

Testimony of Megan McDevitt, Sr. Manager of Retail Rates, PECO
Pennsylvania Senate Consumer Protection and Professional Licensure Committee Hearing on
“Understanding Your Electric Bill”
January 28, 2025

Introduction

Thank you, Chairman Stefano, Democratic Chair Boscola, and members of the committee for the opportunity to testify today at this important hearing. My name is Megan McDevitt, and I serve as Sr. Manager of Retail Rates at PECO which provides electric distribution services to Philadelphia and southeastern Pennsylvania. I’ve been with PECO for over 20 years in various roles within Accounting, Finance, Energy Acquisition, and Regulatory. My primary role is the development and implementation of customer rates, the management and oversight of PECO’s electric and gas retail and supplier service tariffs and oversight of numerous filings with the PAPUC.

In my testimony today, I will describe the principles involved in allocating utility costs and the contents of customer bills. My colleagues from other Pennsylvania utilities will focus on specific issues related to statutory and regulatory requirements.

The Regulatory Rate Setting Process

EDCs are responsible for offering service to all customers in a service territory who pay regulated “just and reasonable” rates as determined by the Public Utility Commission (PUC). While there are many complexities in establishing rates, the fundamental principles are relatively simple.

The cost of providing service is divided among all customers based primarily on their usage or demand through tariffs that treat similar customers or rate classes equally. The utility’s cost of service, and the rates applied to rate classes, are proposed by utilities, subject to litigated rate cases or settlements, and ultimately approved by the PUC.

In our deregulated electricity market, EDCs are responsible for providing delivery service, while customers have the option to purchase their supply from a non-utility supplier or receive “default service” from their EDC. While competitive suppliers are unregulated, utility default service procurements are conducted under the oversight of the PUC and must be made on a competitive basis, consistent with the “least cost over time” requirements of the law.

How Are Electric Bills Structured

EDC electric bills are designed to provide simple and understandable information to customers. For residential customers, the main variable in their bill is how many kilowatt hours (kWh) of electricity they consume – volumetric pricing. Larger commercial and industrial customers are billed on their peak usage level in a month – demand-based rates. In both cases, the rate is designed to fairly and equitably allocate the cost of providing service to customers in that rate class. Bills also include a fixed customer charge that reflects the costs incurred to attach a customer to the distribution system, to meter usage, and to maintain the customer’s account.

The Main Components of Customer Electric Bills

In general, electric customers are billed on a monthly basis, and their bills include:

- Distribution or Delivery is the cost of operating the local distribution grid that provides direct service to homes and businesses. This includes the costs of physical assets that are depreciated over time and O&M costs such as labor-related expenses and supplies.

The costs of universal service programs and uncollectible bills are embedded in the distribution portion of the bill as our colleague from Duquesne will discuss.

Costs related to the state's mandated energy efficiency (EE) and demand response (DR) programs are included in this portion of the bill, as our colleague from PPL will discuss, along with information on the costs related to the state's Alternative Energy Portfolio Standards (AEPS) Act.

Our colleague from FirstEnergy will also discuss how, because of the structure of state law, some distribution costs related to customer-generators can be shifted among customers.

- Transmission is the cost of operating the high voltage interstate transmission grid that delivers power from electric generators to the local distribution system. These costs are determined and approved by the Federal Energy Regulatory Commission (FERC) at the wholesale level and allocated to utility customers by the EDC.
- Supply is the cost that the customer pays for the electric commodity provided by a competitive supplier or through utility default service. This includes the costs of capacity (reserves that can be deployed during highest demand), ancillary services that keep supply and demand in balance, alternative energy credits under the AEPS, and uncollectible generation charges.
- Taxes include both the direct tax on electric consumption applied through the Gross Receipts Tax (GRT) and state taxes (through base rates and/or the State Tax Adjustment Surcharge – STAS)

Affordability

PECO recognizes that electricity is an essential service, and we provide our customers with information and options to help manage their energy bills.

We offer tools to help customers manage their bills, including energy efficiency measures, usage assessments, energy audits, and energy savings tips.

For our low-income customers, we provide a suite of options including ongoing assistance, usage reduction, direct grants, situational assistance and budget billing options.

If a customer has questions or concerns about their bill, they can contact PECO Customer Relations or, if they fail to get an issue resolved, they have the right to file a formal complaint with the PUC.

Conclusion

PECO's employees work every day to provide safe and reliable service to all of our customers. We strive to help customers understand their energy usage and bills, and in collaboration with them, build a cleaner brighter future for the communities we serve.

Thank you for the opportunity to testify today, and I'll be pleased to answer any questions.