

Testimony on PECO Default Service Plan
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Hello, I'm Nancy Boxer from Havertown, PA. My partner and I have been PECO customers for many years. I am a psychotherapist, economist and climate advocate, and bring all these points of view today.

PECO's Default Service Plan serves 3/4s of PECO customers. Many don't have the time, patience or background to weigh their choices. When the PUC approves PECO's default plan, you are effectively choosing for them – a great opportunity to balance rates and new technologies in an environmentally sound manner.

The federal government aims to eliminate carbon pollution from electricity production by 2035 in order to combat climate change. Pennsylvania also has a climate goal – 80% less by 2050. Such change is best done incrementally, and increasing the share of renewables in the Default Plan is an appropriate step to do that. Over a quarter of PA's greenhouse gases come from electricity production. Thus, the mix of power is key to meeting our urgent climate goals.

PECO has focused on short term contracts, 1-2 years out. As a strategy, this saves money when generating prices fall but will result in higher bills when prices rise if PECO has not locked in cheaper long term rates. Since no economist or crystal ball is perfect, a better strategy would be to hedge their bets with short **and** longer term contracts. This allows PECO to lock in some supply at lower rates with renewables, often cheaper than fossil fuel generated power.

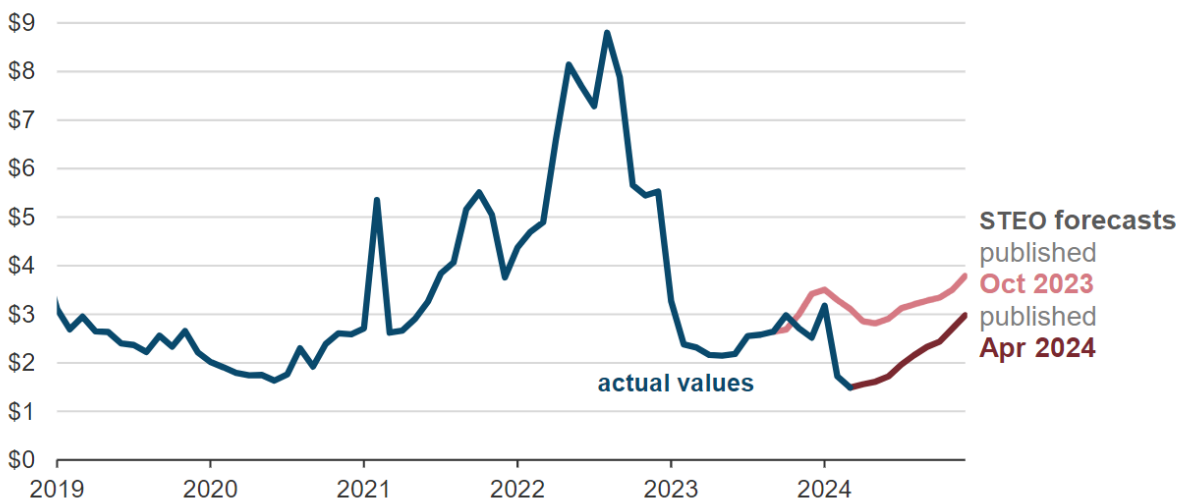
The US Energy **Information** Administration expects prices to increase moderately over the next year or more.¹

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<https://www.eia.gov/todayinenergy/detail.php?id=61803#:~:text=We%20now%20forecast%20the%20Henry,%242.20%2FMMBtu%20for%20the%20year.>

Monthly Henry Hub natural gas price (Jan 2019–Dec 2024)

dollars per million British thermal units



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO), October 2023 and April 2024
Data values: U.S. Natural Gas Supply, Consumption, and Inventories and STEO Archives

Yet *Natural Gas Intelligence*, a news and data provider for the Gas Industry, is forecasting as much as \$4 per MMBtu by 2025, more than double current prices.²

Thus, a hedging strategy that saves money when prices are falling, could easily become the most costly gamble PECO has ever made. Hedging their bets not just over the next 1 to 24 months, but also 3-10 years out with solar at low, fixed prices, makes a great deal of sense in a world with such highly variable costs. Continuing threats to supplies of gas from wars in Ukraine and the Middle East, growth of demand around the world, and so on, make hedging against short-term price jumps sound like the wisest course PECO could take.

If PECO increases renewables in its default mix to at least 20 or 25% using long term contracts for better pricing, that will insulate consumers from these likely price jumps. As one *Inquirer* reporter pointed out, Pennsylvania electricity prices have been increasing much faster than in the U.S. overall. “States that have held prices lower have credited it to a having more diverse supply mix.”³

² <https://www.naturalgasintel.com/price-support-growing-in-long-term-natural-gas-market-outlook/>

³ <https://www.inquirer.com/news/philadelphia/good-news-bad-news-pa-electricity-includes-reduced-co2-emissions-high-costs-residents-20240330.html>

Surely adding cheaper, longer term energy contracts would be “a prudent mix” of resources. The constraint is not economic; it is attitude and inertia. And when attitude and inertia keep a utility from doing what is best for their customers and the Commonwealth, that’s a great place for the PUC to correct the balance.

I urge you to have PECO take more advantage of the low, stable and predictable costs of long term solar contracts, by requiring their Default Service Plan to include **at least 20% renewables** in the next 5 year period. This reasonable incremental step will help Pennsylvania and the nation reduce greenhouse gas and ensure safe and reliable service at reasonable rates in an environmentally sound manner.

Thank you for this opportunity to speak.