



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

May 28, 2010

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.  
Philadelphia Gas Works 1307(f) Proceeding

Docket No. R-2010-2157062

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SECRETARY'S BUREAU

Dear Secretary Chiavetta:

Enclosed for filing, please find the original and three (3) copies of the Office of Trial Staff's Statement in Support of Joint Petition for Settlement.

As evidenced by the enclosed Certificate of Service, copies have been served on all active parties. If you have any questions, please contact me at (717) 783-6155.

Sincerely,

Adeolu A. Bakare  
Prosecutor  
Office of Trial Staff  
PA Attorney I.D. #208541

Enclosure  
AAB/nhd  
cc: Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2010-2157062
	:	
Philadelphia Gas Works	:	

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**OFFICE OF TRIAL STAFF  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR SETTLEMENT**

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**TO ADMINISTRATIVE LAW JUDGES CYNTHIA WILLIAMS FORDHAM  
AND CHRISTOPHER PELL:**

The Office of Trial Staff (“OTS”) of the Pennsylvania Public Utility Commission (“Commission”), by and through its Prosecutor, Adeolu A. Bakare, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement Agreement (“Settlement”) are in the public interest and represent a fair and just balance of the interests of PGW (“PGW” or “Company”) and its customers.

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## INTRODUCTION

1. OTS is charged with the representation of the public interest in rate-related proceedings held before the Commission. Consequently, in negotiated settlements, it is incumbent upon OTS to ensure that the public interest is served and to quantify to what extent amicable resolution of any such proceeding will benefit the public interest. Based upon OTS' analysis of the Company's 1307(f) filing, acceptance of this proposed Settlement is in the public interest and OTS recommends that Administrative Law Judges ("ALJs") Cynthia W. Fordham and Christopher Pell and the Commission approve the Settlement in its entirety.

## BACKGROUND

2. OTS adopts and incorporates the background set forth in the Settlement.<sup>1</sup>
3. The Settlement represents a balance of the interests of the Company and its customers. Accordingly, for the reasons articulated below, OTS maintains that the proposed Settlement is in the public interest and requests that it be approved by the ALJs and the Commission.

## DISCUSSION

### **a. Purchased Gas Cost Rates**

PGW's proposed purchased gas costs rates, attached as Appendix A to the Settlement, show an increase from the current PGC rate of \$7.3455/Mcf to \$7.3294/Mcf, resulting in a \$0.0161/Mcf decrease. OTS represents that the natural gas costs that PGW incurred during the historic period adhered to a least cost fuel procurement policy.

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<sup>1</sup> Settlement, pp. 2-3.

Adhering to a least cost procurement policy benefits ratepayers because least cost gas directly impacts customer gas bills and obligates PGW to provide safe, adequate and reliable service to its customers. After review of the filing and extensive discovery and settlement discussions, OTS maintains that PGW's gas purchasing practices have satisfied its least cost procurement obligation.

Additionally, OTS reviewed the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy. While those costs are subject to review in a future PGC proceeding, OTS opines that ratepayers are protected in that PGW gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

**b. Gas Purchasing Program**

OTS submits that the gas purchasing program agreed to in the Settlement will assist in reducing the volatile nature of gas purchases while not dramatically impacting the Company's obligation to purchase gas under a least cost procurement policy. Reducing volatility benefits ratepayers as long as it does not violate that statutory mandate. OTS agrees that it will not challenge the reasonableness of PGW's gas purchasing program provided that it is restricted to the volumes and time periods set forth in Appendix B Settlement with allowance for the limiting circumstances provided in paragraph III(2)(d) of the Settlement.

**c. Asset Management Margins or Credits Retention**

OTS submits that continuing PGW's asset management sharing mechanism is in the public interest. The current mechanism allows the Company to retain 25% of margin

revenues with PGC customers retaining the remaining 75%.<sup>2</sup> This sharing mechanism was approved in the Company's recent PGC proceedings at Docket Nos. R-2009-2088076 and R-2008-2021348. OTS submits that continuing the current sharing mechanism through March 31, 2011 is in the public interest because it continues to provide the Company with an incentive to maximize its efforts to increase capacity release and off-system sales activity and thereby directly reduces gas costs for PGC customers.

**d. Cost Recovery for Price Analysis and Buying Advisory Services**

The agreement with Planalytics, a price analysis and buying advisory service, is in the public interest. The Public Utility Code in Section 1307(h) expressly states that risk management tools are included in the definition of gas costs; therefore, Planalytic's annual fee for this service, subject to a maximum of \$125,000, is appropriately recovered from PGC customers as it will assist in mitigating the financial risk in its gas supply portfolio.

**e. Unaccounted For Gas**

The parties agree that the Company's lost and unaccounted for gas ("LUFG") in this proceeding is acceptable. OTS reviewed the Company's LUFG rate of 3.8% and does not recommend an adjustment. PGW should continue its efforts to maintain and improve its LUFG rate.

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<sup>2</sup> Settlement, p. 8.

**f. Retainage Percentage**

The parties agree that the retainage percentage for PGW's high volume transportation customers is acceptable. PGW does not recover company use gas through its PGC surcharge. Accordingly, the retainage percentage for rates GTS-Firm and GTS Interruptible mirrors the LUGF rate of 3.8%. OTS believes that the 3.8% retainage percentage, in consideration of PGW's recovery of company use gas expense through base rates, reflects a reasonable and accurate retainage rate.

4. Based on OTS' analysis of the filing, acceptance of this proposed Settlement is in the public interest. Resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

5. OTS further submits that the acceptance of the foregoing settlement will negate the need for an evidentiary hearing, the preparation of Main and Reply Briefs, the preparation of Exceptions and Reply Exceptions, and the filing of possible appeals.

6. The Settlement is conditioned upon the Commission's approval of all terms contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or OTS provided therein.

7. OTS' agreement to settle this case is made without any admission or prejudice to any position that OTS might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any other parties to the instant proceeding.

8. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS agrees to waive the filing of Exceptions. However, OTS has not waived its right to file Reply Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in the Recommended Decision. OTS also reserves the right to file Reply Exceptions to any Exceptions that may be filed with the Company.

**WHEREFORE**, the Commission's Office of Trial Staff represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Cynthia W. Fordham and Christopher Pell recommend, and the Commission subsequently approve, the foregoing Joint Petition for Complete Settlement, including all terms and conditions contained therein.

Respectfully submitted,



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Adeolu A. Bakare  
Prosecutor  
PA Attorney I.D. # 208541

Pennsylvania Public Utility Commission  
Post Office Box 3265  
Harrisburg, Pennsylvania 17105-3265  
(717) 783-6155

Dated: May 28, 2010

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-2010-2157062  
Philadelphia Gas Works 1307(f) :  
Proceeding :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Statement in Support** dated May 28, 2010, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

Gregory J. Stunder, Esquire  
Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

Aron J. Beatty, Esquire  
James A. Mullins, Esquire  
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Sharon E. Webb, Esquire  
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Harrisburg, PA 17101

Hon. Cynthia W. Fordham  
Hon. Christopher Pell  
Pennsylvania Public Utility Commission  
Office of Administrative Law Judge  
801 Market Street  
Room 4063  
Philadelphia, PA 19107

  
Adeolu A. Bakare  
Prosecutor  
Office of Trial Staff  
PA Attorney I.D. #208541

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