

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
v.	:	<b>Docket No. R-2009-2139884</b>
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	
	:	
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
v.	:	<b>Docket No. P-2009-2097639</b>
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	

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**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT OF  
PHILADELPHIA HOUSING AUTHORITY**

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Philadelphia Housing Authority (“PHA”), by counsel, Fox Rothschild, LLP, hereby submits its Statement in Support of Joint Petition for Settlement of Philadelphia Housing Authority (“Support Statement”). PHA has filed a Complaint and Testimony in this proceeding. PHA’s testimony discusses the role of PHA in our community and also addresses the fact that PHA has historically had one of the highest rates of return of all non-interruptible rate classes. The historical reasons for this high subsidizing of rates of others is unknown.

PHA has agreed to support the proposed settlement as it settles a number of contentious issues and will save substantial litigation and associated costs. This settlement was arrived at following discovery and testimony, which involved several issues in which PHA was actively participating.

## **REASONS FOR SUPPORT OF SETTLEMENT**

The Rate PHA (the so-called PHA-8 Rate) has historically greatly exceeded the actual cost of service to PHA. The Rate PHA, applicable to multiple residences operated by PHA and directly paid by PHA, has been called upon to subsidize other rate classes at a historically disproportionate rate. In PGW's proposed tariff, initially filed in this proceeding, this premium continued to be the highest of all non-interruptible rate classes.

PHA provides an essential and productive public service in its mission of providing of low income housing. PGW's historically excessive rates charged PHA now operate to siphon monies that could be dedicated to housing and training low income persons.

The proposed settlement is a step in the correct direction for PHA's rates. At this time, this settlement is a reasonable resolution of PHA's concerns for the following reasons:

(a) As proposed by PGW in its initial proposed tariff, PHA remained as the customer with the highest projected return on rate base of all non-interruptible rates, specifically the residential, commercial, industrial and municipal rates. The initial tariff calculated PHA's proposed return on base rate at 21.1%, which exceeded the return under the municipal rate by 5.5% and the return of the next highest rate, the Industrial rate, by 2%. These proposed rates still placed PHA's rate at the greatest distance from the articulated PGW goal of a uniform return for all rate classes.

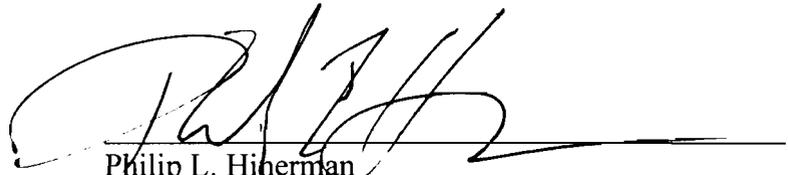
(b) As modified by the Settlement Proposal, the PHA's initially proposed rate return on rate base of 21.1% is reduced to 16.5%, which is the same return on rate base percentage as the Industrial rate.

(c) Although PHA's rate is still at a higher level than it believes is appropriate, especially given its public mission, the overall rate for the PHA-8 rate is reduced by \$440,000,

which is \$300,000 greater than the original PGW proposal. PHA still contends that it should have a return on rate base that is among the lowest of the classes, given its public mission and the fact that it pays its bills. However, it is willing to accept progress toward rate unity by reducing its return on rate base by 3.6%.

(d) PHA has been assured by PGW that the principle of gradualism discussed in Lloyd v. Pennsylvania Public Utility Commission, 904 A.2d 1010 (Pa. Cmwlth 2006) restricts the large scale adjustment of rates and that PGW will strive in future ratemaking to establish rates that are more reflective of a uniform return on base rates for all rate classes.

PHA is willing to support this Settlement at this time, given the commitment of PGW to achieve a more uniform rate of return for all rate classes and the progress the settlement makes at reducing PHA's proposed return.



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