

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

Pa. Public Utility Commission, *et al.*

v.

PECO Energy Company – Electric

**Public Meeting of December 12, 2024
3046931-OSA and 3046932-OSA
Docket Nos. R-2024-3046931, *et al.* and
R-2024-3046932, *et al.***

Pa. Public Utility Commission, *et al.*

v.

PECO Energy Company – Gas

STATEMENT OF CHAIRMAN STEPHEN M. DeFRANK

Before the Commission are the proposals of the PECO Energy Company (PECO) to increase the base rates related to its electric and gas divisions, and the non-unanimous settlement petitions intended to resolve the respective requested rate increases.¹ Also before the Commission are the Exceptions filed to the Recommended Decisions of Administrative Law Judges Darlene Heep and Marta Guhl in each matter.

For the electric division, the proposed settlement provides for rates designed to produce a net annual revenue increase of \$290 million, compared with PECO's original request for rates that would produce a net annual revenue increase of \$399 million.² For the gas division, the proposed settlement provides for rates designed to produce an increase of \$78 million in annual natural gas operating revenues, compared to PECO's original request for rates that would produce an annual revenue increase of \$111 million.

In addition to the lower agreed-upon rate increases, the settlement petitions contain a number of other provisions that, in my view, are reasonable and in the public interest. These include reporting requirements documenting actual expenses and rate base additions, which would allow more accurate gauging of PECO's fully projected future test year estimates, additional protections and support benefitting low-income customers, and the extension of and

¹ The settlement petition related to the proposed base rate change for PECO's gas division partially resolved the issues. PECO's request to implement a weather normalization adjustment (WNA), a rate mechanism that would adjust a customer's bill due to variations from normal weather temperature, was fully litigated by the parties.

² The respective net annual operating revenue increases take into account a one-time surcharge credit of approximately \$64 million.

enhancements to PECO's electric vehicle (EV) charging pilot and EV-fast charging pilot rider. Such provisions may not have been attained if the matters were fully litigated.

Among the universal service program commitments that PECO made in the settlements is an agreement to convene a stakeholder collaborative to discuss how PECO could implement automatic enrollment of customers who receive Low-Income Home Energy Assistance Program (LIHEAP) grants into PECO's customer assistance programs (CAP). Identifying and providing universal service benefits to all eligible customers is a worthy endeavor. However, I wish to emphasize certain issues that I believe the parties should consider in the collaborative.

Participation in CAP comes with benefits as well as certain forfeitures. For example, participating in a CAP can prohibit a utility customer from being awarded a Commission-approved payment arrangement,³ and may require an electric customer to terminate service received from an electric generation supplier and return to default service.⁴ At a minimum, non-CAP LIHEAP customers should be provided with all relevant information before any transfer to CAP occurs. I encourage the stakeholders to discuss whether CAP enrollment in this situation should be automatic, should be automatic with a provision for the customer to opt-out during a certain period of time, or whether consent is necessary to opt-in to CAP. While I understand that CAP offers favorable payment terms and addresses arrears, customers should be informed about any potentially adverse impacts associated with participating in CAP.

I also wish to address the issue that was fully litigated in PECO's requested rate increase for its gas division – the proposal to implement a WNA. Properly designed WNAs can insulate customers from high bills during extremely cold months while allowing a gas utility to support its fixed costs during unseasonably warm heating months. In fact, the Commission has approved WNAs in other instances.⁵

In this case, however, I would have preferred a WNA proposal containing a 3% deadband instead of a 1% deadband.⁶ A 3% deadband would allow for a greater range of what is considered “normal” weather and would be consistent with existing WNAs approved by the Commission.⁷ Had PECO's proposal contained more common elements such as those present in other gas utility WNAs, I would have been inclined to view PECO's WNA favorably.

³ 66 Pa.C.S. § 1405(c).

⁴ *Petition of PECO Energy Company for Approval of Its Default Service Program for the Period From June 1, 2025, Through May 31, 2029*, Docket No. P-2024-3046008 (November 7, 2024); *Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping*, Docket No. M-2018-3006578 (Order entered April 20, 2023); and *Petition of PECO Energy Company to Defer Implementation of Customer Assistance Program Participant Shopping in Its Service Area*, Docket No. P-2022-3035092 (Order entered December 8, 2022).

⁵ *See, Pa. PUC v. Nat'l Fuel Gas Distrib. Corp.*, Docket No. R-2022-3035730 (Order entered June 15, 2023); *Pa. PUC v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2021-3030218 (Order entered September 15, 2022); *Pa. PUC v. Columbia Gas of Pa., Inc.*, Docket No. R-2018-2647577 (Opinion and Order entered December 6, 2018); *Pa. PUC v. Phila. Gas Works*, Docket No. R-00017034 (Order entered August 8, 2002), *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2023-3044549, (Opinion and Order entered September 12, 2024).

⁶ A deadband is a certain threshold in which the adjustment is not triggered if actual heating degree days (HDD) are within normal HDDs.

⁷ A 3% deadband is in place for Columbia Gas of Pennsylvania, Inc., National Fuel Gas Distribution Corporation, and UGI Utilities, Inc. – Gas Division.

Finally, I would like to commend all active parties in both proceedings and Commission staff who worked on these matters. Your input has resulted in what I believe to be a reasonable resolution to the issues raised.

December 12, 2024
Date

A handwritten signature in blue ink that reads "Stephen M DeFrank". The signature is written in a cursive style with a large initial 'S' and 'D'.

Stephen M. DeFrank
Chairman