



## Asset Leadership Network

**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](mailto:Richard.c.culbertson@gmail.com) (609-410-0108),**

**Date: June 23, 2025**

In Response to the Pennsylvania Public Utility Commission's (PUC) invitation to provide a public comment reply 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:

The Pennsylvania Public Utility Commission (PUC) impacts the lives of most Pennsylvanians probably more than any other government institution, whether now or in the future.

The PUC's prior decisions should have been, and future decisions must be made with utmost care.

As in life, business, and governance, good outcomes are not random but are achieved through a planned, disciplined, energetic, and methodical approach, utilizing recognized risk management and internal control approaches.

Recently, an external audit report was issued by the audit firm Weaver and Tidwell for the City of El Paso, Texas, titled "**City of El Paso - Internal Audit: Current State, Maturity, and Needs**

**Assessment – Preliminary Results, June 2025." <https://kfoxtv.com/news/local/city-of-el-paso-audit-office-under-scrutiny-as-external-review-raises-concerns-edmundo-calderon-internal-city-manager-city-attorney-city-council-josh-acevedo-review-assessment> The implied importance of this audit was to assess the reliability and the quality of audits coming from the city's Internal Audit Department.**

The tools used to perform the assessment included a form of the Capability Maturity Model Integration (CMMI) developed by the CMMI Institute at Carnegie Mellon University (CMU), Pittsburgh, PA. I am familiar with this and other maturity models; most use the same pattern using various levels of maturity, which provides an indicator of the reliability of work products and the competence of the organization. Another tool used in the project was the GAO Yellow Book – GAGAS - Generally Accepted Government Auditing Standards, which the Federal Government, as part of receiving Federal Grants, per 2 CFR 200 UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS.

They received a maturity rating of Level 3 of 5. Highly trusted organizations do not want to be at Level 3. The good news – they will get better because of this evaluation. When organizations adopt and conform to consensus standards, they get better. The U.S. DoD requires its contractors to adopt this standard as well as various consensus standards, e.g., ISO 9001 or AS 9100 Quality Management, and ASTM E 2279 – Guiding Principles of Property Asset Management.

If this audit firm used the same approach for the evaluation of Pennsylvania Public Utility Commission, it would most likely be assessed at Level 0 or Level 1. Level 1 is generally defined as Initial (chaotic, ad hoc, individual heroics) - the starting point for the use of a new or undocumented repeat process.

The decision-making process of the PUC, I believe, is at Level 1 or less. The PUC requires a significantly improved decision-making process. The current process is unreliable in making informed decisions regarding the future, including AI, data centers, and expanded energy sources.

Federal and Pennsylvania laws and regulations provide the governance requirements of the PUC.

PA Constitution ARTICLE VIII. § 10. Audit. **(1968)**;  
*“The financial affairs [duties] of ... commissions ... shall be subject to audits made in accordance with generally accepted auditing standards.”*

*Any Commonwealth officer **whose approval is necessary for any transaction relative to the financial affairs of the Commonwealth shall not be charged with the function of auditing that transaction after its occurrence.***

The second portion of the constitutional requirement means the auditor or officials cannot audit or judge their prior work. In auditing, this is referred to as a "self-review threat," which raises concerns about independence and objectivity. Self-review threats can erode public trust in the fairness and impartiality of administrative law judges and the PUC.

It appears the PUC has never recognized or complied with Article VIII § 10 of the Pennsylvania Constitution. Nor has a PUC completed a financial audit of a public utility in accordance with Pennsylvania law or the required audit standards – the GAO’s Government Auditing Standards (GAO Yellow Book or GAGAS) or public accounting standards.

The PUC has not followed the required process in the decision-making of just and reasonable public utility rates. Pennsylvania law “66 Pa.C.S. § 1319 (1967) “[T]he commission shall allow the public utility to recover all prudent and reasonable costs ... only in accordance with appropriate accounting principles.”

Instead of following the due process of law, the PUC agrees to “black box settlements,” that was agreed to by a de facto committee of interested attorneys that agreed to violating the PUC’s Order and ignoring the appropriate accounting standards. Twice, as a participant in two Columbia Gas rate cases, I was excluded from this de facto committee. Utility costs have not been audited *in accordance with the appropriate accounting principles*. The PUC is responsible for the quality and reliability of its internal control processes and work product.

To make good decisions, decision-makers must be knowledgeable and reliable experts in the requirements of law and the appropriate accounting principles. Included in the toolbox for attorneys is the process of seeking a settlement. The toolbox for accountants is knowledge of the appropriate accounting principles.

So, what are the appropriate accounting principles relating to public utility rates?

- For electricity, the Federal Energy Regulatory Commission – Regulation *18 CFR Part 101 - UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSEES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT (1960)*  
<https://www.law.cornell.edu/cfr/text/18/part-101>
  - o *E. All amounts included in the accounts prescribed herein for **electric plant and operating expenses shall be just and reasonable** and any payments or accruals*

*by the utility in excess of just and reasonable charges shall be included in account 426.5, Other Deductions. (unallowable period cost – debit to sales)*

- For gas, PART 201—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR NATURAL GAS COMPANIES SUBJECT TO THE PROVISIONS OF THE NATURAL GAS ACT (1947). For the same ambiguous requirements.
- By law, the Office of Management and Budget (OMB) in the White House took the lead in determining reasonable allowable costs and unreasonable unallowable costs.
- In 1984, the Federal Acquisition Regulations were published. Part 31 included the OMB Contract Cost Principles. <https://www.acquisition.gov/far/part-31> For example, in 1986 FAR 31.205-51 was published that stated, “Cost of alcoholic beverages are unallowable.” -- When I worked for GE, at the time that meant – no more alcoholic drinks during air travel or at business meetings. What was reasonable became unreasonable.
- The Chief Financial Officer’s Act of 1990 created a new position – Deputy Director of the Office of Management. See <https://www.cio.gov/handbook/it-laws/cfo-act/>. This law applies to the Department of Energy. Over the years, the Office of Management and Budget has provided requirements via Circulars.
- In 2013, OMB published **2 CFR 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**. These regulations apply to those receiving Federal Grants – The PUC receives over five million in Federal grants; as such, this regulation applies to DOE and the PUC in their internal operations, requirements, and oversight of Pennsylvania public utilities.

As an example of the PUC’s recent decision making process -- From the PUC’s Rate Comparison Reports: <https://www.puc.pa.gov/filing-resources/reports/rate-comparison-reports/> It shows the results of the current process that is outside of the current required internal control process, as required by 2 CFR 200 with internal controls (GAO Green Book) and audits (GAO Yellow Book) .

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**Natural Gas**

Large NGDCs	Avg. Monthly Usage (Mcf)	Avg. Monthly Bill (\$)
Columbia Gas of PA Inc.	7	144.11
National Fuel Gas Distribution Corp.	8	74.85
PECO Energy Co.	6.2	79.11
Peoples Natural Gas Co.	6.7	88.00
Philadelphia Gas Works	5.2	92.60
UGI Utilities Inc. – Gas Division	7.4	104.47

Columbia Gas is certainly an outlier. Customers of National Fuel use the most fuel and pay the least. Columbia’s rates provide a red flag and appear unreasonable. Red flags should be audited and investigated as part of a due process system. What traded utility company does not want to have rates as high as Columbia/ NiSource? Are all these rates really in the public interest? The higher the rate, the higher the burden of proof that these rates provide the best value for customers.

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<b>Large Gas Utilities Comparison - 1307(f) Companies*</b>						
<b>Rate Classification</b>	<b>Columbia Gas of PA Inc.</b>	<b>National Fuel Gas Dist. Co.</b>	<b>PECO Energy Co.</b>	<b>Peoples Natural Gas Co.</b>	<b>Philadelphia Gas Works</b>	<b>UGI Utilities Inc. - Gas Division</b>
Residential						
2 Mcf (monthly bill)	\$53.49	\$28.79	\$39.87	\$37.97	\$46.09	\$39.82
Residential Heating						
15 Mcf (monthly bill)	\$289.10	\$124.56	\$197.02	\$176.73	\$232.14	\$196.45
Small Commercial						
150 Mcf/year (monthly bill)	\$213.94	\$110.30	\$166.47	\$126.81	\$178.95	\$150.94
Medium Commercial						
500 Mcf/year (monthly bill)	\$636.16	\$301.65	\$470.05	\$393.10	\$527.15	\$436.13
Large Commercial						
9000 Mcf/year (monthly bill)	\$8,915.30	\$4,632.83	\$7,595.26	\$6,044.81	\$8,983.45	\$7,362.42
Industrial						
> 9000 Mcf/year (monthly bill)	\$11,580.26	\$4,443.83	\$8,152.38	\$6,044.81	\$9,006.00	\$7,363.23

\*Gas companies with annual revenues greater than \$40 million that are subject to rate filings under Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f).

Columbia’s rate appears unreasonable in comparison to others. Why? If they were competing in a normal competitive procurement process, Columbia would most likely be considered outside the “competitive range” and therefore not be considered.

NiSource, 2024 Proxy Statement, Page 46, shows **75% of incentive compensation for top management is based on Net Operating Earnings Per Share.**

[https://s1.q4cdn.com/829981032/files/doc\\_financials/2023/ar/nisource-2024-proxy-website-](https://s1.q4cdn.com/829981032/files/doc_financials/2023/ar/nisource-2024-proxy-website-)

[version-final.pdf](#) This is another red flag. There should be no assumption that public utility costs do not need to be audited.

Those Net Operating Earnings come from customers, where are the safeguards that customers are paying just and reasonable rates? Without reasonable assurances of proper accounting, financial, and performance audits by competent and qualified professionals, utility rates should not be deemed just and reasonable.

The current decision-making process for establishing utility rates should not be used for the decisions at hand.

Getting back to the submissions of others who commented on this matter.

To review the comments of others, which span over 500 compressed pages, I attempted to use AI to summarize the submissions.

It didn't work.

The comments are unstructured. The best practice for requesting comments from the public is for the government to ask the public a series of yes/no questions, followed by substantiation of unexpected answers or multiple-choice questions. For what has been submitted, no one can reasonably provide an honest summary of consensus.

We are at a time of little consensus on some major issues -- that reminds me of what was happening between 1967 and 1971.

The song from the group Buffalo Springfield "*For what its worth*" comes to mind -- *Young people speaking their mind* – Singing songs and they carrying signs, most say, "Hooray for our side"

Decision-makers cannot make reliable decisions when multiple parties speak simultaneously.

Several keywords were identified that may help recognize various concerns.

**"Nuclear" 129 times**

Opinion: I have been following the industry since ~ 1980. Worked for GE Nuclear ~1980 – 1988 in areas of accounting, contracts, and billing, and was part of the management team that dismantled the Shippingport Nuclear Power Station (PA) under a DOE contract.

Responsibilities included: property management, contracts, solid waste management, transportation...

AI – "The initial construction cost of the Shippingport Atomic Power Station, which opened in 1957, was approximately \$72.5 million. This is equivalent to about **\$811.7 million in 2024**. **The plant, the first full-scale nuclear power station in the US**, was a joint project between the U.S. Atomic Energy Commission and Duquesne Light Company. Admiral Hyman G. Rickover of the U.S. Navy oversaw the project. Cost-plus percentage of cost arrangements were prohibited in military contracts. Why have costs escalated since the construction of a power plants.

**"Demand" 1098 times.**

**"Supply" 124 times.**

Opinion: The PUC must establish a decision-making framework for demand and supply.

### **Reasonable 109**

Opinion: From AI - In business, the concept of "reasonable" is often defined by what a prudent person in the conduct of competitive business would do. This standard is used to assess the appropriateness of decisions, particularly those related to costs and business practices.

### **Internal control 3**

**Safeguard 101**

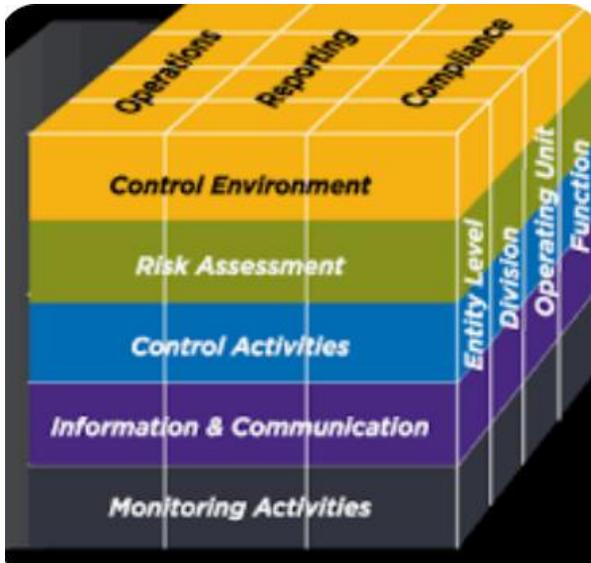
**Effective 93**

**Efficient 86**

**Reliable 87**

**Compliance 30**

Opinion: These are key terms used in the COSO Internal Control – Integrated Framework or the GAO Green Book – Internal Control. Internal control begins with top management establishing objectives, after which controls are established to achieve these objectives in the areas of operations, reporting, and compliance. This is illustrated as:



Any aspect of an organization, individually or collectively, can be evaluated with these required elements.

- Does it provide effective and efficient operations while safeguarding assets?
- Does it provide reliable financial and non-financial reporting for decisions?
- Does it comply with applicable laws, regulations, standards, contracts, orders, tariffs, and best practices?

“No” answers are indications of a weakness or deficiency, and corrective actions are needed.

In government operations, such as the PUC, that have both internal and external duties, multiple skill sets and access to capabilities and experts are required. PUC Commissioners have one of the most complex and important management jobs in Pennsylvania. They are not paid and rewarded sufficiently to attract and retain the best talent.

For effective decision-making, the required tool sets must be identified, understood, utilized, monitored, and performance continually improved.

Some of that core knowledge must include the PA Title 66, PUC regulations, 49 CFR 192 including incorporated by reference standards, 18 CFR 101, and 201, 2 CFR 200, GAO Green Book, GAO Yellow Book, GAO Framework for Managing Fraud Risks in Federal Programs, U.S. Sentencing Commission Chapter 8, Federal Acquisition Regulations, the Cost Accounting Standards, and the Cost Principles. US GAAP, ISO 9000, ISO 31000, ISO 45000, ISO 55000, ISO 55001, ISO 55010, ASTM E 2279, and ANSI/ API 1173, Pennsylvania Uniform Construction Code, and related gas and electric building codes, and Capability Maturity Models.

The Federal Acquisition Regulations are particularly important, as they provide not only applicable regulations but also best practices that have been fully vetted and can be applied in both government and industry environments.

When dealing with large commercial companies on large energy-related projects, requiring the designated portions of the Cost Accounting Standards Board Disclosure Statement would be highly useful. It is important to have this information to protect consumers.

[https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/procurement\\_casb/casb\\_ds-1.pdf](https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/procurement_casb/casb_ds-1.pdf)

The OMB Cost Accounting Standards under FAR Part 31 would be extremely useful to prevent unallowable costs from being charged to the allowable utility plant in the public service account.

The PUC and the public must understand what costs of an energy supplier or user are included in the billings of a Pennsylvania Public Utility customer.

We recommend that a new request be submitted to the public with specific requested information so that the information from the public is more useful.

Time is of the essence – to make the framework to be used for timely investment decisions.

The decision-making frame must be developed before making decisions! Hoping it will turn out okay is not good enough. Shooting for a ninety-nine percent accuracy in decision making and success would be prudent.

It does not appear that the Commissioners, administrative law judges, and other top advisers and officials have the core knowledge that would be expected. The organization appears to be siloed, with formal or informal training mainly occurring on the job. Ignorance can beget ignorance.

#### **Harvard 67**

#### **Rate base 32**

Opinion: The Harvard publication titled *“Extracting Profits from the Public: How Utility Ratepayers are Paying for Big Tech’s Power,”* which PUC Vice Chairperson Kimberly Barrow requested to be placed in the record, is certainly worth considering, as it looked at the macro

condition of the public utility industry in achieving more profits. The utility's rate base is the primary source of profits for public utilities – the higher the rate base, the higher the profits.

As mentioned earlier regarding **the cost plus a percentage of cost** arrangements, these types of arrangements have been prohibited in good contracting for a long time, regardless of how they are portrayed.

*AI -- 2 CFR 200, specifically § 200.324, prohibits the use of "cost plus a percentage of cost" contracting methods when awarding Federal funds. This means recipients and subrecipients of Federal awards cannot use a contract structure where the contractor's fee is calculated as a percentage of the total incurred costs. This prohibition is in place to prevent situations where a contractor's profit increases as costs increase, which could incentivize unnecessary or inflated spending.*

*AI Overview*

*Yes, **the Federal Acquisition Regulation (FAR) prohibits cost-plus-percentage-of-cost (CPPC) contracts in government acquisitions.** This means that a contract where the contractor's fee is a fixed percentage of the total costs incurred is not allowed. The rationale is that **this type of contract incentivizes the contractor to increase costs to maximize their fee**, which is against the government's interest in controlling costs.*

**PA Title 66 § 2806. Implementation, ... performance-based rates.**

**This was part of the December 3, 1996, P.L. 802, No. 138.**

- (i) --The commission has authority to use performance-based rates as an alternative to existing rate base/rate of return ratemaking,**

**In conclusion**, the PUC's decision-making process needs improvement. We know that Title 66 limits the use of outside consultants, and the consultants used are likely the same ones. The Asset Leadership Network, a nonprofit, is comprised of experts who collectively possess hundreds of years of knowledge and experience in asset management across various industries and governments. I invite the PUC to join the Asset Leadership Network. Prevention is better than correction. We wish you the best in your decision-making process, which will determine the conditions under which Pennsylvanians will live.

Respectfully Submitted,



Richard C. Culbertson on behalf of Asset Leadership Network

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