a reduction in CSR overtime requirements. In repeating this testimony, IBEW continues to ignore the detailed testimony provided by PECO

⁴⁷ See PECO Main Br., pp. 18-19.

⁴⁸ PECO St. 3, p. 70, PECO St. 3-R, pp. 19-20.

⁴⁹ PECO St. 3-R, pp. 23-24.

⁵⁰ OSBA Main Br., pp. 5-6.

⁵¹ Notably, in calculating PECO's proposed cost of equity, PECO witness Paul R. Moul testified that each of the gas companies in his proxy group had some form of WNA mechanism and the market prices of those companies' common stocks reflect investors' expectations of such a mechanism. PECO St. 5, pp. 10-11.

witness Jaqueline F. Golden about the timing and extent of the CC&B training CSRs received, which PECO discussed in its Main Brief. In the following section, PECO highlights the material steps taken to ensure that CSRs and their supervisors are proficient with PECO's new billing software and are supported and satisfied in their positions to underscore why IBEW's CSR proposals are entirely unnecessary.

A. Adequacy of CSR Training on New Billing System

IBEW argues that multiple issues regarding the implementation of CC&B have been identified by the CSRs which “can be largely addressed through training and in lieu of punitive and excessive oversight by PECO.”⁵² According to IBEW, 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 the number of billing exceptions stemming from the implementation of CC&B. Accordingly, IBEW renews its requests that “PECO be required to provide additional and uniform training to both CSRs and CSR supervisors on [CC&B] and [credit and collections] such that these issues will be minimized.”⁵³

As a threshold matter, PECO does not dispute that the existence of some billing exceptions related to the implementation of CC&B and, as PECO witness Golden testifies, “[r]esolution of exceptions is a top priority for PECO and [the Company is] working diligently to resolve any outstanding issues” including with bill presentment and accuracy, summary bills, invoice delivery, confirmation of account additions and deletions.⁵⁴ In fact, in the now nearly seven months since the implementation of CC&B, “the Company has made significant progress resolving exceptions.”⁵⁵

⁵² IBEW Main Br., p. 6.

⁵³ *Id.*, p. 7.

⁵⁴ PECO St. 10-R, pp. 27-28.

⁵⁵ PECO St. 10-SR, p. 4.

However, IBEW’s claims that the training provided to CSRs and CSR supervisors and coaches prior to the implementation of CC&B was inadequate both in terms of timing and level of detail is simply wrong. In her testimony, PECO witness Golden details the three different, industry-standard training modules delivered to the CSRs, with the first module delivered **nearly two years before** the implementation of CC&B. Mr. Glenn’s claim that the training was “poor” in part because it was delivered “shortly before” the launch is incorrect.⁵⁶

The Company’s different training modules – “Set the Foundation” (provided from February 2022 through October 2022), “Make it Real” (provided from February 2023 through July 2023) and “Practice and Prepare” (provided from September 2023 through January 2024) – were delivered using multiple training methods, including but not limited to twenty-six (26) video demonstrations during Set the Foundation, preparation of three hundred seventy-five (375) job aids to accompany the twenty-six (26) courses during Make it Real, and the creation and documentation of CSR questions and answers throughout the training program.⁵⁷ As such, IBEW’s complaint that the Company did not provide “cheat sheets to know where to access certain features and information on [CC&B]” is also incorrect in light of the fact that all the training modules, video demonstrations, job aids, and Q&A are accessible on a 24/7 basis to CSRs via the New Horizons Resource Hub.⁵⁸ Moreover, IBEW’s suggestion that the CSRs are not happy with the Company’s training is inconsistent with the documented feedback solicited and received from the CSRs upon completion of the training, which was largely positive.⁵⁹

IBEW’s concerns about training associated with credit and collections are also outdated and unfounded given that: (1) the credit and collections process within CC&B did not become

⁵⁶ IBEW Main Br., p. 6.

⁵⁷ PECO St. 10-SR, pp. 2-3.

⁵⁸ *Id.*, pp. 2-3.

⁵⁹ *Id.*, pp. 3-4.

functional until after the initial implementation; and (2) CSRs were trained on CC&B's credit and collections functionality beginning the week of May 27, 2024.⁶⁰

B. Adequacy of Supervisor Support to CSRs

IBEW's general claims that CSRs are not able to get "quick and knowledgeable feedback and support during difficult calls" and "supervisors are often in meetings and unable to assist with customer support" are again contradicted by the evidence in this proceeding. Ms. Golden testified that "coaches" were trained at the same time as the CSRs and have been readily available to assist CSRs with call handling in real time.⁶¹ PECO also continues to provide additional CC&B training for front-line supervisors, which will be completed by the end of 2024.⁶² Furthermore, PECO supervisors continue to receive leadership training on all aspects of their job requirements, not just CC&B.⁶³

C. CSR Overtime Requirements and Satisfaction

For the first time in this proceeding, IBEW alleges "punitive and excessive oversight by PECO"⁶⁴ with respect to the CSRs. IBEW does not explain the apparent contradiction in its assertions that supervisors are unavailable but also providing excessive oversight. To the extent that IBEW believes that mandatory overtime is "punitive," the fact is that a CSR's job responsibility includes mandatory overtime when required to assist customers.⁶⁵ If the amount of overtime required of CSRs on a day-to-day basis is the real issue at hand, the Commission

⁶⁰ *Id.*, p. 5.

⁶¹ *Id.*, p. 6.

⁶² *Id.*

⁶³ *Id.*, p. 5.

⁶⁴ IBEW Main Br., p. 6.

⁶⁵ PECO St. 10-SR, pp. 5-6.

should conclude that this is not the appropriate forum to negotiate revisions to the existing collective bargaining agreement governing CSR responsibilities.

In fact, PECO's treatment of the CSRs is the exact opposite of "punitive" given that the Company did not hold CSRs accountable for their scorecard performance with respect to CC&B tasks for nearly four months after the initial implementation. Having now achieved proficiency, CSRs have returned to a nearly fully remote work environment as of the end of June 2024.⁶⁶ The IBEW has simply failed to demonstrate the need for any of its CSR-related proposals.

V. IBEW PROPOSALS

A. Worker Safety and Safety Standards

IBEW's Main Brief does not address this topic, which PECO addressed in full in its Main Brief.⁶⁷

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

In its Main Brief, IBEW continues to challenge PECO's 2% vacancy factor by claiming that PECO needs to demonstrate that it changed its hiring and retention practices to mitigate the impact of COVID-19 on the job market.⁶⁸ IBEW argues that PECO's vacancy rate is actually 4%, and repeats its fundamental misunderstanding of the difference between the Company's budgeting process and its workforce planning process, which PECO witness Amy E. Hamilton, Vice President for Gas Operations, addressed in detail in her testimony.⁶⁹ IBEW argues for a reduction in revenue of \$1,049,000 and associated adjustments to employee benefits expense and payroll tax, which is consistent with OCA witness DeFever's proposed payroll-related reductions

⁶⁶ *Id.*, pp. 6-7.

⁶⁷ PECO Main Br., pp. 24-25.

⁶⁸ IBEW Main Br., p. 10.

⁶⁹ *See* IBEW Main Br., pp. 9-11; PECO St. 1-R, p. 22; PECO St. 1-SR, p. 4; Hearing Tr., p. 778-79.

in this proceeding that were entirely resolved by the Settlement and the revenue requirement agreed upon by the Joint Petitioners.⁷⁰

Since the start of this proceeding, IBEW has argued that the Company is entitled to the full amount of the increased revenue request in part so that it can hire, retain and sufficiently train employees to deliver reliable natural gas service in a safe environment.⁷¹ In fact, in its Main Brief, IBEW continues to argue that “PECO needs to be sufficiently funded to continue and to grow its proactive efforts to groom and train workers to replace those who retire”⁷² and that “it is imperative that PECO be afforded rate relief sufficient to allow it to proactively ramp up its hiring in these skilled classifications in the short-term so that PECO may have an appropriate number of fully qualified personnel in place as employees continue to retire, thereby allowing it to continue to provide safe and reliable service.”⁷³ In trying to support its efforts to get more information on PECO’s hiring plans, IBEW argues that the Company’s payroll expense should be reduced because the Company purportedly will not hire union employees needed for its operations.⁷⁴ IBEW’s position is not only internally inconsistent, but simply contrary to the extensive testimony by both PECO witness Hamilton and PECO witness Marissa Humphrey, PECO’s Chief Financial Officer, regarding PECO’s extensive efforts to hire, retain and sufficiently train employees, including those who will be bargaining unit employees.⁷⁵ Moreover, Ms. Humphrey presented un rebutted evidence that the Company has historically maintained (and currently has) an average 2% vacancy rate, except for the COVID-19 impacted years, and detailed hiring plans to fill vacancies.⁷⁶ And as Ms. Hamilton explained, while the

⁷⁰ IBEW Main Br., pp. 9-11 (adopting the position set forth in OCA St. 1). *See also* Joint Petition, ¶ 13.

⁷¹ IBEW St. 1, pp. 4-5.

⁷² IBEW Main Br., p. 15.

⁷³ *Id.*

⁷⁴ IBEW Main Br., p. 11.

⁷⁵ PECO Main Br., pp. 28-29.

⁷⁶ PECO St. 2-R, pp. 2-4.

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, and the IBEW is essentially making an "apples to oranges comparison" in asserting that PECO must construct its headcount based on specific job classifications.⁷⁷

IBEW also raises concerns with respect to other wage and salary increases, as well as the Union contract ratification bonus which other parties had opposed.⁷⁸ In light of the Settlement, PECO's recovery of such costs is no longer relevant, and any payments to IBEW employees will be governed by the Company's collective bargaining agreements.

The Company offers competitive wage and benefit packages for its employees and its 2% vacancy rate demonstrates that PECO's current hiring and retention practices are clearly effective.⁷⁹ In short, IBEW has not provided any specific evidence in this proceeding to support a finding that PECO faces "challenges" in its workforce planning, nor has it 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. Accordingly, the Commission should reject IBEW's claims regarding 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

IBEW again argues that the Company should be required to bring the construction audit work "in house" because PECO will have "full control and supervision over the quality of the

⁷⁷ Hearing Tr., 778:2-20.

⁷⁸ IBEW Main Br., pp. 11-13.

⁷⁹ PECO St. 1-SR, p. 4.

work and there should not be a need to audit at all.”⁸⁰ As PECO explained in its Main Brief, this may not be cost effective, efficient or practical 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 full-time equivalent employees.⁸¹ Moreover, 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.⁸² IBEW has again failed to demonstrate the need basis for any change in PECO’s management of its construction audit procedures, which should remain within the discretion of Company management.

D. IBEW’s Proposals for Additional Reporting Requirements

1. Annual Workforce Planning Report

For the reasons described in the Company’s Main Brief⁸³ and in Section V.B of this Reply Brief, IBEW’s proposed annual workforce planning report should be rejected.

2. Annual Capital and O&M Project Lists

For the reasons described in the Company’s Main Brief, IBEW’s proposed annual capital and operations and maintenance project reports are not necessary or appropriate in light of the substantial differences in PECO’s rate proceeding and the multi-year rate plan addressed by the Maryland Public Service Commission, and the information the Company already provides to the Commission.⁸⁴

3. Annual Reconciliation of Rate Base and Operating Income

⁸⁰ IBEW Main Br., p. 13.

⁸¹ *Id.*

⁸² Hearing Tr. 802:1-7.

⁸³ PECO Main Br., pp. 31-32.

⁸⁴ *Id.*, pp. 32-33.

For the reasons described in the Company's Main Brief, an annual reconciliation report similar to Exhibit IBEW-3 is not necessary or appropriate in light of the substantial differences in PECO's rate proceeding and the multi-year rate plan addressed by the Maryland Public Service Commission, as well as the information the Company already provides to the Commission.⁸⁵

4. Schedule of Affiliate Transactions

For the reasons described in the Company's Main Brief, an annual reconciliation report similar to Exhibit IBEW-3 is unnecessary and is not appropriate given that PECO's affiliate transactions already are subject to Commission review and approval, are periodically audited by the Commission pursuant to Section 516, and are subject to review in PECO's base rate cases.⁸⁶

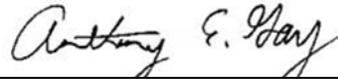
⁸⁵ *Id.*, pp. 33-34.

⁸⁶ *Id.*, pp. 34-35.

VI. CONCLUSION

For the reasons set forth above and in PECO's Main Brief, the Commission's 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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