

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265**

Public Meeting held July 10, 2025

Commissioners Present:

Stephen M. DeFrank, Chairman  
Kimberly Barrow, Vice Chair  
Kathryn L. Zerfuss  
John F. Coleman, Jr.  
Ralph V. Yanora

Petition of PECO Energy Company for Authority  
to Defer, for Regulatory Accounting and Reporting  
Purposes, Certain Losses from Extraordinary  
Storm Damage

P-2025-3054294

**OPINION AND ORDER**

**BY THE COMMISSION:**

On March 28, 2025, PECO Energy Company (“PECO” or the “Company”) filed a petition for authorization to defer, for regulatory accounting and reporting purposes, certain losses from extraordinary storm damage (Petition). PECO is requesting that the Commission issue an order under Section 1701 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 1701 (mandatory system of accounts), granting it the authority to defer, for regulatory accounting and reporting purposes, extraordinary expenses attributable to storm damage associated with a severe storm event that occurred between February 16, 2025, and February 19, 2025 (February Storm). At this time, PECO is not requesting that the Commission decide ratemaking treatment for these losses; rather, PECO proposes that the Commission address the applicable ratemaking issues in the Company’s next electric distribution rate case.

The Petition was served upon the Bureau of Investigation and Enforcement, Office of Consumer Advocate (OCA), and the Office of Small Business Advocate. On April 11, 2025, the OCA filed an Answer to the Petition that stipulated approval conditions, which have been included in the first Ordering Paragraph.

For the reasons set forth below, we shall grant the Petition with certain conditions consistent with those attached to similar requests to defer extraordinary losses for regulatory accounting and reporting purposes in the past.

PECO, utility code 110550, is an electric distribution company providing electric service to nearly 1.7 million customers in Southeastern Pennsylvania. PECO is a Class A electric public utility as defined by 52 Pa. Code § 57.41(a) and is required by the Commission's regulations at 52 Pa. Code § 57.42(a) to keep its accounts in conformity with the Federal Energy Regulatory Commission's Uniform System of Accounts for Class A Electric Utilities. General Instruction No. 7 of the Uniform System of Accounts permits events or transactions of significant effect that are abnormal and significantly different from the ordinary and typical activities of the company, and which would not reasonably be expected to reoccur in the foreseeable future, to be considered extraordinary items. The rule goes on to note that generally an item should result in expenses totaling more than 5% of income to be treated as an extraordinary item.

The amounts that PECO seeks to defer are expenses related to the incremental operations and maintenance (O&M) expenses above straight-time internal labor costs to repair damage to facilities and to restore electric service within PECO's service area following a historically severe storm event.

PECO avers that the February Storm contained a strong cold front that triggered severe winds gusting over 50 miles per hour and lasting from the afternoon of

February 16, 2025, until the evening of February 17, 2025. The February Storm caused damage to PECO's facilities and resulted in approximately 239,223 customer service interruptions, representing 14.4% of PECO's customers.<sup>1</sup>

The February Storm caused damage throughout PECO's service territory, including downed trees and power lines, broken poles, and damaged crossarms, fuses, and transformers. As a result of the storm damage, PECO required repair or replacement of 205 poles, 37 miles of wire and cable, 250 crossarms, 5,250 fuses, and 103 transformers. The first notification of service interruption occurred on February 16, 2025, at 2:55 p.m., and service was restored to the last affected customer on February 21, 2025, at 4:46 p.m.

Storm restoration was led by PECO's Emergency Response Organization, which coordinated the efforts of approximately 1,653 employees, contractors, and mutual assistance crews, with storm roles consisting of:

- 877 Aerial Linemen;
- 67 Forepersons;
- 149 Technicians; and,
- 560 Vegetation Management Contractors.

The severe damage sustained by PECO's system resulted in extraordinary incremental O&M expenses related to the restoration. The total incremental storm expense to PECO, exclusive of straight time internal labor and capital expenses, is \$15.9 million as of March 24, 2025, which PECO now requests authorization to defer as "extraordinary items" for accounting purposes. This amount represents 5.3% of PECO's income for the twelve-month period ended December 31, 2024, which exceeds the 5% threshold set forth in General Instruction No. 7.

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<sup>1</sup> See Report of Service Outage filed on March 24, 2025 at Docket No. M-2025-3052814.

The Commission has approved prior petitions seeking approval of deferred accounting treatment for extraordinary expenses, including storm related expenses. *See e.g. Petition of FirstEnergy Pennsylvania Electric Company for Authorization to Defer, for Regulatory Accounting and Reporting Purposes, Certain Losses from Extraordinary Storm Damage*, Docket No. P-2025-3052975 (Opinion and Order Entered March 13, 2025).

PECO is requesting authority from the Commission to defer, for accounting purposes only, the expenses associated with its repair of the February Storm-related damages. The issue for consideration before the Commission is whether PECO should be authorized to defer certain extraordinary expenses associated with storm damage. The ratemaking treatment of these expenses, if any, shall be addressed in a future ratemaking proceeding.

Approval of the Petition is not a directive that PECO must defer these expenses, nor is it making any determination as to the veracity of the Company's claim or the appropriate treatment for the recovery of any allowable costs in a future period. This Order only grants authorization for PECO to defer certain expenses for accounting purposes.

The Company normalizes storm damage expense based on a five-year historical average of actual storm damage expense. Its base rates have been designed to recover only a "normal" level of storm damage expense. Pursuant to the Commission-approved settlement of PECO's 2024 base rate proceeding, PECO agreed to separately petition the Commission for extraordinary storm damage expense. *Pa. PUC et al. v. PECO Energy Company – Electric Division.*, Docket No. R-2024-3046931 (Order entered December 12, 2024). The Commission has granted petitions to defer storm damage expenses recognizing that this type of cost might evade recovery under typical

ratemaking practices because storm damage expenses are not within the control of a utility and are difficult to project for purposes of prospective recovery in base rates. *See e.g. Pa. P.U.C. v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597 (Opinion and Order Entered April 3, 2014).

The issue as to whether the expenses are extraordinary and whether they were reasonably and prudently incurred is not resolved in a deferral petition, as no record is developed. Rather, the standard that a utility must meet when seeking Commission authorization for deferral accounting is whether, based on Commission precedent, the expense item appears to be within the scope of the type of items that the Commission has allowed as an exception to the general rule against retroactive recovery of past expenses.

We find that PECO has established a *prima facie* case pursuant to the above standard. However, we are not making any factual findings in this Order. A petition seeking authorization for deferral accounting is not intended to create a factual record. As such, this determination will be of no weight in any future proceeding seeking recovery of these costs. The burden of proof regarding these costs remains with PECO pursuant to 66 Pa. C.S. § 315(a); **THEREFORE**,

**IT IS ORDERED:**

1. That PECO Energy Company's Petition for authority to defer for accounting and financial reporting purposes certain expenses from damage caused to its property by the February Storm is granted subject to the following conditions:
  - a. That the authorization granted to PECO Energy Company here for deferred accounting treatment carries no assurance of future rate recovery;
  - b. That PECO Energy Company be directed to claim its deferred costs at the first available opportunity;

- c. That any authorization for deferred accounting treatment is limited to actual operations and maintenance costs, net of any insurance recovery; and,
- d. That any Order in this matter will in no way limit the ability of any party to a future rate case to oppose rate recovery of any of the costs deferred pursuant to the limited authorization granted herein.

2. That this Order does not preclude PECO Energy Company from seeking recovery of the total amount of its deferred expenses.

3. That a copy of this Order be served upon PECO Energy Company, the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate.

4. That this docket be marked closed.

**BY THE COMMISSION,**



Matthew Homsher  
Secretary

(SEAL)

ORDER ADOPTED: July 10, 2025  
ORDER ENTERED: July 10, 2025