



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

June 21, 2010

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

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REFER TO OUR FILE
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Re: Philadelphia Gas Works' Petition To Modify Its Universal Service and Energy Conservation Plans With Respect To The Customer Service Program

Docket No. P-2010-2178610

Dear Secretary Chiavetta:

On June 4th, 2010, Philadelphia Gas Works ("PGW" or "Company") filed a Petition to Modify its Universal Services and Energy Conservation Plans with Respect to the Customer Responsibility Program ("Petition") upon the Commission.¹ PGW filed this Petition pursuant to an October 23, 2009 Commission Order which approved a Settlement Agreement amending PGW's 2008-2010 Universal Services and Energy Conservation ("USEC")-Plan.² That amendment incorporated a Pennsylvania Department of Public Welfare's ("DPW") requirement that PGW apply Low Income Home Energy Assistance Program ("LIHEAP") cash grants directly to a Customer Responsibility Program participant's monthly payment. As part of the Settlement Agreement, PGW agreed to initiate a separate proceeding to address additional changes to its Customer Responsibility Program ("CRP") necessitated by the effects of the LIHEAP modification. The instant Petition satisfies the Company's obligation under the terms of the October Settlement Agreement.

Prior to filing the Petition, OTS and PGW engaged in numerous informal discussions regarding potential modifications to the CRP. OTS reviewed the Applied Public Policy Research Institute for Study and Evaluation Report ("Apprise Report") and agreed with PGW that the Modified Model introduced in the Apprise Report and proposed in the Petition incorporates the DPW mandated changes in the most

1 PGW filed the original Petition on June 3rd, 2010. The Company subsequently filed a corrected Petition on June 4th.

2 See Philadelphia Gas Works Universal Service and Energy Conservation Plan; Joint Petition for Interlocutory Review, Answer to a Material Question and Approval of a Settlement, M-00072021 (Opinion and Order entered October 23, 2009) at 4.

equitable manner.³ Following additional discussion, PGW further agreed with the OTS position that implementing program measures designed to reduce the Company's high CRP usage levels would reduce the cost impact of the DPW modifications upon firm customers.

The CRP payment modifications and the conservation incentive program proposed in the Petition reflect the agreements reached by PGW and OTS through earlier informal discussions. While OTS continues to submit that the DPW mandated changes are unnecessary, the Modified Model reflects a compromise between DPW's policy requirements and OTS's duty to ensure that all rates charged by the Commission are just and reasonable. The conservation incentive program further balances the public interest. Also of great importance, the Company has agreed to improve data tracking. Regular collection of comprehensive CRP usage and payment data will facilitate future improvements to PGW's CRP program to the benefit of the Company and its ratepayers.

OTS has no additional issues with regards to PGW's Petition and recommends that the Commission approve the Petition as filed. However, in the event that the Petition is assigned to the Office of Administrative Law Judge, OTS reserves the right to fully participate in the adjudicative proceedings.

If you have any questions, please do not hesitate to contact me.

Sincerely,



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

AAB/edc

cc: Parties of Record

³ PGW's Vice President of Customer Affairs describes the Modified Model in the testimony attached to the Petition as follows: "the Modified Model would adjust customer asked to pay amounts by the amount of a projected, non-customer specific, LIHEAP related credit based on the total LIHEAP Cash Grants that PGW projects will be received by CRP customers (the "Cash Grant Adjustment"). The adjustment will result in CRP customers being asked to pay a post LIHEAP Cash Grant net energy burden that is more consistent with PGW's existing goals and the PUC Policy Statement (i.e., approximately 8, 9 and 10% of income)." PGW St. 1 *citing* Apprise Report, at 59A.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Philadelphia Gas Works' Petition To :
Modify Its Universal Service and Energy : Docket No. P-2010-2178610
Conservation Plans With Respect To The :
Customer Service Program :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Correspondence** dated June 21, 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):

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