

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17120**

**Pennsylvania Public Utility  
Commission, *et al.* v. Philadelphia  
Gas Works**

**Public Meeting November 8, 2017  
2586783-OSA  
Docket No. R-2017-2586783**

**STATEMENT OF COMMISSIONER DAVID W. SWEET**

Before the Commission for consideration are the Exceptions of the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA) to the Recommended Decision (RD) of Administrative Law Judges (ALJs) Christopher P. Pell and Marta Guhl related to the Section 1308(d) tariff filing of Philadelphia Gas Works (PGW). A Joint Petition for Partial Settlement was filed by the parties, with two issues remaining for litigation – the allocation of partial payments to customer bills and the recovery of costs for universal service programs. Based on a review of the record in this proceeding, I have concerns regarding PGW’s partial payment allocation methodology.

OCA argues that PGW’s application of its tariff language regarding the sequencing of residential customer payments violates the Commission’s regulations and the Public Utility Code.<sup>1</sup> OCA states that PGW applies partial payments against newer, non-interest-bearing late charges before applying the payments against older, interest-bearing principal, contrary to the requirements of the Commission’s regulations. Specifically, PGW applies partial payments first to security deposits and late payment fees before applying payment to the principal balance, which leads to interest being assessed on balances that have already been assessed interest. OCA states that this methodology results in interest on arrearages that exceeds the maximum amount of interest allowed to be charged to customers, therefore increasing the overall amount a customer must pay. Additionally, OCA argues that the existing process may lead to a customer being overcharged beyond the limits set forth in 56.22 of the Commission’s regulations.<sup>2</sup>

I share OCA’s concerns regarding the potential for the accumulation of interest on customer balances. The regulations at 56.22 specifically limit a late charge or penalty from exceeding 1.5% interest per month on the overdue balance of a customer’s bill and limits the simple interest rate, on a per annum basis, from exceed 18%. As OCA notes, there is a possibility that PGW’s manner of sequencing payments could lead to effectively imposing *compound* interest that exceeds this 18% limitation. Considering PGW may require a security deposit, as well as a late payment fee per our regulation at 56.22, I am concerned that the potential imposition of compound interest is both in conflict with our regulation and effectively overcharges a customer, especially when that customer is clearly already having trouble in paying his or her utility bill. While PGW should be comprised for the cost of unpaid bills, through late fees and interest, that compensation should not be excessive. Beyond being unfair, excessive add-ons are counterproductive in that the debt becomes so large that, for many, paying it off is nearly impossible.

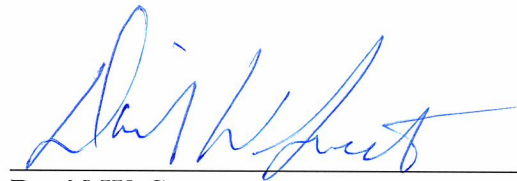
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<sup>1</sup> See 52 Pa. Code §§ 56.1, 56.22, 56.23, 56.24 and 66 Pa. C.S. §§ 1301 and 1303.

<sup>2</sup> See 52 Pa. Code § 56.22 (accrual of late payment charges).

I also question PGW's process as PGW itself argues that all basic charges under the regulations must be treated equally while it then proceeds to prioritize partial payments to certain basic charges over others. However, I recognize that this issue is currently being addressed in a separate proceeding before this Commission and believe that proceeding will aid in providing some direction to PGW and OCA.<sup>3</sup> I strongly encourage PGW to work with OCA to address its concerns going forward to ensure that customers are, in fact, being charged the appropriate fees and levels of interest in a manner that is consistent with this Commission's regulations, Orders and the Public Utility Code.

**Date: November 8, 2017**



**David W. Sweet**  
**Commissioner**

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<sup>3</sup> See *SBG Management Services, Inc./Colonial Garden Realty Co., L.P. v. Philadelphia Gas Works*, Docket Nos. C-2012-2304183 and C-2012-2304324 (Order entered December 8, 2016) (currently under reconsideration before this Commission).