



**To: Pennsylvania Public Utility Commission
Attention: Matthew Homsher, Secretary
Commonwealth Keystone Building 400 North Street, 2nd Floor North
P.O. Box 3265 Harrisburg, PA 17120-3265
Subject: Requested Comments Regarding En Banc Hearing - Interconnection and Tariffs for
Large Load Customers
Docket No. M-2025-3054271**

**From: Asset Leadership Network (ALN), a non-profit that advocates for proper asset management governance, and Richard C. Culbertson, ALN Board Member and ALN Senior Fellow. Richard C. Culbertson is a customer of Duquesne Light Company and West Penn Power. Submitted by Richard C. Culbertson on behalf of ALN and himself.
Richard.c.culbertson@gmail.com (609-410-0108),**

Date: May 13, 2025

In Response to the Pennsylvania Public Utility Commission's (PUC) invitation to the public to provide comments on "*Grid Impacts of High-Demand Energy Growth*" of April 25, 2025. <https://www.puc.pa.gov/press-release/2025/puc-invites-public-comments-following-hearing-on-grid-impacts-of-high-demand-energy-growth-04-25-25> we submit the following.

Serious and impactful questions require serious and impactful answers for the public interest. We believe our questions and comments will provide value to the decision-making process of the PUC, as they are consistent with existing laws, regulations, standards, Executive Orders, and good practice.

The public should first ask, and the Pennsylvania Public Utility Commission should ask themselves if they have acted responsibly and can their actions prudently address the risks and rewards regarding AI, cloud computing, and other evolving technologies for the public interest.

The public and the PUC should consider whether it is "responsible" based on past performance, as required in public contracting (Federal Acquisition Regulations Part 9). Federal and state dollars require prudent decision making by the PUC. In Government contracting, only

“responsible” contractors receive contracts. It is not in the public interest that the PUC or those with whom the PUC deals be considered “not responsible.”

Past performance is a determiner and must be considered with three simple yes/no questions:

1. Has the PUC complied with the Pennsylvania Constitution, ARTICLE VIII, TAXATION AND FINANCE § 10 Audit? ... “[A]ll departments, boards, **commissions**, agencies, instrumentalities, authorities and institutions of the Commonwealth, **shall be subject to audits made in accordance with generally accepted auditing standards.**” (1968)
2. Has the PUC complied with the Pennsylvania Public Utility Code? 66 Pa.C.S. § 1319 (1967). “[T]he commission **shall allow the public utility to recover all prudent and reasonable costs** [not any imprudent or unreasonable cost] ... **only in accordance with appropriate accounting principles.**”
3. Has the PUC and Pennsylvania recognized, as a recipient of substantial Federal grants, the applicability of Federal regulation 2 CFR PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS?

Based on our observations and experience, we believe the answer to each question is “No”. If the PUC’s answer to any of these questions is “No”, the PUC is not a “responsible” organization. The PUC must **STOP, stand down, have third-party audits and investigations** address these systemic material weaknesses and significant deficiencies and actually get right with the public ... all in the public interest.

The condition of the PUC and the harm to the public in their omissions and actions are alarming, but that is where we are.

The decision-making process of the PUC in this matter should be transparent and consistent with established and required organizational internal controls. The decision-making process in this matter requires good faith, planning, knowledge, capabilities, skillsets, and discipline that it may not have.

The applicable internal controls framework at the top level includes requirements of effective and efficient operations (including the protections or safeguarding of assets), reliable financial and non-financial reporting and compliance with applicable laws, regulations, standards, internal policy... it also includes monitoring or auditing of these elements.

First of all, the PUC should not treat this matter as business as usual and stick to its published Mission Statement – *“to balance the needs of consumers and utilities; ensure safe and reliable utility service at reasonable rates; protect the public interest; educate consumers to make independent and informed utility choices; further economic development; and foster new technologies and competitive markets in an environmentally sound manner.”*

With Pennsylvania ratepayers facing some of the highest utility rates in the country, it seems the PUC has prioritized public utilities over consumers. A better mission statement would include the following sentence: *“Have effective internal controls and risk management to meet its legal and performance objectives.”* The needs and objectives of a public utility may not be in alignment with its customers.

The PUC must have good organizational resilience. Organizational resilience will lead to good sustainable outcomes. According to a Harvard Business Review there are five traits of good decision making and organizational resilience. *“Those five traits are: Prepared, adaptable, collaborative, trustworthy, responsible: all five traits can enable your organization to be more resilient.”*¹

From their words and actions in this matter, we believe that the PUC wants to be a more resilient organization. Our purpose in this comment document is to aid that end.

Public utility management is all about asset management.

About Asset Leadership Network: <https://assetleadership.net/> ALN is came from a group of asset management experts that was involved in the writing, vetting, and promulgating of ASTM Asset Management and ISO 55000 Asset Management consensus standards. ISO 55000 is referenced in API 1173 Pipeline Safety Management Systems. Our website provides information about our activities. Collectively, our members have vast knowledge and experience in various forms and aspects of asset management, operations, consulting, systems, compliance, governance, and accounting. Our organization is highly influential in asset management. The United Nations has recently launched an Infrastructure Asset Management Reference Group and has invited the Asset Leadership Network to participate in a "Braintrust" and requested our formal acceptance of participation.

¹ 5 Traits of Resilient Organizations, FROM DELOITTE SPONSOR CONTENT Harvard Business Review, March 12, 2021.

About Richard C. Culbertson, Asset Management Expert: As identified in the GAO Report, Federal Real Property Asset Management <https://www.gao.gov/products/gao-19-57> (Page 49.) For many years, he was Lockheed Martin’s and probably the defense industry’s leading subject matter expert in asset management. (Lockheed Martin is the world’s largest government contractor.) He was Lockheed’s representative to the Aerospace Industries Association’s Property Management Committee, addressing Federal regulations and other matters for many years, and was a former chair of the committee.) He currently chairs the ASTM E53 Asset Management Committee and represents ANSI/ASTM as part of the U.S. delegation at international gatherings for standard ISO 55000 Asset Management - meeting now in OSLO, Norway, May 2025.

He has participated in numerous PUC rate cases and other issues since 2017 as a customer of some Pennsylvania public utilities. He has a small business in residential real estate in Pennsylvania, California, and West Virginia. He is a U.S. Army veteran, 1969-1972. He has an MBA from Pepperdine and graduated from GE’s Financial Management Program. He has been a leader of the National Property Management Association for over 35 years and is currently the Three Rivers chapter vice president.

We applaud the PUC for opening this matter to public comments. The PUC’s approach to this matter is encouraging.

“This issue represents both a challenge and an opportunity for our state,” said PUC Chairman Stephen M. DeFrank. “We are entering a time of extraordinary electricity demand growth, driven by AI, cloud computing, and other evolving technologies. As we move forward, the Commission is committed to thoughtful, transparent policymaking — and we look forward to reviewing the post-hearing comments and input from the public as we continue this important process.”

From the Pittsburgh Post-Gazette: “The arrival of a group of new, massive energy users ***“is something we have not seen in our lifetime,”*** said PUC Vice chairperson Kimberly Barrow. She noted that a ***“hyperscaler”*** data center can drain as much energy as a mid-sized city, and cities have taken decades if not centuries to reach their current size.

Ms. Barrow asked that a recent report issued by a Harvard Law School program — titled ***“Extracting Profits from the Public: How Utility Ratepayers are Paying for Big Tech’s Power”*** — **be put into the hearing record.”** ²

² <https://eelp.law.harvard.edu/wp-content/uploads/2025/03/Harvard-ELI-Extracting-Profits-from-the-Public.pdf>

After extensive research, the Harvard Law School document exposes public utilities' weaknesses, processes, and practices that increase profits at customers' unreasonable expense. With greater energy demand, generally, the public utility commissions' current ratemaking and oversight process is not trustworthy to provide customers with just and reasonable utility rates.

Our observations and conclusions are generally consistent with the Harvard report. If we had participated in the Harvard report, we would have expanded on governance -- internal controls, risk management, accounting, audits, and enforcement.

Word searches on the terms “profit” and “audit” are revealing. The PUC should validate the Harvard findings with public utility operations in Pennsylvania. It is of public record on one:

NiSource, the parent of Columbia Gas of Pennsylvania, 2024 Proxy Statement, Page 46, 75% of incentive compensation for top management is based on Net Operating Earnings Per Share (self-service over public service).

https://s1.q4cdn.com/829981032/files/doc_financials/2023/ar/nisource-2024-proxy-website-version-final.pdf

Large rate bases yield large profits, while small rate bases yield small profits. New assets in service generate large profits – fully depreciated assets, on the other hand, produce no profits. The path to profits is from spending. Close to annually, the PUC has approved large, accelerated spending for Columbia Gas in the absence of financial and performance audits to the proper standards. The PUC's Annual Rate Comparison Report of April 15, 2025 shows the extent that Columbia has been able increase its rates compared to other gas utilities. This report is available with a simple internet search

We recognize the PUC is trying to address and correct prior audit omissions and audit material weaknesses and significant deficiencies with the appointment of Chris Yother, as the Director of the Bureau of Audits. The scope of his work must include internal audit and external financial audits. He must have the independence to identify the PUC's internal material weaknesses and significant deficiencies.

Suggested Future State and Actions of the PUC

Get right with the current Federal and Pennsylvania risk management and internal control requirements.

1. Management Directive 325.03 Amended – c. Performance of Audit Responsibilities Audit. https://www.pa.gov/content/dam/copapwp-pagov/en/oa/documents/policies/md/300/325_3.pdf

Financial or Performance Audits are conducted in accordance with Government Auditing Standards. Government Auditing Standards. <https://www.gao.gov/yellowbook>. The audit standards to be used are those of the GAO Yellow Book.

2. Recognize that the past audits, both internally and of public utilities, have not been up to this standard. Past financial audits are either non-existent or unreliable. 2 CFR 200 requires annual audits. Serious audit oversight once every eight years is not serious! Engage external auditors to conduct performance and financial audits per the GAO Yellow Book. A performance baseline must be established. No public utility should be exempt of audit oversight and accountable for their performance.

The future state cannot be reliably established without acknowledging the weaknesses and deficiencies of the current state.

Actions must be taken to ensure that wrongful approaches of the past are not continued. This would include rate case **black box settlements**. Pennsylvania Public Utility law: “[T]he commission shall allow the public utility to recover all prudent and reasonable costs [not any imprudent or unreasonable cost] ... **only in accordance with appropriate accounting principles.**” “66 Pa.C.S. § 1319 (1967)

3. The PUC and public utilities must be aware, comply and enforce the U.S. Sentencing Commission’s CHAPTER EIGHT - SENTENCING OF ORGANIZATIONS.³ *“This chapter is designed so that the sanctions imposed upon organizations and their agents, taken together, will provide just punishment, adequate deterrence, and incentives for organizations to maintain internal mechanisms for **preventing, detecting, and reporting criminal conduct.**”* **Law breaking under the authority and responsibility of the PUC must be enforced by the PUC and law enforcement and not by formal complaints from customers.**

This document was published per the Sarbanes Oxley Law of 2002 and applies to states.

4. The integrated internal control framework initially requires organizations to establish objectives. Then, establish controls to meet those objectives. The process works. Adopting the asset management standards requires an asset management plan or a strategic asset management plan. These plans should outline how to deal with new opportunities and associated risks. Knowing and using the applicable accounting requirements will help protect consumers. The allocation of cost must be on a causal/beneficial relationship. See, for example, the article DC Circuit Upholds Cost-Causation Principle, January 08, 2024 <https://www.morganlewis.com/blogs/powerandpipes/2024/01/dc-circuit-upholds-cost-causation-principle>. Also see for guidance Cost Accounting Standard (CAS) 418 Allocation of Direct and Indirect costs, and FERC guidance. Proper allocation of cost protects customers.

³ <https://www.uscourts.gov/guidelines/2018-guidelines-manual/2018-chapter-8>

Time is of the essence! The task of getting the past right and the future approach to decision-making regarding AI, cloud computing, and other evolving technologies, simultaneously, in an accelerated manner, will be difficult. It can be done if the right team of experts is established, empowered and protected.

Bringing worthwhile AI, cloud computing, and other evolving technologies in to Pennsylvania is not a passive exercise... it must be pursued, well planned, processes established, implemented and the process improved.

We recognize the current PUC did not cause the current approach to rate making and decision making. The current approach was established decades ago.

Future decision making must be fact based – not on compromises of interested parties. Not all investments in infrastructure are successful. Future investments in these technologies will be successful if the right incentives and internal controls are in place.

Other wise – good luck with the spending of other people’s money.

The ALN could be a good source to identify individuals on an expert team to assist in creating the future of the PUC.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Richard C. Culbertson', with a stylized flourish at the end.

Richard C. Culbertson and on behalf of Asset Leadership Network

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