

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2024-3046931
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	:	
Office of Consumer Advocate	:	C-2024-3048362
Office of Small Business Advocate	:	C-2024-3048467
Alan McCarthy	:	C-2024-3048475
Philadelphia Area Industrial Energy Users Group	:	C-2024-3048671
Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc.	:	C-2024-3049289
	:	
	:	
v.	:	
	:	
PECO Energy Company – Electric Division	:	

**RECOMMENDED DECISION**

Before  
Marta Guhl  
Darlene Davis Heep  
Administrative Law Judges

## TABLE OF CONTENTS

I.	INTRODUCTION .....	1
II.	HISTORY OF THE PROCEEDINGS .....	1
III.	PUBLIC INPUT HEARINGS .....	8
IV.	LEGAL STANDARDS .....	21
	A.    General Rate Increase Proceedings .....	21
	B.    Legal Standards for Settlements .....	24
V.	DESCRIPTION OF THE JOINT PETITION FOR APPROVAL OF NON-UNANIMOUS SETTLEMENT .....	25
VI.	TERMS AND CONDITIONS OF THE NON-UNANIMOUS SETTLEMENT .....	26
VII.	DISCUSSION OF NON-UNANIMOUS SETTLEMENT .....	37
	A.    Revenue Requirement (Joint Petition, ¶¶ 13-14) .....	37
	B.    Electric Base Rate Stay Out (Joint Petition, ¶ 15) .....	42
	C.    Revenue Allocation and Rate Design (Joint Petition, ¶¶ 16-18) .....	42
	D.    FPFTY Reports (Joint Petition, ¶ 19) .....	45
	E.    DSIC (Joint Petition, ¶¶ 20-22) .....	47
	F.    Storm Reserve Account (Joint Petition, ¶¶ 23-24) .....	49
	G.    Universal Service Programs (Joint Petition, ¶¶ 25-41) .....	51
	H.    Customer Service and Consumer Protections (Joint Petition, ¶¶ 42-52) .....	61
	I.    Electric Vehicle Programs (Joint Petition, ¶¶ 53-55) .....	68
	J.    Assistance with Clean Energy and Sustainability Programs (Joint Petition, ¶¶ 56-61) .....	71
	K.    Interconnection Costs (¶ 62) .....	73
	L.    Tariffs (¶ 63) .....	74
VIII.	DISCUSSION OF THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS' OPPOSITION TO THE JOINT PETITION FOR SETTLEMENT .....	75
	A.    IBEW's Position .....	75
	B.    PECO's Position .....	80
	C.    I&E's Position .....	81
IX.	RECOMMENDATION .....	83
X.	CONCLUSIONS OF LAW .....	84
XI.	ORDER .....	86

## I. INTRODUCTION

This Decision recommends approval of the Joint Petition for Non-Unanimous Settlement (“Settlement” or “Joint Petition”). Only the International Brotherhood of Electrical Workers’ objects to the terms of the proposed Settlement. The Joint Petition will permit PECO Energy Company-Electric Division to increase its annual revenue by \$354 million. Under the Settlement Rates, the bill for a typical Residential customer using 700 kilowatt hours (“kWh”) per month will increase by \$13.58 per month, from \$135.85 to \$149.43 (an increase of 10.0%), including default service generation, taxes, and other surcharges.

## II. HISTORY OF THE PROCEEDINGS

On March 28, 2024, PECO Energy Company – Electric Division (“PECO”), Utility Code 110550, filed with the Public Utility Commission (“Commission”) Tariff Electric Pa. P.U.C. No. 8 (“Tariff No. 8”) to become effective May 27, 2024, containing proposed changes in rates, rules, and regulations calculated to produce approximately \$464 million (an increase of 29.2%) based on data for a fully projected future test year (“FPFTY”) ending December 31, 2025. PECO also proposed a one-time credit of \$64 million, resulting in a net electric increase of \$399 million (an increase of 25.1%) in 2025.

Also on March 28, 2024, PECO Energy Company – Gas Division, filed Tariff Gas-Pa. P.U.C. No. 6 (“Tariff No. 6”) to become effective May 27, 2024, containing proposed changes in rates, rules, and regulations calculated to produce \$111 million in additional annual gas revenues. This filing was docketed at R-2024-3046932. A separate Recommended Decision will be issued addressing Tariff No. 6.

On April 2, 2024, the Commission's Bureau of Investigation and Enforcement ("I&E") entered an appearance. On April 11, 2024, the Office of Consumer Advocate ("OCA") filed a complaint at Docket Number 3048362.

On April 12, 2024, the International Brotherhood of Electrical Workers, Local 614 ("IBEW"), filed a Petition to Intervene.

On April 16, 2024, the Office of Small Business Advocate ("OSBA") filed a complaint, Docket Number 3048467. Also on April 16, 2024, Alan McCarthy filed a complaint at Docket Number 30484475.

On April 22, 2024, Trustees of the University of Pennsylvania and Hospital at the University of Pennsylvania ("UPenn") filed a Petition to Intervene.

On April 23, 2024, PECO filed an Answer to the Complaint of OCA.

On April 24, 2024, Pennsylvania Area Industrial Energy Users Group ("PAIEUG") filed a complaint at Docket Number 3048671.

On April 25, 2024, the Commission issued an Order suspending the filing until December 27, 2024. Also on April 25, 2024, PECO filed the tariff as required by the order of the Commission. The matter was assigned to the Office of Administrative Law Judge.

On April 26, 2024, a Telephonic Prehearing Conference Notice was issued, advising all parties that a prehearing conference would be held on May 7, 2024. By filing dated April 26, 2024, PECO advised that it will not file answers to the remaining Complaints in accordance with 52 Pa. Code § 5.61(d), which provides that for complaints

which are docketed with Commission-instituted rate proceedings, an answer is not required, except as may be directed by the Commission or the presiding officer.

On April 29, 2024, The Tenant Union Representative Network (“TURN”) and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene (together, “TURN/CAUSE-PA”).

On April 29, 2024, a Prehearing Conference Order setting out the subjects to be discussed, and directing the filing of prehearing memorandum, was issued.

On May 1, 2024, a Petition to Intervene was filed by EVgo Services, LLC (“EVgo”).

On May 2, 2024, Walmart, Inc. filed a Petition to Intervene.

Also on May 2, 2024, Electrify America (“EA”) filed a Petition to Intervene.

On May 3, 2024, Energy Generation, LLC and Constellation NewEnergy, Inc. filed a Petition to Intervene.

Also on May 3, 2024, the City of Philadelphia and the Philadelphia Energy Authority (together, “City/PEA”) filed a Petition to Intervene.

On May 6, 2024, a Motion for Admission *Pro Hac Vice* was filed by Charles T. Joyce, Esq. on behalf of Nicolas J. Enoch, Esq. to represent IBEW.<sup>1</sup>

On May 7, 2024, Amtrak aka National Railroad Passenger Corp. (“Amtrak”) filed a Petition to Intervene.

Also on May 7, 2024, Southeastern PA Transportation Authority (“SEPTA”) filed a Petition to Intervene.

All parties represented by counsel filed Prehearing Conference Memorandums. The prehearing conference was held as scheduled on May 7, 2024. The procedures and schedule for this matter were discussed with the parties during the conference. The parties agreed to four in-person and two telephonic Public Input Hearings. One Public Input Hearing was scheduled for the district of State Representative Christina Sappey, upon her request and agreement of the parties.<sup>2</sup> The parties also agreed that evidentiary hearings in this matter would be held on August 7-8, 2024 and August 12-13, 2024.

On May 10, 2024, a Protective Order was issued with respect to all documents and information, as identified therein, produced or presented, or hereafter produced or presented, in this proceeding.

On May 14, 2024, PECO filed PECO Energy Company’s: (1) Revised Response to Defined Filing Requirements DFR-II-D-& and 8; (2) Revised Response to

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<sup>1</sup> On September 25, 2024, an Order NUNC PRO TUNC granting the Motion for Admission of Nicolas J. Enoch, Esq., *Pro Hac Vice*, was issued.

<sup>2</sup> An additional Public Input Hearings was added to the schedule in the district of State Joe Ciresi, upon his request and agreement of the parties.

Supplemental Data Response SDR-OM-16; and (3) Supplemental Response to Supplemental Data Response SDR-OM-28.

On May 21, 2024, a Public Input Hearing Notice was issued for In-Person Public Input Hearings to be held on June 6, 2024 in Media, Pennsylvania and June 10, 2024 in Kennett Square, Pennsylvania.

Also on May 21, 2024, a Prehearing Order was issued, setting forth the procedural and scheduling matters discussed at the prehearing conference and agreed to by the parties. The Petitions to Intervene filed in this proceeding were formally granted via this Order.

Also on May 23, 2024, a Public Input Hearings Notice was issued for two In-Person Public Input Hearings to be held on June 12, 2024 in Philadelphia, Pennsylvania and two Telephonic Public Input Hearings to be held on June 13, 2024.

On May 28, 2024, Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. filed a Complaint, Docket C-2024-3049289.

On May 29, 2024, PECO filed Supp. No. 2 to PA PUC No. 8 voluntarily suspending Tariff No. 8 until December 30, 2024.

On June 10, 2024, an Additional Public Input Hearings Notice was issued for an In-Person Public Input Hearing to be held on June 27, 2024.

Public Input Hearings were held as scheduled.

The parties exchanged written testimony and exhibits. Throughout these proceedings, various persons filed informal opposition to the rate increase with the Secretary's Bureau.

On July 23, 2024, Prehearing Order #2 was issued, addressing telephonic evidentiary hearing procedures.

On July 30, 2024, an Evidentiary Hearings Notice was issued for Call-In Evidentiary Hearings on August 7, 2024 and August 8, 2024.

On July 31, 2024, William Lesser, Esq. filed a Motion for Admission Pro Hac Vice on behalf of Stephen Bright, Esq. to represent Electrify America, LLC.

On August 5, 2024, given the rejoinder and cross examination anticipated, PECO proposed that the August 7, 2024 hearing date be cancelled. None of the parties indicated that there was an objection.

Also, on August 5, 2024, the Motion for Admission Pro Hac Vice of Stephen Bright, Esq. was granted.

On August 6, 2024, an Evidentiary Hearings Notice was issued for Call-In Evidentiary Hearings on August 12, 2024 and August 13, 2024. Also, on August 6, 2024, a Hearing Cancellation Notice was issued for the August 7, 2024 hearing date.

The evidentiary hearing was held and completed on August 8, 2024 and August 12, 2024. On August 12, 2024, a Hearing Cancellation Notice was issued for the August 13, 2024 hearing date.

A Briefing Order was issued on August 13, 2024. Under the Order, Main Briefs were due on August 30, 2024, Reply Briefs were due on September 12, 2024 and any stipulation regarding statements and exhibits was due on August 14, 2024.

On August 14, 2024, the parties submitted a Joint Stipulation for Admission of Testimony and Exhibits with an attachment listing the subject exhibits and testimony.

On August 27, 2024, the parties advised that they had reached a Non-Unanimous Settlement. IBEW opposed the Settlement. The parties proposed a modification in the briefing schedule, which was granted, with September 12, 2024 remaining as the due date for Reply Briefs.

On August 30, 2024, Parties filed Joint Petitions for Non-Unanimous Settlement with Exhibits. On September 6, 2024, Main Briefs were filed. Reply Briefs were filed on September 12, 2024 as well as Statements in Support of the Settlement. IBEW filed a Statement in Opposition to the Settlement.

On September 6, 2024, a letter was sent to the consumer Complainant, Alan McCarthy, which indicated that he had until September 12, 2024 to file any objections to the Settlement. As of the date of this Recommended Decision, Mr. McCarthy has not responded to the letter.

On September 12, 2024, Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. filed a letter which indicated that it did not oppose the Settlement in this matter. UPenn and Constellation Energy also indicated that they did not oppose the Settlement which was indicated via letter to the Commission.

In accordance with the August 13, 2024 Briefing Order, the record closed on September 12, 2024.

### III. PUBLIC INPUT HEARINGS

At the time of the Prehearing Conference, there were several Formal Complaints that had been filed in this base rate proceeding. There were also multiple protests filed with the Secretary's Bureau and the OCA indicated that there was public interest in the case. Based on the above, we determined there was sufficient public interest in PECO's requested rate increase. Accordingly, seven public input hearings were held, five in person and two telephonically.<sup>3</sup> In total, 54 people offered testimony:<sup>4</sup>

<u>Date/Time</u>	<u>Witnesses Testifying</u>
<u>Thursday, June 6, 2024</u> <i>6:00 p.m.</i> <i>Delaware County</i> <i>Community College</i>	10
<u>Monday, June 10, 2024</u> <i>6:00 p.m.</i> <i>Kennett Square Borough</i> <i>Building</i>	5
<u>Wednesday, June 12, 2024</u> <i>1:00 p.m.</i> <i>Free Library of</i> <i>Philadelphia</i>	11

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<sup>3</sup> The public input hearings took testimony from both PECO Energy Company electric and gas customers.

<sup>4</sup> One party presented an off the record statement at the public input hearing on June 10, 2024 at 6:00 p.m.

<i>Parkway Central Library</i>	
<u>Wednesday, June 12, 2024</u>	
<i>6:00 p.m.</i>	8
<i>Free Library of Philadelphia</i>	
<i>Parkway Central Library</i>	
<u>Thursday, June 13, 2024</u>	7
<i>1:00 p.m.</i>	
<i>Telephonic</i>	
<u>Thursday, June 13, 2024</u>	9
<i>6:00 p.m.</i>	
<i>Telephonic</i>	
<u>Thursday, June 27, 2024</u>	4
<i>6:00 p.m.</i>	
<i>Limerick Township Building</i>	

Melissa Grimm testified on behalf of Grimm and Grove Communications, which is her company. She testified that her company has worked with PECO and they have provided support to her small business. She indicated that PECO is a good corporate citizen.<sup>5</sup>

Joanne Craig, Chief Impact Officer for the Foundation for Delaware County, testified that PECO has been a good corporate partner with non-profits in the area. Ms. Craig noted that the Company has provided support to the non-profit which allows it to continue its outreach to the community.<sup>6</sup>

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<sup>5</sup> Tr. 79-80.

<sup>6</sup> Tr. 86-87.

Peter Beisser testified that he is opposed to the rate increases proposed by PECO. He indicated that inflation and increases have gotten out of control in the past few years. Mr. Beisser also noted that he was not sure how much of the proposed rate increases are to go back into infrastructure.<sup>7</sup>

Ted Uhlman stated that he is retired and opposed to the rate increases. He also indicated that with inflation, the rate increases are too much for customers to bear. Further, Mr. Uhlman indicated that PECO should do more to decrease the use of fossil fuels including natural gas. He also indicated that he is opposed to the weather normalization adjustment because it is outside of the control of customers.<sup>8</sup>

Bill Lenahan testified that he agreed with the statements made by Mr. Beisser and Mr. Uhlman.<sup>9</sup>

Darrell Boyd testified that he is opposed to the proposed electric rate increase. He indicated that he has moved to solar panels at his residence to try to control costs of utility service. He was also concerned that customer would not be able to bear the additional costs for service on top of the current inflation.<sup>10</sup>

Leslie Friedman testified that she opposed the proposed rate increases and agreed with the statements from Mr. Beisser, Mr. Uhlman and Mr. Boyd.<sup>11</sup>

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<sup>7</sup> Tr. 92-94.

<sup>8</sup> Tr. 98-102.

<sup>9</sup> Tr. 106.

<sup>10</sup> Tr. 109-111.

<sup>11</sup> Tr. 113.

Sara McCullough, a staff member with State Senator Timothy P. Kearney who represents the 26<sup>th</sup> District, testified that PECO is an excellent corporate partner and has worked with the Company regarding vegetation control. Ms. McCullough testified that they received many calls from constituents regarding the costs of utility service and struggling to make ends meet.<sup>12</sup>

State Representative Lisa Borowski, who represents the 168<sup>th</sup> District, testified in opposition to the proposed rate increases. She indicated that many of her constituents are senior citizens who are struggling financially and would not be able to pay for the proposed increases. She also noted that PECO has been a good corporate partner within the community.<sup>13</sup>

William O'Reilly testified that people should be turning to solar for their electric needs. Mr. O'Reilly indicated that this would address the issues regarding affordability and future rate increases. Mr. O'Reilly is opposed to the electric rate increase.<sup>14</sup>

State Representative Christina Sappey, who represents the 158<sup>th</sup> District, testified that she opposes the proposed rate increases on behalf of her constituents. She indicated that people in her district are facing higher utility rates. She noted that there are many in her district that are on a fixed income and cannot afford continuing rate increases.<sup>15</sup>

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<sup>12</sup> Tr. 116-119.

<sup>13</sup> Tr. 126-128.

<sup>14</sup> Tr. 131-134.

<sup>15</sup> Tr. 165-167.

Michelle Duncan testified that she opposes the rate increases. She indicated that she is low income and cannot afford the combined effect of utility rate increases.<sup>16</sup>

Craig Parkinson testified on behalf of Young Men and Women in Charge, a STEM-related organization for young men and young women who are interested in the STEM fields. Mr. Parkinson indicated that PECO provided support to the community and in particular his organization.<sup>17</sup>

Stephanie Micek testified that she is opposed to the rate increases. She indicated that she is also concerned about the effects of smart meters and that PECO should offer its customers an opt-out option.<sup>18</sup>

Kelly Herrenkohl testified on behalf of Natural Lands, a land conservation nonprofit organization. Ms. Herrenkohl indicated that PECO has partnered with Natural Lands since 2004 and PECO has provided funding for projects and has been a community partner in regards to sustainability and green issues.<sup>19</sup>

Councilman Nicolas O'Rourke testified that he opposes the proposed rate increases. He indicated that a rate increase would place an undue burden on customers who are already struggling to make ends meet. Councilman O'Rourke noted that

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<sup>16</sup> Tr. 169-170.

<sup>17</sup> Tr. 173.

<sup>18</sup> Tr. 177-183.

<sup>19</sup> Tr. 186-188.

Philadelphia is the poorest large city and many are unable to pay bills and are rationing in order to afford food, medicine and other essentials.<sup>20</sup>

Arun Prabhakaran testified on behalf of the Urban Affairs Coalition, an organization that seeks to expand economic opportunities and advance equity in neighborhoods across Philadelphia. He indicated that PECO is an excellent corporate partner and has provided resources to expand economic opportunities and community outreach.<sup>21</sup>

Lauren Krivo testified that she is opposed to the rate increases and is concerned with the affordability of rates for customers, especially low income and fixed income customers. She also noted that she is concerned about climate change and the need to move away from fossil fuel usage. Lastly, she stated that electricity and gas are essential items for a person to be in their home.<sup>22</sup>

Councilwoman Rue Landau testified on behalf of her constituents. She indicated that she is opposed to the electric rate increase. She noted that many of the customers in Philadelphia are struggling to make ends meet and electricity is essential to living. She stated that PECO should expand their customer assistance program, work with the Pennsylvania Department of Human Services to automatically enroll customers in the low-income program who receive LIHEAP grants and should expand programs for non-English speaking customers.<sup>23</sup>

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<sup>20</sup> Tr. 221-224.

<sup>21</sup> Tr. 229-233.

<sup>22</sup> Tr. 239-241.

<sup>23</sup> Tr. 243-246.

Alice Lu testified on behalf of Clean Air Council and indicated that the organization is opposed to the proposed rate increases. She also noted that PECO generates most of its energy from fossil fuels and with climate changes, utilities need to move away from fossil fuels for its energy. Ms. Lu also noted that there should be an expansion of energy efficiency programs, as well as programs for low income and moderate-income customers.<sup>24</sup>

John Chin testified on behalf of the Philadelphia Chinatown Development Corporation. He stated that PECO needs to be able to provide safe and reliable utilities to its customers and he is in support of the rate increases. He also notes that PECO has low-income programs and grants to help customers afford their bills.<sup>25</sup>

Lisa Spera testified that she opposes the electric rate increase. She indicated that she is a delegate with the Philadelphia Workers' Benefit Council and that they represent low-income workers and that these workers are not able to bear a rate increase. She indicates that there should be a year-round moratorium on shut offs, more affordable payment plans, and more assistance to moderate-income customers.<sup>26</sup>

Linnea Bond testified that she is concerned with the affordability of her utility bills and noted that there are many low-income customers who cannot afford another rate increase. Further, she stated that PECO should make more progress on moving away from fossil fuels and make use of more renewable energy.<sup>27</sup>

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<sup>24</sup> Tr. 251-254.

<sup>25</sup> Tr. 258-263.

<sup>26</sup> Tr. 267-270.

<sup>27</sup> Tr. 273-276.

Phyllis Blumberg testified that she is concerned with climate changes and stated that PECO needs to use renewable energy.<sup>28</sup>

Julie Greenberg testified on behalf of POWER Interfaith, a faith-based movement that works for racial and economic justice on the livable planet. She indicated that she is opposed to the rate increases and that PECO should do more for customers who are low-income, disabled or on a fixed income. She is also concerned about using more renewable energy to protect the environment.<sup>29</sup>

Tara Faik testified that she agreed with the prior statements from the people who opposed the rate increases.<sup>30</sup>

Dawn Hannah testified on behalf of Beyond Literacy, an adult education nonprofit, and said that she supported PECO's proposed rate increases. She indicated that PECO was a good community partner and supported their community outreach.<sup>31</sup>

Mitchell Chanin testified that he is concerned about affordability and indicated that he knows many low-income people who are struggling to make ends meet. He also stated that PECO should expand its low-income programs and its energy efficiency programs. He also noted that PECO should move to more renewable energy to protect the environment.<sup>32</sup>

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<sup>28</sup> Tr. 280-284.

<sup>29</sup> Tr. 288-292.

<sup>30</sup> Tr. 295.

<sup>31</sup> Tr. 326-328.

<sup>32</sup> Tr. 334-342.

Shelia Ireland testified on behalf of Opportunities Industrialization Center Philadelphia, a nonprofit that works to ensure access to training and employment opportunities, particularly for low-income, unemployed and underemployed Philadelphia residents and other vulnerable populations. She indicated that any rate increases should take into account low-income and vulnerable customers. She identified that PECO should increase its customer assistance program, increase its energy efficiency program, and to move to renewable and sustainable energy.<sup>33</sup>

Susan Waxman testified that she is concerned about the affordability of her utility bills and would also like to have a smart meter opt-out for health reasons.<sup>34</sup>

Emily Abendroth agreed with other witnesses regarding the need for more renewable and sustainable energy. She also notes that a rate increase with effect low-income customers the most, especially fixed charges.<sup>35</sup>

Karen Dunn testified that she was a part of the Philadelphia Workers' Benefit Council and was opposed to PECO's rate increases. She indicated that with hotter summers people need to have cooling and electricity. She is concerned with the affordability of rates.<sup>36</sup> Abdullah Idris also agreed with Ms. Dunn's testimony.<sup>37</sup>

Andrew States testified on behalf of Bucks County Community College and indicated that PECO was a good corporate partner and helped with community

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<sup>33</sup> Tr. 347-351.

<sup>34</sup> Tr. 356-361.

<sup>35</sup> Tr. 362-366.

<sup>36</sup> Tr. 375-379.

<sup>37</sup> Tr. 381-383.

outreach.<sup>38</sup> Ryan Gordon agreed with Mr. States' statement. He indicated that he spoke on behalf of the Lower Bucks County Chamber of Commerce.<sup>39</sup>

Susan Morris indicated that she was against the rate increase because she was having issues paying her bills.<sup>40</sup>

Liz Robinson testified that she is concerned about climate change and wants PECO to move towards more renewable energy and sustainable policies.<sup>41</sup>

Harvey Chanin testified that he is opposed to the rate increase and specifically the fixed charges which the customer cannot control.<sup>42</sup>

Margaret Gannon testified that she is a sister from the ministry of St. Francis of Philadelphia in Chester, Pennsylvania. She indicated that PECO was a good community partner and helped with individuals who are experiencing food and housing insecurity.<sup>43</sup>

Kartik Amernath testified on behalf of Boat Solar which is a non-profit devoted to clean and sustainable energy. He noted that members of his group are PECO customers. He indicated that he was opposed to the rate increase and stated that

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38 Tr. 413-414.

39 Tr. 418-419.

40 Tr. 423.

41 Tr. 424-428.

42 Tr. 433-434.

43 Tr. 438-439.

Philadelphia is one of the most energy burdened cities in the country. He noted that customers cannot afford a large rate increase due to rising costs.<sup>44</sup>

Mary Kay Owen testified that her budget billing has increased from \$159 to \$191 per month. She indicated that she is the only member of her household and that she is having problems affording her utility bills and is concerned about other customers on fixed incomes.<sup>45</sup>

Susan Spathakes testified that the rate increases will impact her family and also the families that she works with at HELP MLP, a nonprofit legal services program that primarily serves pregnant and parenting families with low incomes. She indicated that there are many low-income families who cannot afford rate increases and are already experiencing financial difficulties.<sup>46</sup>

Sherrie Cohen testified that she opposes the rate increases. She is concerned with the affordability of her utility bills and moving towards renewable energy and sustainability.<sup>47</sup>

Cinthia Ibarra stated that she opposes the proposed rate increases. She indicated that PECO should make sure that rates are affordable for everyone and that the Company should be forced to move from fossil fuels towards renewable energy sources.<sup>48</sup>

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<sup>44</sup> Tr. 442-444.

<sup>45</sup> Tr. 446-448.

<sup>46</sup> Tr. 457-461.

<sup>47</sup> Tr. 462-466.

<sup>48</sup> Tr. 496-499.

Wendy Greenspan noted that she is opposed to the electric rate increase. She is concerned with affordability and that fact that the rate increase will disproportionately affect the low income.<sup>49</sup>

Michael Gaugler stated that he supports some level of a rate increase for electric and gas rates. He wants to have gas service at his residence and supports PECO program to extend gas service. He further indicated that he supports PECO enhancing its infrastructure to help prevent outages.<sup>50</sup>

Adam Shellhorse indicated that he agrees with the testimony of Ms. Ibarra and Ms. Greenspan.<sup>51</sup>

Peggy Greenfeld testified that PECO should avoid raising fixed charges in its rate increase. Ms. Greenfeld also stated that PECO should seek to reduce its costs and move towards renewable energy sources.<sup>52</sup>

Christina Chen indicated that the proposed rate increases are going to disproportionately affect low-income households. She stated that people are already dealing with inflated prices for food, housing and other necessities.<sup>53</sup>

Ron Celentano stated that he is opposed to the rate increases. He is a senior citizen with a fixed income and is concerned about the lower-income customers. He also

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<sup>49</sup> Tr. 501-502.

<sup>50</sup> Tr. 510-511.

<sup>51</sup> Tr. 515-518.

<sup>52</sup> Tr. 520-521.

<sup>53</sup> Tr. 527-528.

noted that there is an increase in the fixed charges which affect low-income households the most.<sup>54</sup>

Tanis Vanbuskirk agreed with the testimony of Mr. Celentano related to fixed-income customers and he is opposed to the rate increase.<sup>55</sup>

Al Zone testified on behalf of the Elmwood Park Zoo which has partnered with PECO for community outreach and financial support. Mr. Zone indicated that PECO is a good corporate partner.<sup>56</sup>

Patricia Bennett indicated that she is on a fixed income, and she is concerned about rates continuing to increase. She is concerned that the rates will become unaffordable, and she will not be able to pay her electric bill.<sup>57</sup>

Mark Boorse stated that he was testifying on behalf of Access Services which is a non-profit organization that deals with homeless outreach. He indicated that PECO has been a helpful corporate partner when it came to relocating a homeless encampment which was on PECO property.<sup>58</sup>

Carris Kocher testified that she opposes the rate increases. She indicated that PECO should offer customers a smart meter opt-out option.<sup>59</sup>

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<sup>54</sup> Tr. 530-534.

<sup>55</sup> Tr. 539-540.

<sup>56</sup> Tr. 572.

<sup>57</sup> Tr. 576-579.

<sup>58</sup> Tr. 581-583.

<sup>59</sup> Tr. 587-595.

## V. LEGAL STANDARDS

### A. General Rate Increase Proceedings

At issue here is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Code. Section 1308(d) of the Code provides the procedures for changing base rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission's actions.<sup>60</sup>

Section 1301(a) of the Code mandates that “[e]very rate made, demanded, or received by any public utility ... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission.”<sup>61</sup> Pursuant to the just and reasonable standard, a utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.”<sup>62</sup> There is no single way to arrive at just and reasonable rates, and “[t]he [Commission] has broad discretion in determining whether rates are reasonable” and “is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates.”<sup>63</sup>

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<sup>60</sup> 66 Pa.C.S. § 1308(d).

<sup>61</sup> 66 Pa.C.S. § 1301(a).

<sup>62</sup> *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*City of Lancaster*).

<sup>63</sup> *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky II*).

The Commission is required to investigate all general rate increase filings.<sup>64</sup> According to Section 315(a) of the Public Utility Code, the burden of proof to establish the justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility.<sup>65</sup> The evidence necessary to meet that burden must be substantial.<sup>66</sup>

In general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding. There is no similar burden placed on parties to justify a proposed adjustment to the company's filing.<sup>67</sup>

However, in proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.<sup>[68]</sup>

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<sup>64</sup> *Popowsky II*, 683 A.2d at 961.

<sup>65</sup> 66 Pa.C.S. § 315(a).

<sup>66</sup> *Lower Frederick Twp. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

<sup>67</sup> *Berner v. Pa. Pub. Util. Comm'n*, 116 A.2d 738, 744 (Pa. 1955).

<sup>68</sup> *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); *see also Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

That is, Section 315(a) of the Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose.<sup>69</sup> The burden of proof must be on the party who proposes a rate increase beyond that sought by the utility.<sup>70</sup> The mere rejection of evidence contrary to that presented by the public utility is not an impermissible shifting of the evidentiary burden.<sup>71</sup>

Section 523 of the Public Utility Code, also requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.”<sup>72</sup> In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service.<sup>73</sup> Section 523 of the Public Utility Code, requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.”<sup>74</sup> As a result, the legislature has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.”<sup>75</sup>

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<sup>69</sup> 66 Pa.C.S. § 315(a).

<sup>70</sup> *Pa. Pub. Util. Comm’n v. Metro. Edison Co.*, Docket No. R-00061366, 2007 Pa. PUC LEXIS 5 (Order entered January 11, 2007).

<sup>71</sup> *U.S. Steel Corp. v. Pa. Pub. Util. Comm’n*, 456 A.2d 686 (Pa. Cmwlth. 1983).

<sup>72</sup> 66 Pa.C.S. § 523(a).

<sup>73</sup> *Pa. Pub. Util. Comm’n v. Pa. Gas & Water Co.*, 61 Pa.P.U.C. 409, 415-16 (1986); *See also* 66 Pa.C.S. § 1501.

<sup>74</sup> 66 Pa.C.S. § 523.

<sup>75</sup> 66 Pa.C.S. § 526(a).

## B. Legal Standards for Settlements

Commission policy promotes settlements.<sup>76</sup> In most cases, settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.<sup>77</sup> The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest.<sup>78</sup> In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest.<sup>79</sup> It is unusual for a proposed settlement in a general base rate case to be rejected.<sup>80</sup>

The Commission's policy permits parties to enter "partial" or "non-unanimous" settlements.<sup>81</sup> As with full settlements, partial settlements, whether involving a partial settlement of issues or a partial settlement of the parties involved (non-

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<sup>76</sup> See 52 Pa. Code § 5.231.

<sup>77</sup> See 52 Pa. Code § 69.401.

<sup>78</sup> *Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

<sup>79</sup> *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc.*, Docket No. 74 Pa.P.U.C. 767 (1991).

<sup>80</sup> *Pa. Pub. Util. Comm'n v. Cmty. Utils. of Pa., Inc. – Wastewater Div.*, Docket No. R-2021-3025206, at 10 (Opinion and Order entered Jan. 13, 2022) (reversing the presiding officer's order recommending rejection of a joint petition for settlement of a rate case concluding that on balance, the settlement is in the public interest and should be approved).

<sup>81</sup> See 52 Pa. Code § 69.401; *see also* 52 Pa. Code §§ 5.232, 69.406.

unanimous), must be reasonable and in the public interest.<sup>82</sup> The Commission has approved non-unanimous settlements as being just and reasonable and in the public interest and has not rejected or disfavored settlements because they are non-unanimous.<sup>83</sup>

The standards for approving the terms of non-unanimous settlements are the same as those for deciding a fully contested case, i.e., the parties to the non-unanimous settlement must demonstrate that the proposed settlement is supported by substantial evidence and that the rates agreed to are just and reasonable, in the public interest, and in conformity with the Commission's orders and regulations.<sup>84</sup>

V. DESCRIPTION OF THE JOINT PETITION FOR APPROVAL OF NON-UNANIMOUS SETTLEMENT

A Joint Petition for Approval of Non-Unanimous Settlement was filed on August 30, 2024. The Joint Petition included the agreement of PECO, I&E, OCA, OSBA, Amtrak, EA, EVgo, PAIEUG, SEPTA, TURN/CAUSE-PA, the City/PEA, and Walmart (Joint Petitioners) to resolve the issues raised in litigation by those parties. The Joint Petition includes:

Appendix A: Proposed Tariff (Settlement Rates)

Appendix B: Proof of Revenues

Appendix C: Gross Plant Costs

Appendix D: Rate Effects For Typical Customers In Each Major Rate Class

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<sup>82</sup> See *Pa. Pub. Util. Comm'n v. City of Bethlehem – Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (*City of Bethlehem Water*).

<sup>83</sup> See, e.g. *City of Bethlehem Water*; *Pa. Pub. Util. Comm'n v. Pike Cnty. Light & Power Co. – Elec.*, Docket No. R 2020-3022135 (Order entered June 23, 2021) (*Pike County*); *Pa. Pub. Util. Comm'n v. Pa.-Am. Water Co.*, Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021) (*Pennsylvania-American Water Co.*).

<sup>84</sup> See 66 Pa.C.S. § 1301; *Pike County*; *City of Bethlehem Water*; *Pennsylvania-American Water Co.*

## VI. TERMS AND CONDITIONS OF THE NON-UNANIMOUS SETTLEMENT

The Joint Petitioners have agreed to the settlement terms as set forth below. These terms are stated verbatim and for ease of reference retain the same paragraph numbers as they appear in the Settlement.

### **A. Revenue Requirement**

13. PECO will be permitted to charge, effective for service rendered on and after January 1, 2025, the Settlement Rates set forth in Appendix A. As shown on the proof of revenues set forth in Appendix B, the Settlement Rates are designed to produce an annual increase in electric distribution revenues of approximately \$354.0 million, exclusive of the \$64.3 million of revenues currently recovered through the Distribution System Improvement Charge (“DSIC”). Those charges will be recovered in distribution rates and the DSIC rate will be reset to zero. The \$354.0 million annual increase in electric distribution revenues excludes a one-time surcharge credit totaling approximately \$64 million in 2025 for (i) the incremental COVID-19 related bad debt that the Company recovered through current rates and (ii) revenue received for past use of PECO’s fiber network.

14. The Joint Petitioners agree that the Settlement Rates reflect the new, lower Pennsylvania Corporate Net Income Tax (“CNIT”) rate of 7.99% for the 2025 tax year, which is the FPFTY for this case. Additionally, the Settlement revenue requirement accounts for the impact of the decrease in the CNIT on the Company’s state Accumulated Deferred Income Tax (“ADIT”) in the FPFTY and the amortization of a regulatory liability over nine years until the end of 2031, related to the decrease of the CNIT rate. Future decreases in the CNIT rate for the post-2025 tax years will be addressed through the Company’s State Tax Adjustment Surcharge Clause or a future base rate case proceeding. The State Tax Adjustment Surcharge Clause related to CNIT rate reduction in 2025 will be reset to zero, except the reconciliation for prior years. The Settlement reserves the rights of the Joint Petitioners to address any intervening change in state law governing the CNIT rates which occur between now and the

Company’s next base rate case and to take any position there that they so choose.

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

15. PECO will not file for another general rate increase under Section 1308(d) of the Public Utility Code for its electric operations prior to March 16, 2026.

**C. Revenue Allocation And Rate Design**

16. The Settlement Rates reflect the allocation of the annual net increase in electric distribution revenue to each rate class agreed to by the Joint Petitioners, as set forth below:

Rate	Net Revenue <sup>85</sup>	
	Increase	% Increase
Residential (“R”)	\$177,619,000	19.2%
Residential Heating (“RH”)	\$53,523,000	30.1%
General Service (“GS”)	\$68,146,000	25.6%
Primary Distribution (“PD”)	\$2,010,000	26.3%
High Tension (“HT”)	\$46,461,000	26.1%
Electric Propulsion (“EP”)	\$1,887,000	26.7%
Lighting	\$4,350,000	17.4%
Total	\$353,996,000	22.3%

17. The Settlement Rates reflect the agreement among the Joint Petitioners with respect to PECO’s monthly Fixed Distribution Service (Customer) Charges for Rates R, RH and GS, as follows:

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<sup>85</sup> Net revenue increases include a decrease of approximately \$240,054 in the unbundled cash working capital requirement for generation supply and transmission services recovered through PECO’s Generation Supply Adjustment and Transmission Service Charge.

Rates R and RH	\$11.25
Rate GS:	
Single Phase Service Without Demand Measurement	\$24.47
Single Phase Service With Demand Measurement	\$31.20
Polyphase Service	\$74.66
Night Service Rider	\$24.56

For Rates R, RH, and GS, the Variable Distribution Charges were scaled back to produce the class revenues shown in the table in Paragraph 16 above. For all other rate classes, the Fixed Distribution Service Charges under the Settlement Rates were not adjusted from the levels PECO proposed in testimony, and the Variable Distribution Charges were scaled back to produce the class revenues shown in the table in Paragraph 16 above.

18. PECO will maintain the existing adjustment factor applied to Customer Assistance Program (“CAP”) costs recovered through its Universal Services Fund Charge (“USFC”) of 22% for bad debt and 5% for cash working capital, totaling 27%.<sup>86</sup>

**D. FPFTY Reports**

19. PECO will provide the Commission’s Bureau of Technical Utility Services (“TUS”), I&E, the OCA, and the OSBA with an update to PECO Exhibit MJT-2, Sch. C-2, no later than April 1, 2025, which will include actual capital expenditures, plant additions, and retirements by month from January 1, 2024 through December 31, 2024. Then, no later than April 1, 2026, another update of PECO Exhibit MJT-1, Sch. C-2, will be submitted showing actuals from January 1, 2025 through December 31, 2025. In PECO’s next base rate proceeding, the Company will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2025 to its projections in this case.

**E. DSIC**

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<sup>86</sup> Paragraphs 16 to 18 describe the principal elements of the rate structure and rate design incorporated in the Settlement Rates. While every effort has been made to ensure that the description is accurate, if any inconsistency is perceived between that description and the specific rates set forth in Appendix A, Appendix A will take precedence.

20. The Company will not implement a DSIC during the calendar year ending December 31, 2025 (except to implement any reconciliation of DSIC amounts in accordance with the Supplemental Implementation Order referenced below). The first DSIC in 2026 will be effective no earlier than March 31, 2026 based on DSIC-eligible expenditures during January 1, 2026 to February 28, 2026. In any event, 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 the following total aggregate plant costs claimed by the Company in the FPFTY: \$11,503,005,000 shown in detail in Appendix C.
21. In compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, the amount of \$11,503,005,000 shown in Appendix C constitutes the baseline of gross plant balances to be achieved in order to restart charges under the Company's DSIC. This provision relates solely to the calculation of the DSIC during the time that the Settlement Rates are in effect and is not determinative for future ratemaking purposes of the projected plant additions to be included in rate base in a fully projected future test year filing.
22. For purposes of calculating its DSIC, PECO will use the equity return rate for electric utilities contained in the Commission's most recent Quarterly Report on the Earnings of Jurisdictional Utilities and will update the equity return rate each quarter consistent with any changes to the equity return rate for electric utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa.C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa.C.S. § 1358(b)(1).

**F. Storm Reserve Account**

23. PECO agrees to withdraw its request to establish a Storm Reserve Account. This withdrawal is made without prejudice.
24. The Joint Petitioners agree that PECO shall be permitted to recover up to \$22.8 million for the storm damage costs that PECO incurred in January 2024, for which recovery shall be subject to review for reasonableness and prudence in PECO's next electric distribution rate case (including any amortization period for recovery of such expenses). PECO shall retain the burden of proof with respect to demonstrating the reasonableness and prudence of these costs. PECO agrees to petition the Commission separately for any future desired extraordinary storm expense recovery.

## **G. Universal Service Programs**

### **(1) Customer Assistance Program**

25. PECO agrees to participate in the Department of Human Services (“DHS”) data sharing program. Using the data provided by DHS through this program, PECO will participate in a manner consistent with the Commission’s June 13, 2024 data sharing order at Docket No. M-2023-3038944. In addition, no later than 90 days following the effective date of the new rates established in this proceeding, PECO agrees to use data provided by DHS through this program to automatically recertify current CAP customers.

26. By July 1, 2025, PECO agrees to convene a stakeholder collaborative with its Universal Services Advisory Committee (“USAC”) and any interested parties to this case to discuss how PECO could implement automatic enrollment of non-CAP Low-Income Home Energy Assistance Program (“LIHEAP”) recipients in CAP, including but not limited to: customer education, notice prior to automatic enrollment, treatment of shopping customers, and treatment of arrears for new enrollees. The collaborative will identify all costs for residential customers of any such implementation, including information technology and administrative costs, and potential adjustment to the CAP offset factor to take into account the additional costs of any automatic enrollment. The collaborative will meet at least one additional time before April 1, 2026. PECO will submit a report in this docket documenting the views of the collaboratives and PECO’s recommendations no later than October 1, 2026.

27. No later than April 1, 2025, PECO agrees to add PECO’s health usage rider exemption language to the maximum CAP credit letters, which sets forth the procedure a customer can use to request the health usage exemption, and information about how to file either an internal dispute or a complaint with the Commission if the customer disagrees with PECO’s denial of the health usage exemption.

### **(2) Low-Income Usage Reduction Program (“LIURP”)**

28. Starting in 2025, PECO will include an additional \$1 million in the Electric LIURP, which will increase the program costs from the as-filed annual budget of \$6.6 million to \$7.6 million. This additional amount will be recovered through the USFC mechanism, without applying any CAP cost offset factor.

29. At the USAC meeting held in the third quarter of 2025, PECO will provide an overview of how the Company targets CAP customers

approaching their maximum CAP credit for LIURP services, including data on the number of customers who reach their maximum CAP credit and who have been offered a LIURP audit. If USAC meeting participants have feedback on how the Company targets these customers for LIURP services, the Company agrees to consider this feedback in good faith.

30. PECO will provide the City with the CAP and LIURP information that is currently provided to the USAC on a quarterly basis.

31. PECO will track and report annually to its USAC on the number of LIURP jobs deferred due to Health & Safety issues with the home or other extenuating circumstances, and the specific reasons for deferral.

**(3) Matching Energy Assistance Fund (“MEAF”)**

32. By March 1, 2025, PECO will file a compliance filing in its Universal Services and Energy Conservation Plan docket to reflect the following terms:

a. PECO will amend its MEAF program to set maximum grants at \$1,250 per account.

b. The customer will not be required to bring their total account balance to zero (including current charges) with the MEAF distribution. The MEAF grant must eliminate the total amount as stated on the Company’s termination notice(s) or as otherwise agreed to by PECO to avoid termination or to be restored, having already been terminated, excluding pre-program arrearage. If the grant amount does not bring the termination amount to zero, the customer will be required to make a payment and/or solicit other third-party grants to satisfy the remaining total amount due before receiving the MEAF grant.

33. PECO agrees that starting with the first quarterly USAC meeting in 2025, PECO will share the following information at each quarterly USAC meeting:

a. The number of MEAF applications submitted, by county;

b. The number of MEAF applications approved, by county;

c. The number of MEAF applications denied, disaggregated by reason for denials;

d. The average length of time for MEAF application processing, disaggregated by county. PECO will impose this data collection requirement on MEAF agencies no later than April 1, 2025 and will share such data beginning with the fourth quarter USAC meeting in 2025; and

e. The amount of money available for MEAF assistance, by county.

34. By July 1, 2025, PECO agrees to do the following:

- a. PECO will update its website to provide additional information regarding: (1) the need for customers to contact MEAF agencies in order to submit MEAF applications to those agencies; and (2) the types of documentation that may be requested by a MEAF agency when a customer is applying for a MEAF grant.
- b. PECO agrees to improve its oversight of MEAF agencies as follows:
  - (i) PECO will require MEAF agencies to advise PECO upon approval of MEAF applications and PECO will place termination holds on accounts with an approved application while MEAF funds are being processed.
  - (ii) If a MEAF agency stops accepting or is unable to process MEAF applications within 10 business days and PECO is informed of the delay and the delay is validated with the agency, PECO will review the situation to determine what alternative options are available. The Company will place a 15-day termination hold on impacted, unprocessed accounts that have been identified by the MEAF agency.

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

- 35. PECO will extend future use of speech analytics software to assist with the quality monitoring of calls involving, or potentially involving, universal service programs and other low-income customer issues.
- 36. As soon as feasible but no later than July 1, 2025, PECO will utilize confirmation of low-income status in its billing system to establish a customer's payment arrangement length of up to five years, pursuant to Chapter 14 of the Public Utility Code.
- 37. By July 1, 2025, PECO will seek review by the Commission of this additional language in its 10-Day Termination Notice: "you may be eligible for special assistance programs, such as CAP, which may stop termination of your service and/or include arrearage forgiveness" and within six months of approval, begin using the Notice containing the additional language.
- 38. While PECO is conducting its Cold Weather Survey, beginning in 2025, the Company will provide customers eligible for the Cold Weather Survey with a CAP application, a Universal Services Program Information Sheet (one pager), and information regarding PECO's Residential Heating rate.
- 39. As soon as feasible but no later than July 1, 2025, following disconnection and prior to reconnection, confirmed low-income customers who were identified as such in PECO's system prior to termination, and who are not currently enrolled in CAP, will, upon application and approval for enrollment in CAP as a first time CAP customer, have service

reconnected at a reduced restoration amount and be enrolled in CAP upon reconnection.

40. The Joint Petitioners agree to PECO's proposed expanded customer outreach and education proposal, as set forth in the Company's initial rate case filing.

41. PECO will hold semi-annual meetings with the City and the PEA, the first being prior to December 31, 2025, in order to expand outreach opportunities in low-income areas and language access improvements. PECO will work with the City and PEA to identify the stakeholders necessary to address expanded outreach opportunities for low-income customers.

## **H. Customer Service and Consumer Protection**

### **(1) Call Center Performance**

42. PECO will investigate any material issues with call handling that were identified in the 2022 Audit Report which have not been resolved by the actions PECO agreed to take in its implementation plan for the audit report. PECO will file a report on its investigation within six months of the effective date of the new rates established in this proceeding.

### **(2) Low-Income Customer Security Deposits and Disconnections**

43. PECO will, by April 1, 2025, review all accounts where a security deposit was previously collected from a verified, by PECO, low-income customer less than or equal to 250% of the Federal Poverty Level ("FPL"). If PECO determines it is holding a security deposit for a confirmed low-income customer (less than or equal to 150% FPL), PECO will refund the amount to the customer unless the customer has given explicit and informed consent for the deposit to be applied to the customer's account. Going forward, PECO will conduct this review on a quarterly basis.

44. PECO will implement by April 1, 2025, the following changes to its security deposit letter:

a. For new residential customers requesting a connection for service, PECO will include a message on the initial deposit letter informing these customers that they may be eligible for a deposit waiver if they contact PECO and verify their low-income eligibility of less than or equal to 250% FPL.

45. Within 12 months from the date rates go into effect, PECO agrees to conduct an assessment of the issues raised by OCA witness Roger Colton in his Direct Testimony (OCA Statement No. 4, pp. 65-69) and to meet with the OCA, CAUSE-PA, and TURN to discuss PECO's efforts to ensure that Environmental Justice communities are not inadvertently

disproportionately impacted by terminations of service or requests for security deposits.

**(3) Language Access**

46. PECO agrees to continue its Limited English Proficiency stakeholder meetings as agreed to in the Joint Petition for Settlement at Docket No. R-2021-3024601 until the later of its next electric or gas base rate case filing. In the first meeting, which shall be scheduled to occur on or before July 1, 2025, the participants will discuss issues for consideration in any proposal to: 1) add taglines to residential customer bills; and 2) send shutoff notices that are both in English and Spanish.

**(4) Determination of Residential Heating Type**

47. As soon as feasible, but no later than April 1, 2025, PECO will make the following changes to make customers aware of Rate RH if they are using electricity for their primary heating source:

a. When a customer opens a new account, PECO's Customer Service Representative will ask the customer questions to determine whether they use electricity as their primary heating source in accordance with PECO's Tariff and provide the customer with information about the availability of and requirements for switching to Rate RH.

b. PECO will identify customers who are potentially eligible for Rate RH in accordance with PECO's Tariff when performing a LIURP audit and provide the customer with information about requirements for switching to Rate RH.

48. No later than December 31, 2025, PECO will convene a collaborative with interested parties to this proceeding to discuss Rate RH availability to customers, including the equipment specifications identified in the tariff.

**(5) Payment Processing**

49. PECO will undertake a good faith effort to negotiate lower payment processing fees with third-party vendors when it negotiates its next contract (anticipated to be in 2028).

50. In its next base rate filing, PECO will: (1) provide, for the most recent 24 months available (a) the monthly number of residential payments by credit card and the fee charged per transaction and (b) the monthly number of residential payments by debit card and the fee charged per transaction; and (2) propose to eliminate all payment processing fees, including credit card and debit card fees imposed by third parties, when not using "MyAccounts", e.g., online "pay as guest" or phone payments

or, if PECO fails to make this proposal it will provide detailed information supporting its decision.

**(6) Large Customer Account Management**

51. PECO will establish annual meetings with the City of Philadelphia to review PECO’s next 3-5 year plans for currently identified projects within the city limits that will either (1) retire substations; or (2) involve projects that include conversions to higher primary voltages. PECO also will establish a municipal customer “mailbox” which will notify PECO when municipalities have submitted applications for interconnections and/or incentives for energy efficiency/clean energy projects and will further develop a system for sharing the status of PECO’s response to those applications.

52. In addition, PECO will: (1) hold semi-annual meetings with key stakeholders at the City to review Account Management, billing, the City’s transportation electrification plan, and strategic initiatives which impact both the City and PECO; (2) create a shared document for real-time tracking of open customer service and billing issues reported by the City/PEA to PECO; and (3) create a “knowledge book” that will assist the City with understanding PECO’s internal processes and procedures.

**I. Electric Vehicle Programs**

53. PECO’s proposed EV Charging Pilot extension and modification and Electric Vehicle Fast Charging (“EV-FC”) Pilot Rider extension and modification are approved subject to the following modifications: (1) PECO’s EV Charging Pilot and EV-FC Pilot Rider will extend through May 31, 2029; (2) the EV-FC Pilot Rider demand credit will be calculated as 30%, rather than 20%, of the measured demand; and (3) the Company agrees to work with stakeholders through its transportation electrification collaborative working group in calendar year 2027 to design and conduct an evaluation of the modified EV-FC Pilot Rider, determine whether a successor DC fast charging rate is warranted, and if warranted, design such a successor rate and propose it to be effective upon the expiration of the EV-FC Pilot Rider.

54. PECO agrees that for projects completed on or after January 1, 2025, the City, the Philadelphia Department of Aviation, the Philadelphia School District, Philadelphia Gas Works, and Philadelphia Industrial Development Corporation shall be treated as separate customers from each other for purposes of determining the incentive cap for the EV Charging Pilot.

55. To facilitate the City’s planning for EV charger deployment, prior to Service and Meter Request submissions, the City may furnish PECO with spreadsheets containing the locations, account numbers, and proposed load in kilowatts for up to ten potential EV charger connections each year. Within 30 days of PECO receiving a spreadsheet providing such information, PECO will identify which of the proposed locations yield a high potential for serving the proposed load without a line extension.

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

**(1) Solar For All**

56. PECO will hold annual meetings with PEA to assist with PEA’s development of their outreach plan for low and moderate-income customers who are eligible for PEA’s Solar for All program.

57. PECO will refund or waive the engineering study fee for Solar for All customers in the following instances:

a. Fee will be waived in the event that no solutions are available to the customer after completion of the initial technical review, and an engineering study is required.

b. Fee will be refunded in the event that all work identified as a result of the study is determined to be PECO’s responsibility.

c. Fee will be refunded in the event that some or all work identified as a result of the study is determined by PECO to be the customer’s responsibility, and the customer subsequently chooses to withdraw their application.

**(2) Built to Last Coordination**

58. Regarding PEA’s Built to Last program, PECO agrees within 90 days of the effective date of new rates established in this proceeding to raise any real or perceived program misalignments with PEA and seek to promptly resolve them.

59. PECO agrees to continue to take referrals from Built to Last for possible participation in PECO programs.

60. PECO agrees to meet bi-annually, until the filing of its next rate case, with PEA and other potentially interested program implementers receiving government funds in its service territory, to discuss opportunities for those programs to coordinate with PECO’s LIURP.

**(3) Greenhouse Gas (“GHG”) Reduction Plan**

61. Prior to July 1, 2025, PECO will provide further documents to the City and PEA demonstrating Exelon Corporation’s and PECO’s planned

and actionable progress towards reducing GHG emissions within the Company's service territory.

**K. Interconnection Costs**

62. No later than April 1, 2025, PECO will initiate collaborative communications with the City, PEA, the OCA, the OSBA, PAIEUG, TURN, and CAUSE-PA, and others if mutually agreed by the aforementioned parties, to assess approaches to achieving a more equitable distribution of utility construction costs incurred to enable interconnection of distributed energy resources. Topics will include, but are not limited to, broader socialization of costs incurred to accommodate Level 1(≤10 kW) solar interconnections and credits to customers for avoided investments in lifecycle replacement of distribution system equipment that is nearing end-of-life. If the parties are successful in developing a consensus approach by December 31, 2025, PECO will propose that approach to the PUC by July 1, 2026.

**L. Tariff Changes**

63. The Joint Petitioners agree to the Company's tariff changes set forth in Appendix A.

VII. DISCUSSION OF NON-UNANIMOUS SETTLEMENT

**A. Revenue Requirement (Joint Petition, Paragraphs 13-14)**

PECO argues that the Settlement carefully balances (1) the right of the Company and its investors “to earn a return on the value of the property which it employs for the convenience of the public” and “to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties” with (2) the right of customers to pay rates that are commensurate with “business undertakings which are attended by corresponding risks and uncertainties” without providing the utility “profits . . . realized or anticipated in highly profitable enterprises or speculative ventures.”<sup>87</sup> That balance is ensured by the fact that parties legally obligated to protect consumers and the

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<sup>87</sup> *Bluefield Water Works and Improvement Co. v. Pub. Service Comm'n of West Virginia*, 262 U.S. 679 (1923).

public interest vigorously investigated all aspects of the Company's proposed increase and concluded that the Settlement Rates are just and reasonable. Similarly, the Company carefully considered the proposed revenue increase in light of the obligation to its investors to secure a reasonable opportunity to earn a fair return, maintain the financial stability of its business, and obtain needed capital on reasonable terms. The Company concluded that the Settlement Rates satisfy those criteria. The careful balance of interests achieved by the Settlement avoids what could have been a significant expenditure of time, money, and other resources by the parties and the Commission to individually resolve a number of issues and proposed adjustments that have now been subsumed by the interrelated compromises that led to the Settlement. Those savings are in everyone's interest and, in themselves, are another important reason why the Settlement promotes the public interest.<sup>88</sup>

Based on I&E's analysis of the Company's filing and discovery responses received, the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event that the case was fully litigated. If the case were to fully litigate, I&E's recommended revenue requirement was \$328,204,000.<sup>89</sup> The increase agreed to as part of the settlement is reasonably close to the I&E litigation position and is appropriate. When accompanied by other important provisions contained in the Settlement, this yields a result that is both just and reasonable and in the public interest.<sup>90</sup>

I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial

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<sup>88</sup> PECO Statement in Support at 15-16.

<sup>89</sup> I&E St. No. 1-SR, p. 4.

<sup>90</sup> I&E Statement in Support at 7.

intervention. The further involvement of the ALJs would have added time and expense to an already cumbersome proceeding. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with this filing at a reasonable level. A previous Chairman of the Commission has commented on Black Box settlements and stated that the

[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black Box settlements are an integral component of the process of delivering timely and cost-effective regulation.<sup>[91]</sup>

I&E maintains that this increased level of Black Box revenue adequately balances the interests of ratepayers and the Company. PECO will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. Mitigation of the level of the rate increase benefits ratepayers and results in rates that satisfy the regulatory standard requiring just and reasonable rates. As such, this element supports the standard for approval of a settlement as the resulting rates are just and reasonable and in accordance with the Public Utility Code and all pertinent case law.<sup>92</sup>

OCA contends that while the agreed upon revenue requirement is higher than the OCA's litigated position, based on the facts examined by OCA in this case, it

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<sup>91</sup> See Statement of Commissioner Robert F. Powelson, *Pa. Pub. Util. Comm'n v. Wellsboro Elec. Co.*, Docket No. R-2010-2172662 (Order entered Jan. 13, 2011). See also Statement of Commissioner Robert F. Powelson, *Pa. Pub. Util. Comm'n v. Citizens' Elec. Co. of Lewisburg, Pa.*, Docket No. R-2010-2172665 (Order entered Jan. 13, 2011); I&E Statement in Support at 8..

<sup>92</sup> I&E Statement in Support at 8-9.

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, 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. OCA asserts 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. 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, yields a result that overall, is in the public interest.<sup>93</sup>

OSBA notes that at a time when all types of utility service are becoming more expensive, and the results of the COVID-19 pandemic continues to impact customers, the significant reduction in the overall revenue increase provided by the *Settlement* will benefit all of PECO’s consumers, including the Company’s small business customers.<sup>94</sup>

The City and PEA believe the revenue requirement is reasonable and yields a result that is in the public interest, particularly when accompanied by other important conditions contained in the Settlement. The increase agreed to in the Settlement provides

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<sup>93</sup> OCA Statement in Support at 5-6.

<sup>94</sup> OSBA Statement in Support at 2.

adequate funding to allow the Company to continue to provide safe, adequate, reliable and continuous service. As such, the City and PEA submit that the increase agreed to in this Settlement is in the public interest and should be approved by the Commission.<sup>95</sup>

TURN and CAUSE-PA note that Paragraph 13 of the proposed Settlement sets forth the agreed upon revenue requirement amount, an annual increase in electric distribution revenues of approximately \$354 million, exclusive of the \$64.3 million of revenue currently recovered through the DSIC. This represents a decrease from PECO's initial proposed rate increase of approximately \$464 million per year.<sup>96</sup> The reduction in the revenue requirement will lessen the impact of the rate increase on low- and moderate-income customers who already struggle to afford utility service. As described by Ms. Marx, an estimated 24% of PECO Electric's residential customers are low-income.<sup>97</sup> As proposed in PECO's initial filing, the average monthly increase would have represented a substantial increase in basic living expenses, especially for low-income households.<sup>98</sup> As such, a reduction in the approved rate increase is important to ensure that PECO's residential customers are able to maintain electric service. As discussed below, the proposed Settlement includes critical enhancements to universal service programs and customer protections which are crucial to help mitigate existing rate unaffordability and remediate any additional unaffordability created by an additional increase in rates.<sup>99</sup>

While TURN and CAUSE-PA do not take a formal position as to paragraph 14, TURN and CAUSE-PA are not opposed to this provision, and believe this provision

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<sup>95</sup> City and PEA Statement in Support at 6.

<sup>96</sup> PECO St. 1 at 5.

<sup>97</sup> TURN/CAUSE-PA St. 1 at 11.

<sup>98</sup> TURN/CAUSE-PA St. 1 at 16.

<sup>99</sup> TURN/CAUSE-PA Statement in Support at 5.

helps reasonably balance the varied interests of the parties in this proceeding while taking into account the overall impact of PECO's proposed rates and terms and conditions of service on PECO's customers.<sup>100</sup>

PAIEUG, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on the revenue requirement.

**B. Electric Base Rate Stay-Out (Joint Petition, Paragraph 15)**

PECO asserts that the stay-out provision will provide customers base rate stability for a period of at least approximately two years. All of the other parties to the Settlement agree with this position.

**C. Revenue Allocation and Rate Design (Joint Petition, Paragraphs 16-18)**

PECO asserts that the cost-of-service study (COSS) agreed to by the parties is a weighing of the various positions of the parties and that the Settlement is a reasonable resolution to the disputes. Although complete agreement could not be reached among all the Joint Petitioners with respect to either the COSS or the revisions to that study proposed by the OCA and the OSBA, there was no dispute that a COSS should be used as a guide and that the Commission has long recognized that the movement toward cost of service should be tempered by the concept of gradualism in order to avoid large, disruptive, one-time increases to any particular customer class. That was the approach

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<sup>100</sup> TURN/CAUSE-PA Statement in Support at 6.

the Company employed to develop its proposed revenue allocation and rate design in this case, as explained by PECO witness Joseph A. Bisti.<sup>101</sup>

PECO notes that the allocation of the revenue increase under the Settlement Rates was subject to careful consideration and detailed negotiations among the Joint Petitioners. As a result, the Joint Petitioners were able to reach agreement on the allocation among customer classes of the revenue increase under the Settlement Rates that is depicted in Paragraph 16 of the Joint Petition. That allocation provides for reasonable movement toward the system average rate of return by the various customer classes as measured by the Company's COSS. Accordingly, PECO maintains the revenue allocation effected by the Settlement Rates and depicted in Paragraph 16 of the Joint Petition is consistent with the Commonwealth Court decision in *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006).<sup>102</sup>

In addition, Paragraph 18 reflects the Joint Petitioners' agreement resolving issues between the OCA and PECO pertaining to the offset factor applied to reconcilable Customer Assistance Program ("CAP") costs recovered through the Company's Universal Services Fund Charge.<sup>103</sup>

Further, PECO indicates that establishing a reasonable revenue allocation requires a careful balancing of the countervailing interests of the non-utility parties representing the various customer classes. With respect to rate design, PECO notes the

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<sup>101</sup> See PECO St. 7, pp. 3-5; PECO St. 7-R, pp. 5-8; PECO St. 7-SR, pp. 2-3; PECO Statement in Support at 17.

<sup>102</sup> PECO Statement in Support at 18.

<sup>103</sup> Compare OCA St. 4, pp. 92-99 and OCA St. 4SR, pp. 2-4 with PECO St. 10, pp. 4-7; PECO St. 3-R, pp. 25-26; PECO Ex. MJT-7; PECO St. 10-R, pp. 24-25 and Tr. 672-73 (Trzaska); PECO Statement in Support at 19.

Settlement Rates reflect the need to recover the customer component of total cost of service in the customer charge, while recognizing that increases in the customer charges can impact low-usage customers. Accordingly, the Settlement Rates provide for an increase in PECO's Rate R and Rate RH customer charges, but in a lesser amount than the customer charges that the Company originally proposed.<sup>104</sup>

Based on its review of the cost-of-service studies presented in this proceeding, I&E maintains that the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case. Further, I&E notes that the mitigated level of Customer Charge demonstrates a compromise of the interests of the parties. As such, I&E contends that these provisions are in the public interest.<sup>105</sup>

After a review of the cost-of-service studies presented in this proceeding and the varying revenue allocation proposals presented by other parties, 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 22.3 percent as compared to the Company's original request of a 29.2 percent increase in distribution revenues. Specifically, Rate R will receive an approximate 19.2 percent increase on a distribution basis, and Rate RH will receive a 30.1 percent increase. OCA submits that the revenue allocation, and in the public interest, and should be approved.<sup>106</sup>

OCA argues that the compromise position here is reasonable, and within the results that might have been obtained through litigation considering the various

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<sup>104</sup> PECO Statement in Support at 20-21.

<sup>105</sup> I&E Statement in Support at 10.

<sup>106</sup> OCA Statement in Support at 7.

positions of the Company, the OCA, and other parties. The residential customer charge of \$11.25 represents a 7 percent increase over the Company's existing charge. This increase will continue to promote conservation efforts as the larger percentage increase from the proposed revenue settlement will be accounted for in the volumetric rates. Accordingly, OCA submits the Settlement provisions as to Rate Design are reasonable, in the public interest, and should be approved without modification.<sup>107</sup>

TURN and CAUSE-PA note that while their position was not fully adopted, an increase to \$11.25 for the fixed Customer Charge as proposed in the Joint Settlement represents movement from the initial proposal of the Company.<sup>108</sup> TURN and CAUSE-PA do not take a particular position on the other aspects of the revenue allocation and rate design.

PAIEUG supports the revenue allocation and rate design indicated in the Settlement.<sup>109</sup>

The City and PEA, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

#### **D. FPFTY Reports (Joint Petition, Paragraph 19)**

PECO notes that I&E proposed that the Company update PECO Exhibit MJT-2, Schedule C-2 by April 1, 2025, and PECO Exhibit MJT-1, Schedule C-2 by April 1, 2026, to include actual capital expenditures, plant additions, and retirements by month

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<sup>107</sup> OCA Statement in Support at 7-8.

<sup>108</sup> TURN/CAUSE-PA Statement in Support at 7.

<sup>109</sup> PAIEUG Statement in Support at 4.

for 2024 and 2025, respectively.<sup>110</sup> PECO indicates that it agreed to provide such updates, as set forth in more detail in Paragraph 19 of the Joint Petition.<sup>111</sup> In addition, PECO agrees that in its next base rate proceeding, it will prepare a comparison of its actual expenses and rate base additions for the twelve months ended December 31, 2025 to its projections in this case.<sup>112</sup>

I&E notes that the updates are important because as I&E witness Sakaya explained:

there is value in determining how closely PECO's projected investments in future facility compare to the actual investments that are made by the end of the FTY and FPFTY. Determining the correlation between PECO's projected plant additions and actual plant additions will help inform the Commission and the parties in PECO's future rate cases.<sup>[113]</sup>

I&E avers this term is within the public interest as it allows the parties and Commission to compare actual numbers to the Company's projections to gauge the accuracy of PECO's projected investments in future proceedings.<sup>114</sup>

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 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

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<sup>110</sup> I&E St. 3, pp. 6-7.

<sup>111</sup> *See also* PECO St. 3-R, p. 4

<sup>112</sup> PECO Statement in Support at 21.

<sup>113</sup> I&E Statement No. 3, p. 7.

<sup>114</sup> I&E Statement in Support at 11.

will permit parties to compare the accuracy of PECO’s projections in this matter to its actual expenditures.<sup>115</sup>

As noted, paragraph 21 of the Settlement requires PECO to provide updates to PECO Exhibit MJT-2, Sch. C-2, and to present in its next rate case filing a comparison of its actual expenses and rate base additions for the twelve months ended April 1, 2025, to its projections in this case. The collection and presentation of such information will assist the OSBA in representing small business customers of the Company in the next rate case.<sup>116</sup>

PAIEUG, the City and PEA, TURN/CAUSE-PA, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

**E. DSIC (Joint Petition, Paragraphs 20-22)**

PECO contends that the revenue requirement elements of the Settlement reflect, for the most part, a matrix of compromises by the Joint Petitioners, and therefore, specific ratemaking adjustments are not spelled out in the Joint Petition, subject to limited exceptions. The Joint Petitioners have recognized that, notwithstanding the “black box” nature of the Settlement regarding revenue requirement, it is important to resolve, as part of the Settlement, the rate of return on equity that Joint Petitioners agree should be used by the Company in computing the Company’s DSIC revenue requirement. To that end, the Joint Petitioners have agreed and stipulated in Paragraph 22 of the Joint Petition that the Company shall use the rate of return on equity as calculated for electric utilities and published in the “Bureau of Technical Utility Services [(‘TUS’)] Report on the Quarterly

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<sup>115</sup> OCA Statement in Support at 8.

<sup>116</sup> OSBA Statement in Support at 4.

Earnings of Jurisdictional Utilities” for the most recent quarter for calculating the return on equity component of the Company’s DSIC. The TUS calculation is a recognized and accepted benchmark return on equity for use in calculating revenue requirement under the DSIC. Moreover, TUS regularly updates its calculation to reflect changes in market-determined equity costs based on a clearly stated methodology and database. A term like Paragraph 22 has been adopted in settlements of numerous base rate cases for major utilities that employ a DSIC.<sup>117</sup>

I&E notes that PECO will not implement a DSIC during the calendar year ending December 31, 2025. Additionally, the first DSIC in 2026 will be effective no earlier than March 31, 2026 and will be based on DSIC-eligible expenditures during January and February 2026. Further, PECO will impose its DSIC in a manner that is consistent with the Commission’s Supplemental Implementation Order at Docket No. M-2012-2293611. I&E avers that this is in the public interest and benefits both PECO and its ratepayers. First, PECO benefits because it will have access to DSIC funding for necessary infrastructure improvements which helps to ensure PECO is able to meet its obligation to provide its customers with safe and reliable service. Second, customers will benefit because they will not need to fund the DSIC any earlier than March 31, 2026. In sum, ratepayers will have a defined period of time during which they will be relieved from paying any DSIC costs; however, even when the DSIC charge becomes effective, the customers will benefit from the assurance that improved infrastructure will facilitate safe and reliable service.<sup>118</sup>

OCA asserts that the Settlement clearly establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered

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<sup>117</sup> PECO Statement in Support at 22.

<sup>118</sup> I&E Statement in Support at 12.

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. 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.<sup>119</sup>

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. OCA maintains 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.<sup>120</sup>

OSBA, PAIEUG, the City and PEA, TURN/CAUSE-PA, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

**F. Storm Reserve Account (Joint Petition, Paragraphs 23-24)**

PECO asserts that Paragraph 23 acknowledges that, in order to reach the Settlement, the Company's proposed Storm Reserve Account was withdrawn for purposes of this case without prejudice. In addition, Paragraph 24 sets forth the Joint Petitioners' agreement that PECO shall be permitted to recover up to \$22.8 million for

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<sup>119</sup> OCA Statement in Support at 9.

<sup>120</sup> *See also, Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, at 14-15 (Tentative Implementation Order May 11, 2012); OCA Statement in Support at 9.

storm damage costs incurred in January 2024, subject to review for reasonableness and prudence, in the Company's next rate case.<sup>121</sup>

I&E states that per the Settlement PECO has agreed to petition the Commission separately for any future desired extraordinary storm expense recovery. This is the appropriate avenue through which extraordinary storm expense recovery should be sought. Therefore, I&E's concerns in this area have been mitigated by the terms of the settlement agreement. I&E submits that the withdrawal of the storm reserve account and the commitment to petition for future extraordinary storm expense recover are in the public interest.<sup>122</sup>

From the OCA's perspective, PECO's agreement to withdraw the Storm Reserve Account was an important component of the settlement, as OCA maintains that PECO had not met its burden of supporting that it has incurred extraordinary storm expenses to warrant the deferral accounting treatment sought. Moreover, OCA agrees with I&E that PECO can pursue an appropriate course of action via a petition filing with the Commission to seek exceedingly higher storm expense costs than projected, if the demonstrated need materializes. OCA also agrees with I&E that such treatment is preferable to dollar-for-dollar recovery with interest of all storm expenses incurred, as PECO's proposal sought, because such treatment makes PECO less accountable to ratepayers in controlling costs.<sup>123</sup> By way of the Settlement, PECO has agreed to petition the Commission separately for any future desired extraordinary storm expense recovery.

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<sup>121</sup> PECO Statement in Support at 23.

<sup>122</sup> I&E Statement in Support at 13.

<sup>123</sup> I&E St. 1 at 37.

OCA supports that commitment as necessary to ensure the integrity of the Commission’s review of any future extraordinary expense claim by PECO.<sup>124</sup>

OCA asserts that the Joint Petition also permits PECO to seek recovery of up to up to \$22.8 million for the storm damage costs that PECO incurred in January 2024,<sup>125</sup> for which recovery shall be subject to review for reasonableness and prudence in PECO’s next electric distribution rate case. The Settlement preserves PECO’s burden. A close review of the Settlement language also underscores that it should not be construed to operate as a type of preapproval of any claimed costs, as “up to \$22.8 million” contemplates the possibility that no recovery may be awarded, and PECO shall maintain its burden to provide that recovery is warranted and consistent with all applicable standards, as the public interest requires.<sup>126</sup>

OSBA, PAIEUG, the City and PEA, TURN/CAUSE-PA, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

**G. Universal Service Programs (Joint Petition, Paragraphs 25-41)**

PECO avers that it will implement several measures to benefit CAP customers, including: (1) participation in the DHS data sharing program in a manner consistent with the Commission’s June 13, 2024 data sharing order at Docket No. M-

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<sup>124</sup> OCA Statement in Support at 10-11.

<sup>125</sup> PECO claimed that it incurred storm costs of \$25 million, or “approximately” \$3.5 million less than the amount reflected in its storm expense claim for the first quarter of 2024. PECO St. No. 3-R at 16. OCA has not accepted PECO’s claim as fact, and PECO will now appropriately retain the burden of proving this claim in its next rate case.

<sup>126</sup> OCA Statement in Support at 11-12.

2023-3038944 and (2) addition of PECO's health usage rider exemption language to the maximum CAP credit notification letters. In addition, PECO will convene a stakeholder collaborative by July 1, 2025 to discuss how PECO could implement automatic enrollment of non-CAP LIHEAP grant recipients in CAP.<sup>127</sup>

Further, PECO will increase its annual LIURP budget by \$1 million (from \$6.6 million to \$7.6 million). In addition, PECO will provide an overview of how the Company targets CAP customers approaching their maximum CAP credit for LIURP services at the USAC meeting held in the third quarter of 2025, and the Company will track and report annually to its USAC on the number of LIURP jobs deferred due to Health & Safety issues with the home or other extenuating circumstances and the reasons for deferral. PECO will also provide the City with the CAP and LIURP information that is currently provided to the USAC on a quarterly basis.<sup>128</sup>

Moreover, the Company noted that it agreed to several changes to improve access to its MEAF program, including: (1) setting maximum grants at \$1,250 per account; (2) replacing the zero balance requirement with the amount stated on the termination notice or as otherwise agreed to by PECO; (3) additional MEAF reporting requirements at USAC meetings; (4) more oversight of MEAF agencies; and (5) expanded information regarding applying for MEAF on the Company's website.<sup>129</sup>

PECO explains that the Settlement includes various commitments to connect PECO customers in need with programs that can reduce their bill and enhance assistance to low-income customers, including: (1) extending the future utilization of

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<sup>127</sup> PECO Statement in Support at 23-24.

<sup>128</sup> PECO Statement in Support at 25.

<sup>129</sup> PECO Statement in Support at 26.

speech analytics to assist with quality monitoring of calls concerning universal service programs and other low-income customer issues; (2) using confirmation of low-income status in its billing system to establish a customer's payment arrangement length of up to five years; (3) seeking Commission approval for additional language in PECO's 10-Day Termination Notice about the availability of assistance programs that may stop disconnection of service for non-payment; (4) providing customers eligible for the Cold Weather Service with a CAP application, a Universal Services Program Information Sheet (one pager), and information regarding PECO's Residential Heating rate; and (5) upon application and approval for enrollment in CAP as a first time CAP customer, reconnecting non-CAP customers identified as confirmed low-income customers in PECO's system prior to disconnection at a reduced restoration amount and enroll those customers in CAP upon reconnection.<sup>130</sup>

I&E notes that per the Settlement, PECO will increase its LIURP budget by \$1 million from \$6.6 million to \$7.6 million. Per the settlement, the approximately \$4.4 million increase requested by CAUSE-PA has been significantly mitigated. While I&E generally believes that a universal service proceeding is the more appropriate forum to increase this budget I&E also recognizes that a settlement reflects compromise on the part of all parties. The increase is less substantial than that which was recommended by CAUSE-PA witness Marx, but significant enough to assist low-income ratepayers, which is an important consideration. This is a reasonable compromise which balances the interest of PECO and its ratepayers. These terms of the Settlement serve to protect vulnerable low-income customers who are facing financial hardship while not imposing undue financial burden on non-low-income customers who must pay for these programs.

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<sup>130</sup> PECO Statement in Support at 27-28.

Regarding the remaining universal service terms, as I&E did not present testimony on those terms, I&E takes no position on those terms.<sup>131</sup>

OCA asserts that the Settlement assists low-income customers who receive LIHEAP grants more easily enroll in the Company's CAP, as well as recertify their CAP-eligible status. 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.<sup>132</sup>

OCA contends that as a result of the Settlement, not only are parties given a clear timetable on PECO Electric'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. Securing PECO Electric'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.<sup>133</sup>

Further, OCA notes that the Settlement also supports increasing customers' awareness of the health usage exemption to PECO Electric's CAP credit maximum by adding the health usage rider exemption language to maximum CAP credit letters, outlining the procedure to request the exemption, and how to challenge PECO Electric's denial of the health usage exemption. While this portion of the Settlement does not

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<sup>131</sup> I&E Statement in Support at 13-14.

<sup>132</sup> *2023 Review of All Jurisdictional Fixed Utilities' Universal Service Programs*, Docket No. M-2023-3038944 (Order entered June 13, 2024).

<sup>133</sup> OCA Statement in Support at 13-14.

resolve all of the parties' issues, this compromise ultimately benefits customers who may need or qualify for the health usage exemption.<sup>134</sup>

OCA argues that PECO's willingness to engage with its USAC regarding feedback on how PECO Electric can better target customers nearing their maximum CAP credits through its LIURP demonstrates the Company's first step towards building LIURP deployments targeted at maximizing the number of customers able to receive the benefits of its CAP. These commitments have the potential to substantially benefit PECO Electric's low-income customers. They are also the type of commitments which can only be secured through a settlement agreement, and weigh in favor of the Settlement being found in the public interest.<sup>135</sup>

OCA also submits that the Settlement provides that PECO 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. OCA maintains that PECO's commitments regarding expanding funding and access to funding will assist MEAF funding in the households that need it most. By providing additional data regarding the performance of MEAF agencies, PECO Electric'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 Electric is able to develop MEAF into a more effective program. These

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<sup>134</sup> OCA Statement in Support at 15.

<sup>135</sup> OCA Statement in Support at 16.

commitments are beneficial to the customers who need MEAF grants, and weigh in favor of the Settlement being found in the public interest.<sup>136</sup>

OCA states that the Settlement is a 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 Electric properly considers their low-income status when establishing the arrangement.<sup>137</sup>

OCA notes that the Settlement 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 Electric, customers who avoid termination by applying for CAP, and the ratepayers that ultimately bear the burden of funding terminations by the Company.<sup>138</sup>

Lastly, OCA asserts that the Settlement provides that confirmed low-income customers who had their service terminated by PECO Electric, 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. The Settlement compromises the positions of the OCA and PECO Electric by recognizing PECO Electric'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. These commitments would not have been secured absent the Settlement agreement. They have the potential to benefit low-income customers within PECO

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<sup>136</sup> OCA Statement in Support at 17.

<sup>137</sup> OCA Statement in Support at 18.

<sup>138</sup> OCA Statement in Support at 19.

Electric's service territory and weigh in favor of finding the Settlement to be in the public interest.<sup>139</sup>

TURN and CAUSE-PA states that it is imperative that Pennsylvanians are able to access and maintain safe, reliable, and affordable gas service in their home. As costs for electric service increase, vulnerable, low-income residential customers with limited financial means face burdensome and sometimes insurmountable challenges to maintaining service to their home. In consideration of the unique affordability challenges facing low-income households, Pennsylvania law requires that PECO charge its low-income customers affordable rates, which help ensure that they can maintain service to their home. TURN and CAUSE-PA believe that data sharing with DHS will decrease the number of CAP customers who face burdensome recertification requirements and will therefore decrease the number of customers removed from CAP for failure to recertify despite their ongoing eligibility for the program.<sup>140</sup>

TURN and CAUSE-PA submit that increasing CAP participation by automatically enrolling customers for CAP following receipt of a LIHEAP grant would help ensure that low-income households are better matched with the right rate before they accrue unmanageable arrears. While the proposed Settlement did not adopt TURN and CAUSE-PA's recommendation, TURN and CAUSE-PA support paragraph 26 of the proposed Settlement as an initial step towards auto-enrollment. TURN and CAUSE-PA believe that the proposed Settlement represents a reasonable compromise between the parties that will promote movement towards implementing auto-enrollment and/or identifying barriers to the implementation of auto enrollment.<sup>141</sup>

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<sup>139</sup> OCA Statement in Support at 20.

<sup>140</sup> TURN/CAUSE-PA Statement in Support at 9.

<sup>141</sup> TURN/CAUSE-PA Statement in Support at 10.

TURN and CAUSE-PA argue that LIURP is a critical universal service program intended to improve bill affordability, reduce arrearages and termination rates over the long term, and work in tandem with CAP to help reduce uncontrollably high usage attributed to home energy inefficiencies that low-income households cannot afford to address on their own. TURN and CAUSE-PA recommended that PECO increase its LIURP budget by \$3,400,000, bringing its annual LIURP budget for electric customers to about \$10,000,000.<sup>142</sup> Even though the proposed Settlement did not adopt TURN and CAUSE-PA's recommendation, TURN and CAUSE-PA support paragraph 27 of the proposed Settlement as this increase in LIURP funding will bring the program closer to achieving the goals of the program.<sup>143</sup>

Paragraphs 32, 33, and 34, make several significant changes to PECO's MEAF program. First, Paragraph 28 requires PECO to file a compliance filing in its Universal Services and Energy Conservation Plan docket by March 1, 2025 that will amend its MEAF program to set maximum grants at \$1,250 per account (raising it from \$500 per commodity) and remove the requirement that a customer bring their total account balance to zero (including current charges) with a MEAF grant in order to receive those funds. Instead, the MEAF grant must eliminate the total amount as stated on the Company's termination notice(s) or as otherwise agreed to by PECO to avoid termination or to be restored, excluding preprogram arrearage. This means that if a customer contacts PECO and PECO agrees to restore that customer's service or prevent termination of service with an amount that is different from that listed on the termination notice and that amount is less than the maximum MEAF grant amount then that customer can prevent that termination or restore service with a MEAF grant. If the grant amount

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<sup>142</sup> TURN/CAUSE-PA St. 1-SR at 30.

<sup>143</sup> TURN/CAUSE-PA Statement in Support at 11.

does not bring the termination amount (either that listed on the notice or otherwise agreed to by PECO) to zero, then customer can make a payment and/or solicit other third-party grants to satisfy the remaining amount in order to receive the MEAF grant.<sup>144</sup>

TURN and CAUSE-PA believe that the changes to PECO's MEAF program outlined in paragraph 32 of the proposed Settlement will increase accessibility to the program and increase the annual MEAF funds distributed. As such, TURN and CAUSE-PA support paragraph 32 of the proposed Settlement. While Ms. Marx's recommendations regarding MEAF were not adopted in full, TURN and CAUSE-PA believe that the changes outlined in paragraphs 33 and 34 are necessary to make sure that PECO's MEAF agencies have sufficient oversight and that there is transparency for their performance. As such, TURN and CAUSE-PA support paragraphs 33 and 34 of the proposed Settlement as a positive step in ensuring stronger PECO oversight of its MEAF program.<sup>145</sup>

As noted, paragraph 37 of the proposed Settlement requires PECO to add language to its 10-day Termination Notice advising the recipient of the availability of CAP. TURN and CAUSE-PA support paragraph 37 because it could increase customer awareness of CAP.<sup>146</sup>

TURN and CAUSE-PA notes that Paragraph 38 of the Settlement requires PECO to provide customers eligible for the Cold Weather Survey with information on universal service programs and a CAP application. TURN and CAUSE-PA support this

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<sup>144</sup> TURN/CAUSE-PA Statement in Support at 11-12.

<sup>145</sup> TURN/CAUSE-PA Statement in Support at 12.

<sup>146</sup> TURN/CAUSE-PA Statement in Support at 13.

provision because it may increase the number of eligible customers who are aware of and connected to universal service programs.<sup>147</sup>

Lastly, TURN and CAUSE-PA support the Settlement because of the importance of ensuring that low-income customers are connected with the programs they are eligible for, and because of the importance, discussed below, of ensuring that non-English speaking customers can access PECO programs and customer service.<sup>148</sup>

The City and PEA note that PECO will also hold semi-annual meetings with the City and the PEA, the first being prior to December 31, 2025, to expand outreach opportunities in low-income areas and language access improvements. PECO has also agreed to implement several measures to benefit CAP customers, including: (1) participation in the DHS data sharing program in a manner consistent with the Commission's June 13, 2024 data sharing order at Docket No. M-2023-3038944, (2) automatic recertification of current CAP customers using data provided by DHS and (3) addition of PECO's health usage rider exemption language to the maximum CAP credit notification letters. In addition, PECO will convene a stakeholder collaborative by July 1, 2025 to discuss how PECO could implement automatic enrollment of non-CAP LIHEAP grant recipients in CAP. The City and PEA find that these enhanced CAP provisions are in the public interest as they will likely improve the chances that low-income customers will access, and continue to access, necessary financial assistance with their electric bills.<sup>149</sup>

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<sup>147</sup> TURN/CAUSE-PA Statement in Support at 14.

<sup>148</sup> TURN/CAUSE-PA Statement in Support at 14.

<sup>149</sup> City and PEA Statement in Support at 7-8.

The City and PEA also indicate that PECO agreed to increase its annual LIURP budget by \$1 million (from \$6.6 million to \$7.6 million). In addition, PECO will provide an overview of how the Company targets CAP customers approaching their maximum CAP credit for LIURP services at the USAC meeting held in the third quarter of 2025, and the Company will track and report annually to its USAC on the number of LIURP jobs deferred due to Health & Safety issues with the home or other extenuating circumstances and the reasons for deferral. PECO has also committed to provide the City with the CAP and LIURP information that is currently provided to the USAC on a quarterly basis. The City and PEA find these enhanced LIURP provisions are in the public interest as they will permit the City and its partners to better understand why certain low-income customers are not receiving the assistance they would otherwise be entitled to so that the City and its partners can collaborate with PECO to resolve as many of these issues as possible.<sup>150</sup>

OSBA, PAIEUG, EA, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on these provisions of the Settlement.

#### **H. Customer Service and Consumer Protections (Joint Petition, Paragraphs 42-52)**

First, PECO maintains that it will investigate any material issues with call handling that were identified in the 2022 Audit Report which have not been resolved by the actions PECO agreed to take in its implementation plan for the audit report. PECO

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<sup>150</sup> City and PEA Statement in Support at 8-9.

will file a report on its investigation within six months of the effective date of the new rates established in this proceeding.<sup>151</sup>

Moreover, PECO submits that it has agreed to implement several measures related to security deposit and termination policies to address the concerns and proposals of other parties, including that: (1) PECO will, by April 1, 2025 and then moving forward on a quarterly basis, review all accounts where a security deposit was previously collected from a customer with verified income less than or equal to 250% of the Federal Poverty Level (“FPL”) and if PECO determines it is holding a security deposit for a confirmed low-income customer (less than or equal to 150% FPL), refund that amount unless the customer has given explicit and informed consent for the deposit to be applied to the customer’s account; (2) PECO will, by April 1, 2025, update its security deposit letter to include information about the low-income security deposit waiver; and (3) within 12 months from the date rates go into effect, PECO will conduct an assessment of the disconnection of service and cash security deposits issues raised by OCA witness Roger Colton in his Direct Testimony (OCA Statement No. 4, pp. 65-69) and meet with the OCA, CAUSE-PA, and TURN to discuss PECO’s efforts to ensure that Environmental Justice communities are not inadvertently disproportionately impacted by terminations of service or requests for security deposits.<sup>152</sup>

PECO states that it agreed to: (1) continue its Limited English Proficiency stakeholder meetings as agreed to in the Joint Petition for Settlement at Docket No. R-2021-3024601 until the later of its next electric or gas base rate case filing; and (2) discuss, at the first of such meetings, issues for consideration in any proposal to: (a) add

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<sup>151</sup> PECO Statement in Support at 28.

<sup>152</sup> PECO Statement in Support at 30.

taglines to residential customer bills; and (b) send shutoff notices that are in both English and Spanish.<sup>153</sup>

PECO states that no later than April 1, 2025, it will make the following changes to increase customer awareness of Rate RH: (1) customers opening a new account will be asked questions to determine whether they use electricity as their primary heating source in accordance with PECO's Tariff and provided with information about the availability of and requirements for switching to Rate RH; and (2) PECO will identify customers who are potentially eligible for Rate RH in accordance with PECO's Tariff when performing a LIURP audit and provide the customer with information about requirements for switching to Rate RH. PECO further agreed to convene a collaborative, no later than December 31, 2025, with interested parties to this proceeding to discuss Rate RH availability to customers, including the equipment specifications identified in the tariff.<sup>154</sup>

Further, PECO indicates that it will undertake a good faith effort to negotiate lower payment processing fees with third-party vendors when it negotiates its next contract. In addition, as described in detail in the Settlement, PECO has agreed to do the following in its next base rate filing: (1) provide, for the most recent 24 months available, the monthly number of residential payments by credit card and by debit card and the fee charged for each type of transaction; and (2) propose to eliminate all payment processing fees, or, provide detailed information supporting the Company's decision to not make such a proposal.<sup>155</sup>

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<sup>153</sup> PECO Statement in Support at 31.

<sup>154</sup> PECO Statement in Support at 32.

<sup>155</sup> PECO Statement in Support at 33.

PECO notes that the Settlement has established annual meetings with the City of Philadelphia to review PECO's next 3-5 year plans for currently identified projects within the city limits that will either (1) retire substations; or (2) involve projects that include conversions to higher primary voltages. PECO also agreed to establish a municipal customer "mailbox" which will notify PECO when municipalities have submitted applications for interconnections and/or incentives for energy efficiency/clean energy projects and will further develop a system for sharing the status of PECO's response to those applications. In addition, PECO agreed to: (1) hold semi-annual meetings with key stakeholders at the City to review account management, billing, the City's transportation electrification plan, and strategic initiatives which impact both the City and PECO; (2) create a shared document for real-time tracking of open customer service and billing issues reported by the City/PEA to PECO; and (3) create a "knowledge book" that will assist the City with understanding PECO's internal processes and procedures.<sup>156</sup>

OCA maintains that 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 Electric to resolve their concerns on the first attempt.<sup>157</sup>

OCA argues that 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 Electric's

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<sup>156</sup> PECO Statement in Support at 34.

<sup>157</sup> OCA Statement in Support at 21.

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 43 – will not have to provide security deposits when Commission regulations would not support a deposit being collected.<sup>158</sup>

OCA notes that it has also 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, CAUSE-PA, and TURN to discuss the Company’s efforts to ensure no such disproportionate impact occurs is a meaningful step in this direction.<sup>159</sup>

OCA avers that the Settlement provides that PECO will continue to engage with its Limited English Proficiency stakeholders to improve language access of PECO’s customer communications regarding taglines on residential customer bills and shutoff notices in English and Spanish.<sup>160</sup>

OCA notes that with PECO’s commitment to expand its point of determination for when a customer would qualify for rate RH brings the Company more in line with its obligation under the Public Utility Code to offer its customers the most advantageous rate to that customer.<sup>161</sup> This also addresses the concerns raised by a number of members of the public at the Public Input Hearings. By taking these steps

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<sup>158</sup> OCA Statement in Support at 22.

<sup>159</sup> OCA Statement in Support at 22-23.

<sup>160</sup> OCA Statement in Support at 23.

<sup>161</sup> 66 Pa.C.S. § 1303.

towards complying with the Public Utility Code, more customers are going to be able to benefit from the reduced volumetric rate during winter months available through rate RH.<sup>162</sup>

Lastly, OCA asserts that by rolling billing fees into base rates, PECO 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.<sup>163</sup>

TURN/CAUSE-PA agree with Paragraph 43 of the Settlement which requires PECO to review all accounts by April 1, 2025 where a security deposit was previously collected from a verified, by PECO, low-income customer less than or equal to 250% of the Federal Poverty Level ("FPL"). If PECO determines it is holding a security deposit for a confirmed low-income customer, PECO will refund the amount to the customer unless the customer has given explicit and informed consent for the deposit to be applied to the customer's account. Going forward, PECO will conduct this review on a quarterly basis. TURN and CAUSE-PA believe that paragraph 43 is important in bringing PECO security deposit practices in line with the Commission's regulations.<sup>164</sup>

TURN and CAUSE-PA aver that although the proposed Settlement does not reflect its full recommendations, TURN and CAUSE-PA support this term because it

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<sup>162</sup> OCA Statement in Support at 24.

<sup>163</sup> OCA Statement in Support at 25.

<sup>164</sup> TURN/CAUSE-PA Statement in Support at 16-17.

provides an opportunity for PECO to continue to work collaboratively with interested parties, including organizations who work directly with LEP communities, to improve its outreach and customer service to its LEP customers.<sup>165</sup>

TURN and CAUSE-PA agree with Paragraph 47 of the proposed Settlement which provides that when a customer opens a new account, PECO's Customer Service Representative will ask the customer questions to determine whether the customer uses electricity as their primary heating source. They will also provide the new customer with information about the availability of Rate RH, and what they would need to do to switch to Rate RH. This provision also requires that when performing a LIURP audit, PECO will identify customers who are potentially eligible for Rate RH, and will provide those customers with information about how to switch to Rate RH.<sup>166</sup>

Lastly, TURN and CAUSE-PA states that Paragraph 48 of the proposed Settlement requires PECO to convene a collaborative to discuss the availability of Rate RH to customers, including discussion of the tariff language that details what equipment specifications are required in order to be on Rate RH. Although the proposed Settlement does not reflect TURN and CAUSE-PA's full recommendations, TURN and CAUSE-PA support paragraphs 47 and 48 because they may increase the number of customers who are aware of Rate RH and able to switch onto the correct rate, and open a discussion about the availability of Rate RH and the Rate RH tariff language.<sup>167</sup>

The City and PEA find these enhanced language access provisions to be in the public interest as they increase PECO's service to customers of different language

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<sup>165</sup> TURN/CAUSE-PA Statement in Support at 18.

<sup>166</sup> TURN/CAUSE-PA Statement in Support at 18-19.

<sup>167</sup> TURN/CAUSE-PA Statement in Support at 19-20.

backgrounds which may also result in increased enrollment in customer assistance programs for non-English-speaking customers struggling with their electric bills.<sup>168</sup>

To address the concerns raised by their witness, Mr. McGraw, related to clean energy planning and billing issues, the City and PEA notes that PECO has committed, under the Settlement, to: (1) hold semi-annual meetings with key stakeholders at the City to review account management, billing, the City’s transportation electrification plan, and strategic initiatives which impact both the City and PECO; (2) create a shared document for real-time tracking of open customer service and billing issues reported by the City/PEA to PECO; and (3) create a “knowledge book” that will assist the City with understanding PECO’s internal processes and procedures.<sup>169</sup>

I&E, OSBA, PAIEUG, Electrify America, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

#### **I. Electric Vehicle Programs (Joint Petition, Paragraphs 53-55)**

PECO maintain that it has agreed to implement several EV-related measures to address the concerns of other parties, including: (1) extending the EV Charging Pilot and EV-FC Pilot Rider through May 31, 2029; (2) calculating the EV-FC Pilot Rider demand credit as 30%, rather than 20%, of the measured demand; and (3) working through PECO’s transportation electrification collaborative working group in 2027 to evaluate the modified EV-FC Pilot Rider, determine whether a successor DC-FC rate is warranted, and if warranted, design such a successor rate and propose it to be effective upon the expiration of the EV-FC Pilot Rider. PECO has also agreed to: (1)

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<sup>168</sup> City and PEA Statement in Support at 10.

<sup>169</sup> City and PEA Statement in Support at 11-12.

treat the City, the Philadelphia Department of Aviation, the Philadelphia School District, Philadelphia Gas Works, and Philadelphia Industrial Development Corporation as separate customers from each other for purposes of determining the incentive cap for the EV Charging Pilot; and (2) receive information from the City regarding multiple potential EV charger sites and identify the locations with a high potential for serving the proposed load without a line extension.<sup>170</sup>

In his review of PECO's programming, OCA witness Nelson did not oppose an extension of PECO's EV Pilots; however, he made multiple recommendations to improve them, make them more efficient, and improve PECO's accountability to ratepayers. Mr. Nelson recognized the stated goals for PECO's EV Programming, which were identified as follows: "[it would] help the Company understand the load profile and other implications of commercial and industrial L2 EV charging," and would use real world data to "inform future rate design and distribution system planning for the load impact of (transportation electrification)."<sup>171</sup> Mr. Nelson also designed his recommendations to be consistent with PECO's stated goals. OCA notes that the Settlement adopts several critical OCA recommendations, including strategically limiting the pilot extensions to end on May 31, 2029, addressing PECO's ratcheted demand charge, and providing for more comprehensive program evaluation to inform future pilot programming.<sup>172</sup>

The City and PEA note that PECO agreed to treat the City, the Philadelphia Department of Aviation, the Philadelphia School District, Philadelphia Gas Works, and Philadelphia Industrial Development Corporation as separate customers from each other

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<sup>170</sup> PECO Statement in Support at 35-37.

<sup>171</sup> OCA St. No. 6, citing PECO St. No. 9 at 8, Docket No. R-2021-3024601.

<sup>172</sup> OCA St. 6; OCA Statement in Support at 26.

for purposes of determining the incentive cap for the EV Charging Pilot moving forward. Additionally, to facilitate the City's planning for EV charger deployment, prior to Service and Meter Request submissions, PECO has agreed that the City may furnish PECO with spreadsheets containing the locations, account numbers, and proposed load in kilowatts for up to ten potential EV charger connections each year and, within 30 days of PECO receiving a spreadsheet providing such information, PECO will identify which of the proposed locations yield a high potential for serving the proposed load without a line extension. The City and PEA submit that these provisions are in the public interest because they provide for more efficient and equitable processes in the deployment of EV chargers across the city of Philadelphia. Such deployment is a vital step for the City and its citizens to decarbonize vehicular transportation, which is a large step in the City's efforts to combat the impending climate emergency.<sup>173</sup>

EVgo submits that the Company's proposed extension and modifications to the EV-FC Rider enumerated in the Joint Petition achieve EVgo's goals and are a reasonable compromise that ultimately provides the long-term certainty necessary to grow EV charging deployments, as PECO intends. Additionally, the extension and modifications of the rider is in the public interest as PECO will effectively support private investment in charging infrastructure across its service territory, which will facilitate widespread EV adoption, resulting in benefits for all ratepayers. This is consistent with the guidance in the Commission's Proposed Policy Statement for Electric Utility Rate Design for Electric Vehicle Charging.<sup>174</sup>

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<sup>173</sup> City and PEA Statement in Support at 12-13.

<sup>174</sup> Proposed Policy Statement Order (November 15, 2023) Docket No. M-2023-3040755 Electric Utility Rate Design for Electric Vehicle Charging, <https://www.puc.pa.gov/pcdocs/1805606.pdf>; EVGo Statement in Support at 7.

Electrify America’s specific concerns with PECO’s EV-FC Rider are addressed by the proposed modifications to PECO’s EV programs set forth in the Settlement, and while the proposed modifications do not entirely align with Electrify America’s initial litigation position in this proceeding, the Settlement does represent a reasonable compromise of the interests of Electrify America and the Settlement Parties on these issues.<sup>175</sup>

I&E, OSBA, PAIEUG, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

**J. Assistance with Clean Energy and Sustainability Programs (Joint Petition, Paragraphs 56-61)**

PECO indicates that it has agreed to hold annual meetings with PEA to assist with the development of PEA’s outreach plan for low and moderate-income customers who are eligible for PEA’s Solar for All program. Additionally, PECO will waive or refund the engineering study fee for Solar for All customers in certain instances. In relation to PEA’s Built to Last Program, PECO agreed to coordinate with PEA to resolve any identified misalignment with the program and will continue to take referrals from the Built to Last program for possible participation in PECO programs. And finally, PECO agreed to provide further documents to the City and PEA demonstrating Exelon Corporation’s and PECO’s planned and actionable progress towards reducing GHG emissions within the Company’s service territory.<sup>176</sup>

TURN/CAUSE-PA noted that its witness, Ms. Marx, discussed the importance of coordination between PECO’s LIURP and external weatherization or home

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<sup>175</sup> Electrify America Statement in Support at 6-7.

<sup>176</sup> PECO Statement in Support at 37-38.

repair programs, as this coordination would allow PECO to extend the reach and effectiveness of their LIURP.<sup>177</sup> Paragraphs 58, 59, and 60 of the Settlement require PECO to identify any barriers to coordinating program work with one of these external programs, PEA's Built to Last, continue to take referrals from Built to Last, and meet bi-annually with PEA and other interested program implementers to discuss opportunities for coordination with PECO's LIURP. TURN and CAUSE-PA support these provisions because they increase opportunities for coordination of LIURP with external programs and thereby may increase the effectiveness of LIURP.<sup>178</sup>

The City and PEA asserts that PECO has agreed to waive interconnection study fees for Solar for All customers in the following instances:

- The Fee will be waived in the event that no solutions are available to the customer after completion of the initial technical review, and an engineering study is required.
- The Fee will be refunded in the event that all work identified as a result of the study is determined to be PECO's responsibility.
- The Fee will be refunded in the event that some or all work identified as a result of the study is determined by PECO to be the customer's responsibility, and the customer subsequently chooses to withdraw their application.

The City and PEA believe that these modifications of PECO's policies are a substantial equitable improvement over current policies as low-income customers will not be charged when either (i) they do not benefit from the study by receiving a solar

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<sup>177</sup> TURN/CAUSE-PA St. 1 at 50.

<sup>178</sup> TURN/CAUSE-PA Statement in Support at 21.

installation, or (ii) the needed work identified in a study is determined to be PECO's responsibility.<sup>179</sup>

Further, the City and PEA note that in the settlement PECO agrees to several steps to ensure coordination between its energy efficiency programs and the Built to Last program. PEA welcomes this additional level of cooperation and believes it will be beneficial for both PECO customers and PEA program recipient.<sup>180</sup>

Lastly, the City and PEA state that PECO agreed to provide further documents to the City and PEA demonstrating Exelon Corporation's and PECO's planned and actionable progress towards reducing GHG emissions within the Company's service territory, by July 1, 2025. The City and PEA submit that this provision is in the public interest as it constitutes an actionable step towards customer transparency into PECO's clean energy transition plans.<sup>181</sup>

I&E, OCA, OSBA, PAIEUG, Electrify America, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

#### **K. Interconnection Costs (Paragraph 62)**

PECO notes that it agrees to initiate collaborative communications with the City, PEA, the OCA, the OSBA, PAIEUG, TURN, and CAUSE-PA, and others if mutually agreed upon, to assess approaches to achieving a more equitable distribution of utility construction costs incurred to enable interconnection of distributed energy resources. If PECO and those parties are successful in developing a consensus approach

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<sup>179</sup> City and PEA Statement in Support at 13-14.

<sup>180</sup> City and PEA Statement in Support at 14.

<sup>181</sup> City and PEA Statement in Support at 14-15.

by December 31, 2025, PECO agrees to propose that approach to the Commission by July 1, 2026.<sup>182</sup>

TURN/CAUSE-PA state that Paragraph 62 of the Settlement provides that PECO will initiate collaborative communications with the City, PEA, the OCA, the OSBA, PAIEUG, and TURN and CAUSE-PA to discuss equitable distribution of utility construction costs incurred to enable interconnection. As solar availability expands over the coming years, it will be critical for stakeholders to discuss how associated costs are covered. As such, TURN and CAUSE-PA support this settlement term.<sup>183</sup>

The City and PEA also find this provision to be in the public interest as it will initiate conversation between PECO and important stakeholders on developing the proper path for an equitable and cost-efficient clean energy transition of PECO's distribution system.<sup>184</sup>

I&E, OCA, OSBA, PAIEUG, Electrify America, EVGo, Walmart, SEPTA and Amtrak did not take any specific position on this portion of the Settlement.

#### **L. Tariffs (Paragraph 63)**

All parties to the Settlement agreed to the Tariff provisions that were attached as Appendix A to the Settlement.

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<sup>182</sup> PECO Statement in Support at 39.

<sup>183</sup> TURN/CAUSE-PA Statement in Support at 21-22.

<sup>184</sup> City and PEA Statement in Support at 16.

## VIII. DISCUSSION OF INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS' OPPOSITION TO THE JOINT PETITION FOR SETTLEMENT

### **A. IBEW's Position**

IBEW Local 614 supports PECO's requested overall electric rate increase of approximately \$464 million and believes that it is appropriate. PECO Energy Company is the largest combined electric and gas utility in Pennsylvania, servicing more than 1.5 million residential and commercial customers, and maintaining approximately 9,700 miles of underground distribution cable, 13,000 miles of aerial distribution lines, and 1,090 miles of higher voltage transmission lines. Additionally, PECO operates and maintains 440 power substations. These operations require extensive maintenance and construction, much of which is completed by members of IBEW Local 614.<sup>185</sup>

In addition to its electric infrastructure, PECO must also maintain a highly skilled workforce to continue providing its customers with safe and reliable service. This skilled labor comes at an attendant cost. PECO is competing for a talented workforce in all of its classifications. IBEW argues that without a comprehensive and smart approach to workforce development, PECO will be unable to meet the ongoing and incoming energy demands of our growing community. After all, it is these workers who will provide the operations and maintenance activities necessary to provide PECO's customers with safe and reliable service.<sup>186</sup>

Ensuring that PECO has this workforce is not an inexpensive endeavor, argues IBEW. This is a labor market where demand far outstrips supply. In fact, PECO acknowledges this in its rate application, noting that staffing shortages have caused

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<sup>185</sup> IBEW Main Brief at 4.

<sup>186</sup> IBEW Main Brief at 5.

delays in completing projects, and contributed to increased projects costs. Additionally, PECO will need to maintain and expand its pipeline of skilled electrical workers to meet its goals of improving its system reliability and modernizing its grid.<sup>187</sup>

IBEW posits that, during a time of historic inflation and interest rates, which has already demonstrably impacted PECO's high labor and contracting expenses, it is to be expected that the same squeeze will be felt within PECO's internal workforce. If PECO is insufficiently funded to provide a competitive employment package, PECO will begin to face a reduction in its highly skilled workforce, all who work on critically important electric distribution systems. Thus, IBEW submits that it is in the best interest of utility customers to pay more than rock-bottom prices for electric services.<sup>188</sup>

IBEW alleges that multiple issues have been identified by customer service representatives which have directly affected ratepayers during recent months. IBEW Local 614 submits that these issues can be largely addressed through training and in lieu of punitive and excessive oversight by PECO. IBEW Local 614 is requesting that PECO be required to provide additional and uniform training to both customer service representatives ("CSRs") and CSR supervisors on CCMV<sup>189</sup> and credit collection such that these issues will be minimized.<sup>190</sup> IBEW Local also requests there be a provision of training to CSR supervisors regarding the CSRs' role, the programs they use, and

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<sup>187</sup> IBEW Main Brief at 5.

<sup>188</sup> IBEW Main Brief at 5.

<sup>189</sup> CCMV is the new software system that PECO implemented for customer service. *See* Exh. IBEW-8 at 13.

<sup>190</sup> IBEW Main Brief at 6.

navigating PECO's billing system. This will not only support CSRs, but it will also support customers.<sup>191</sup>

Further, IBEW asserts that PECO needs to proactively address staffing shortages to ensure a pool of highly skilled workers is available to perform work on its electric systems. A deficit of highly skilled workers may cause safety issues due to employees working longer hours and having fewer members dispatched to projects. Employee shortages also interfere with ongoing training efforts because employees cannot be spared to attend the training. These factors could lead to an increase in worker injuries and disruptions in the energy grid due to its workers being overworked and undertrained.<sup>192</sup>

IBEW asserts that the wage increases associated with bargaining unit employees are known and measurable. Additionally, allowing the recovery of this cost now will reduce rate shock and the need for rate increase filings. PECO will not be motivated by this cost to return sooner than later for a rate increase and this cost, paid now, will be one less expense that ratepayers will be required to grapple with in 2026.<sup>193</sup>

IBEW notes that it supports PECO's recovery of the one-time union contract ratification payment. The purpose of the payment was to ratify a contract which has extended and governed the working conditions of PECO's bargaining unit employees. Ratepayers continue to benefit today by the stability of PECO and IBEW's contractual

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<sup>191</sup> IBEW Main Brief at 7.

<sup>192</sup> IBEW Main Brief at 10.

<sup>193</sup> IBEW Main Brief at 13.

relationship insofar as any conflict by the two are mediated through neutral arbitrators as opposed to work stoppages.<sup>194</sup>

Further, IBEW supports recovery of the costs associated with the employee benefits expense and payroll taxes so long as it reflects the 4.4% vacancy rate proposed herein. This results in a reduction of \$967,000 for payroll taxes and \$1.988 million for benefits.<sup>195</sup>

IBEW notes that the Commission has the authority to require a public utility “to file periodical reports, at such times, and in such form, and of such content, as the commission may prescribe and special reports concerning any matter whatsoever which the commission is authorized to inquire or to keep itself informed, or which it is required to enforce.”<sup>196</sup> IBEW requests that PECO be required to submit the four periodic reports:

- Annual Workforce Planning Report
- Annual Capital and O&M Project Lists
- Annual Reconciliation of Rate Base and Operating Income
- Schedule of Affiliate Transactions<sup>197</sup>

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<sup>194</sup> IBEW Main Brief at 13-14.

<sup>195</sup> OCA St. 1, Exh. JD-E-1, Schedules C-18 and C-19; IBEW Main Brief at 14.

<sup>196</sup> 66 Pa.C.S. § 504.

<sup>197</sup> IBEW Main Brief at 15-20.

Lastly, IBEW proposes the following qualifications be imposed on any labor contracted by PECO, including employees, contractors, and subcontractors, when developing and working on the EV infrastructure.<sup>198</sup>

In order to be a qualified contractor or subcontractor who works on the EV Infrastructure, the qualified contractor or subcontractor must: (1) have a valid certificate of insurance showing the following coverages: general liability, professional liability, product liability, worker's compensation, completed operations, hazardous occupation, and automobile; (2) assure that all its employee safety training is completed in compliance with public service corporation guidelines, policies and 29 C.F.R. 1926; (3) provide evidence of participation in apprenticeship and training programs, applicable to the work to be performed on the project, which are approved by and registered with the United States Department of Labor's Office of Apprenticeship, or its successor organization; and (4) comply with the prevailing wage requirements according to the type of work and location of the project. EV infrastructure equipment, software and services may be procured directly and in bulk through a fair and open Request for Proposal process to maximize cost effectiveness, ensure a competitive market, preserve the health of the workers and patrons interfacing with the EV infrastructure equipment, and consider, on a qualitative basis, factors that affect employment and the long-term economic viability of Pennsylvanian communities. To this end, PECO shall request the following information regarding "best value" employment metrics: employment of Pennsylvania workers as compared to importation of out-of-state workers, long-term career opportunities, and industry-standard wages, healthcare and pension benefits. When PECO proposes to construct EV

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<sup>198</sup> IBEW Main Brief at 20, 21.

infrastructure equipment of its own, PECO shall supply similar information to the Commission.<sup>199</sup>

## **B. PECO's Position**

In its initial filing, PECO proposed an electric base rate increase of \$464 million. Under the terms of the Settlement, if approved, PECO would: (1) increase its base rates by approximately \$354 million and (2) agree to a base rate stay-out that will provide customers base rate stability for a period of at least two years. The record evidence supports the increase provided in the Settlement that is about \$100 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.<sup>200</sup>

PECO also notes that IBEW is the only party that opposes the Settlement. PECO addresses IBEW's various proposals relating to PECO's CSRs, allegations regarding PECO's vacancy rate and proposed changes to PECO's workforce planning, and requests that PECO provide a variety of additional reports for IBEW and others. PECO's witnesses discussed each of IBEW's requests in detail in their testimony and at hearings, and none of IBEW's proposals have merit. For example, the Company already provides extensive training to its CSRs (and their supervisors), and feedback from the CSRs themselves regarding this training has been quite positive. Similarly, IBEW's argument that PECO should provide reports similar to its affiliate, Baltimore Gas and Electric ("BGE"), regarding annual capital and operations and maintenance ("O&M") project lists along with reconciliations of rate base and operating income ignores the fact that those reports were required as part of the Maryland Public Service Commission's

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<sup>199</sup> Exh. IBEW-7 at 14–15.

<sup>200</sup> PECO Main Brief at 5.

approval of a multi-year rate plan for BGE – an alternative ratemaking structure that PECO has not proposed. The Commission should therefore reject each of IBEW’s proposals and approve the Settlement supported by the Joint Petitioners.<sup>201</sup>

### **C. I&E’s Position**

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. 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, 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.<sup>202</sup>

While I&E is not addressing each individual issue raised by IBEW, I&E does address IBEW’s contention that granting PECO’s full requested rate increase is appropriate. I&E contends that 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 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

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<sup>201</sup> PECO Main Brief at 5.

<sup>202</sup> I&E Reply Brief at 4.

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 party's analysis, upon which to base this recommendation.<sup>203</sup>

I&E also maintains that, 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.<sup>204</sup>

I&E indicates that 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>205</sup> on revenue requirement demonstrating the reasonableness of the settlement.<sup>206</sup>

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<sup>203</sup> I&E Reply Brief at 5.

<sup>204</sup> I&E Reply Brief at 6.

<sup>205</sup> I&E St. No. 1-SR, p. 4.

<sup>206</sup> I&E Reply Brief at 6-7.

## IX. RECOMMENDATION

Any increase in utility rates is difficult for the utility's customers. After hearing the testimony of customers, we are aware of the gravity of the decision we make here in recommending that the Commission approve the rate increase authorized by the Joint Petition. However, it is our role as Administrative Law Judges to apply the law pursuant to the Public Utility Code and the Commission's regulations and policies. Within the framework provided by that authority we find the Joint Petition to be a reasonable balance of the competing needs of the stakeholders subject to the ratemaking process: residential consumers – both those who struggle to pay their bills and those who struggle less – and small businesses, large industrial customers, energy suppliers and the utility investors.

We agree that the fact that parties have reached a Settlement which would usually avoid litigation costs, by itself, is not a sufficient basis to support a conclusion that an agreement is in the public interest. In its opposition to the Joint Petition, IBEW gives voice to many of the competing policies and social realities that legislators and regulators should consider in making law and policy regarding utility rates. These issues are important but are better grappled with in the legislative and policy arena. IBEW is requesting that the Commission direct PECO to file a number of additional reports regarding a number of issues. However, there is nothing in the Public Utility Code or the Commission's regulations that require such reports. While the reports may have some useful information, it would be better addressed by the General Assembly in legislation to contemplate additional reporting requirements.

IBEW is requesting a number of changes to the Settlement including that PECO receive the full amount of its proposed rate increase. However, as PECO and I&E

note, the Settlement is a reasonable position that the parties have reached through compromise. Further, PECO has agreed to the reduced revenue requirement which demonstrates that it will be able to provide safe and reliable service at the reduced rates.

Further, we agree with the Joint Petitioners that Joint Petition exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Non-Unanimous Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary. The Joint Petition maintains the proper balance of the interests of all the diverse stakeholders in the ratemaking process. The compromise by the Joint Petitioners, who represented a diversity of views and positions, is reasonable. It appears that most parties are satisfied by the outcome of the Settlement, including the I&E and the Statutory Parties, OCA and OSBA. Therefore, we recommend that the Commission approve the Joint Petition for Non-Unanimous Settlement without modification.

## X. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).

2. A public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.

3. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a

utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996)); *see also*, *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

4. The application of science and policy to the allocation of a revenue increase is within the Commission's discretion: There is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide. *Pa. Pub. Util. Comm'n v. Cmty. Utils. Inc.*, Docket R-2021-3025206 (Opinion and Order entered Jan. 13, 2022) (citations omitted).

5. Commission policy promotes settlements. 52 Pa. Code § 5.231.

6. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

7. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

8. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

9. The Joint Petition for Non-Unanimous Settlement is in the public interest. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

## XI. ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Non-Unanimous Settlement filed on August 30, 2024 by PECO Energy Company-Electric Division, the Bureau of Investigation and Enforcement, the Office of Small Business Advocate, the Office of Consumer Advocate, Amtrak, Electrify America, EVgo, Philadelphia Area Industrial Energy Users Group, SEPTA, Tenant Union Representative Network/Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania, the City of Philadelphia, Philadelphia Energy Advisors, and Walmart be granted, and the Settlement be adopted, in full, without modification or correction.

2. That PECO Energy Company – Electric Division shall not place into effect the rates, rules, and regulations contained in Tariff Electric – Pa. P.U.C. No. 8 regarding its cost recovery base rates for electric service revenues within its service territory.

3. That PECO Energy Company-Electric Division shall be permitted to file tariffs in the form set forth in Appendix A to the Joint Petition for Non-Unanimous Settlement, to become effective upon at least one day's notice, for service rendered on and after January 1, 2025, so as to produce an annual increase in revenues consistent with this Order.

4. That the Formal Complaint of Alan McCarthy at Docket No. C-2024-3048475, in this proceeding be dismissed and marked as closed.

5. That the Formal Complaint of Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc., at Docket C-2024-3049289, in this proceeding be dismissed and marked as closed.

6. That the Formal Complaints of the Office of Small Business Advocate at Docket No. C-2024-3048467, Philadelphia Area Industrial Energy Users Group at Docket No. C-2024-3048671, and the Office of Consumer Advocate at Docket No. C-2024-3048362 be deemed satisfied and marked closed.

7. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by PECO Energy Company-Electric Division at Docket No. R-2024-3046931, this proceeding shall be terminated and marked closed.

Date: October 15, 2024

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/s/  
Marta Guhl  
Administrative Law Judge

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/s/  
Darlene Davis Heep  
Administrative Law Judge