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April 23, 2025

Via E-Filing

Secretary Matthew L. Homsher, Esq.
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

RE: **Docket No. M-2025-3054271**

Testimony of Richard G. Webster, Jr. on Behalf of PECO Energy Company Re:
Pennsylvania Public Utility Commission En Banc Hearing Concerning Interconnection
and Tariffs for Large Load Customers

Dear Secretary Homsher:

On March 27, 2025, Chairman DeFrank moved the Commission (the "Motion") to convene an *En Banc* hearing on April 24, 2025 (the "Hearing") to discuss the increasing number of large load customers, including hyperscale data centers supporting artificial intelligence and other operations. Ordering Paragraph 2 of the Motion directed individuals who are selected as panelists to file their testimony to the docket no later than April 23, 2025.

Richard G. Webster, Jr., Vice President of Regulatory Policy and Strategy for PECO Energy Company, was selected as a panelist for the electric distribution companies' panel. Accordingly, enclosed herewith is Mr. Webster's testimony on behalf of PECO Energy Company. Should you have any questions concerning this matter, please feel free to contact me at the email address or telephone number provided above.

Respectfully submitted,

/s/ Dawn Kurtz Crompton

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Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

EN BANC HEARING CONCERNING
INTERCONNECTION AND TARIFFS
FOR LARGE LOAD CUSTOMERS

DOCKET NO. M-2025-3054271

TESTIMONY OF RICHARD G. WEBSTER, Jr.
ON BEHALF OF
PECO ENERGY COMPANY

April 24, 2025 *En Banc* Hearing

Chairman DeFrank, Vice Chair Barrow, and Commissioners Zerfuss, Coleman, and Yanora, my name is Dick Webster, and I am the Vice President of Regulatory Policy and Strategy for PECO Energy Company. Thank for the opportunity to testify here today regarding issues of critical importance to the Commonwealth.

I would like to commend the Commission for holding this important hearing on the opportunities and challenges raised by the proliferation of large load projects that are seeking to locate in Pennsylvania. Like the resource adequacy proceeding the Commission launched in November 2024, today's hearing represents an important opportunity to discuss critical energy issues facing our state.

As Chairman DeFrank noted in his Motion to initiate this hearing, large load customers, such as data centers, present opportunities for economic development, job growth, technological advancement, rate stability, and strengthening our national security. PECO embraces these opportunities and is actively working with our customers, legislators, regulators, and other stakeholders to bring these benefits to its customers and the Commonwealth. Accompanying those opportunities are challenges to the electric distribution companies', or "EDCs", electric systems that will serve the large load customers. PECO, like other public utilities in the Commonwealth

and across the nation, has been evaluating these opportunities and challenges and how we can best serve our current and future customers. We are learning from our own experiences with large load customers and gathering additional information from our affiliates at Exelon and other peer utilities. We value the opportunity presented today to share our perspective and to hear from the Commission and other interested stakeholders.

While large load projects are important to the applicants and the communities in which they are seeking to locate, they also have the potential to impact other customers. PECO takes seriously its obligation to provide safe, reliable, and affordable electric service to all customers and appreciates that the Commission has initiated this discussion to appropriately balance serving large load customers in the Commonwealth while protecting other customers.

To aid in the Commission's consideration of designing a proposed model tariff, my testimony is focused on some of the most significant challenges PECO has experienced in connection with large load customers. First, many contemplated large load projects are substantially larger than customer projects we have served in the past. PECO is working with a number of large load projects that are considering connecting to PECO's distribution system. Four of these projects, which have reached an advanced stage, would potentially increase PECO's overall peak demand by 3.8 gigawatts, resulting in an almost 40% increase in the demand on PECO's distribution system. PECO is also studying an additional 24 proposed large load projects that, if implemented, would add another 8 gigawatts of demand to our system. This potential demand growth is unlike anything we have dealt with before and is a major departure from almost two decades of relatively flat growth.

Second, the number and size of these projects makes it challenging to evaluate their potential effects on the distribution system. Large load projects have the potential to impact

multiple EDC service territories as well as regional transmission systems, resulting in an extremely dynamic modelling and analysis environment. This means that it may be necessary to study proposed projects in groupings or clusters, and impact analysis completed one day can be altered the next day by interconnection requests filed in other regional transmission systems, even in other states. In addition, the number and type of required interconnection studies and agreements can vary situationally based on site-specific and customer-specific parameters, which may limit the degree of short-term certainty that EDCs can provide to these customers on the time and cost of new interconnections. Load profiles for data centers can also be quite different from those of other types of large load, such as industrial customers, and even the load profiles among data center customers can vary depending upon a customer's potential to hyperscale or provide increasingly mobile service over time.

Third, the advent of large load customers is occurring in the context of a rapidly evolving external environment. The Federal Energy Regulatory Commission, regional transmission organizations, independent system operators, and state utility commissions across the country are evaluating issues associated with the proliferation of data centers. Some states are competing for data center- and artificial intelligence-related development, while others are or may be considering imposing barriers to or guard rails around such development. Large load development is also susceptible to the persistent supply chain and workforce challenges impacting large infrastructure development more broadly in our nation, and economic uncertainty has the potential to alter the speed and trajectory of demand growth. Data center and artificial intelligence technology are also rapidly evolving, adding uncertainty to projected energy demand forecasts. In short, change can occur quickly in this space, and the future is uncertain.

PECO has maintained a consistent and straightforward approach to evaluating potential large load customers. As with all Pennsylvania EDCs, PECO's distribution interconnection processes are implemented through retail tariffs that treat all customers in a non-discriminatory manner, consistent with state laws and regulations.

After a potential large load customer contacts PECO, the customer is referred to our Economic Development group. The Company's current process is to provide the customer with an inquiry form so that PECO can obtain information regarding the customer, the contemplated project, and its electric and gas service requirements. The customer will also be asked to provide preliminary drawings and site plans. At a high-level, there are then three phases to connecting the customer: Phase 1 – conducting an Engineering Feasibility Study, Phase 2 – performing detailed design and engineering, and Phase 3 – completing construction to connect the customer to the Company's distribution system.

If a large load customer seeks to proceed with an Engineering Feasibility Study, it will be required to submit a deposit to PECO that will be utilized to pay for the initial analysis. PECO currently requires a \$250,000 deposit. If the customer cancels the project, any unspent funds will be returned to the customer. If the initial deposit is not sufficient to pay for the study, the customer will be required to pay the difference between the initial deposit and the actual study costs. This process helps establish the viability of potential projects by requiring prospective applicants to demonstrate a financial commitment that is directly tied to PECO's investment of time and resources and protects existing customers from unduly subsidizing the project. Prior to moving to Phase 2, the Company will determine, and the customer will be required to pay to PECO, the customer's required Contribution in Aid of Construction, or "CIAC." Total construction cost and CIAC will be determined in accordance with Section 7 of the Company's electric tariff. As a

general matter, customers are responsible for the costs necessary to upgrade service to deliver the power they need, while system investments that provide benefits to the broader customer base are socialized through the ratemaking process. The Company may also require the customer to submit additional financial security, such as a letter of credit.

This process is intended to balance the interests of new and existing customers, and to protect existing customers from potentially stranded costs that could arise if PECO were to invest tens of millions of dollars in grid upgrades for planned large loads that do not materialize. For example, while applicants for new or expanded service are entitled to a credit against PECO's estimated total construction costs of their connection equal to the anticipated distribution revenues from that customer over their first five years after connection, if the customer's future load does not generate those expected revenues, PECO can recover the difference from the new large load customer to avoid imposing additional costs on existing customers.

If large load projects are added to the grid in a responsible manner, these projects can bring a multitude of benefits to our communities and our customers. They have the potential to create jobs that support local workforces. They may also be able to leverage sites with existing infrastructure and available capacity, and the amounts these customers pay for EDC service and connection may ultimately have the effect of decreasing system costs for other customers over time. And as we have already seen in Pennsylvania, these projects can drive the reactivation of generation facilities that were determined to be uneconomic just a few years ago, creating additional jobs, expanding the state and local economies, and benefitting local communities.

We are proud of PECO's collaborative work with large load project developers to advance projects in PECO's service territory. Our interconnection process evaluates large load customer opportunities in a manner that is fair and equitable to all of our customers. Our regulatory

environment should always consider cost causation principles and require all users, including large loads, to pay their fair share of the costs of building, maintaining, and using the grid.

In conclusion, the size, scale, security, and speed-to-market needs of large load data center developers are unprecedented, and dialogues, like this hearing, are essential to understanding the challenges and opportunities associated with serving these customers. Other states are exploring these issues as well, and engagement with our peers through our regulatory and industry organizations can assist us in identifying best practices to optimize growth opportunities. The Commission should provide EDCs flexibility in developing practices and procedures that are consistent with the public interest and that will encourage growth while providing existing customers with appropriate protections. PECO looks forward to continuing to collaborate with the industry, regulators, legislators, and stakeholders to seize key opportunities that benefit all customers and to work through the challenges that those opportunities present.

Thank you again for the opportunity to testify today. I will be happy to answer any questions.