

Philadelphia Gas Works

Gregory J. Stunder
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VIA OVERNIGHT MAIL

May 9, 2011

Rosemary Chiavetta
Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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MAY 9 2011
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Philadelphia Gas Works, Docket No. R-2011-2224739

Dear Secretary Chiavetta:

Enclosed for filing are an original and three (3) copies of the Joint Petition for Settlement of Philadelphia Gas Works' 2011-2012 GCR Proceeding along with Philadelphia Gas Works' Statement in Support of its 2011-2012 GCR Proceeding.

If you have any questions regarding this matter, please contact me. Thank you for your assistance with this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory J. Stunder", is written over the typed name.

Gregory J. Stunder

cc: Parties of record
Administrative Law Judge Christopher Pell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	
v.	:	Docket No. R-2011-2224739
	:	
PHILADELPHIA GAS WORKS	:	

**JOINT PETITION FOR SETTLEMENT OF
PHILADELPHIA GAS WORKS'
2011-2012 GCR PROCEEDING**

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

TO ADMINISTRATIVE LAW JUDGE CHRISTOPHER PELL:

I. INTRODUCTION

Philadelphia Gas Works ("PGW" or the "Company"), the Office of Trial Staff ("OTS") and the Office of Consumer Advocate ("OCA") (collectively "the Settling Parties")¹ hereby submit this Joint Petition for Settlement of PGW's 2011-2012 GCR Proceeding ("Settlement"), as captioned above, and respectfully request the following:

1. That Administrative Law Judge ("ALJ") Christopher Pell recommends and the Commission approves this Settlement and all of its terms and conditions.

2. That the ALJ recommends and the Commission authorizes PGW to file a tariff supplement to reflect rates and terms consistent with this Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket No. R-2011-2224739 to be effective for services rendered on or after September 1, 2011, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on

¹ The Office of Small Business Advocate ("OSBA") and the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

September 1, 2011 to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by paragraph III 1.(b).

3. That based on the data and testimony submitted in this case, the ALJ recommends and the Commission makes the Findings of Facts and Conclusions of Law proposed at Sections IV and V below.

4. That the Commission terminate its investigation at Docket No. R-2011-2224739 and mark closed the proceedings at Docket Nos. R-2011-2224739.

II. BACKGROUND

1. On February 1, 2011, PGW submitted required data in advance of its annual purchased gas cost ("PGC") filing pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64.

2. On March 1, 2011, PGW submitted Supplement No. 45 to Gas Service Tariff - Pa. P.U.C. No. 2 and Supplement No. 38 to Gas Supplier Tariff - Pa. P.U.C. No. 1 to become effective for services rendered on or after September 1, 2011. This annual gas cost rate ("GCR") filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies to make annual purchased gas cost filings with the Commission to reflect increases or decreases in natural gas costs. Furthermore, PGW submitted data in support of its Tariff supplement, as well as the direct testimony of witnesses Kenneth Dybalski (**PGW ST. 1** re: Proposed 2011 Annual GCR Adjustment) and Douglas Moser (**PGW ST. 2** re: Proposed 2011 Annual GCR Adjustment).

3. As required by Commission regulations, PGW provided public notice of its proposed GCR rate in Supplement No. 45 through bill inserts and newspaper publications in PGW's service territory.

4. OTS entered a notice of appearance in the case. PICGUG filed a Petition to Intervene, which was granted by the ALJ. OCA and OSBA filed complaints against PGW's tariff supplements and public statements.

5. A Prehearing Conference was held before ALJ Christopher Pell on March 14, 2011. ALJ Pell issued a Prehearing Order which established the schedule and the procedures applicable to this proceeding.

6. *Discovery, both formal and informal, was undertaken by OTS, OCA, and OSBA.* Formal discovery consisted of 34, 60 and 11 interrogatories propounded by these parties, respectively.

7. The Settling Parties commenced settlement discussions and were able to reach this Settlement which resolves all issues pertaining to PGW's 2011-2012 annual GCR Filing.

III. SETTLEMENT

The undersigned Settling Parties, intending to be legally bound and for due consideration given, agree to the terms and conditions set forth below:

1. PURCHASED GAS COST RATES

(a) The Settling Parties agree to accept the underlying data and calculations submitted by PGW in its February 1, 2011 pre-filing and its March 1, 2011 annual filing. The PGC rate adopted by this Settlement is \$6.2753 per Mcf. This rate is predicated on PGW's gas cost projections at the time of the March 1, 2011 annual PGC filing. In accordance with 52 Pa. Code § 53.64, PGW will submit a quarterly adjustment to the PGC rate on or before September 1, 2011, to be effective on one day's notice, to account for actual experience and changes in forecasted natural gas prices and demand, which will establish the PGC rate, effective September 1, 2011.

(b) PGW shall calculate the quarterly filing updates for the 2011-2012 PGC period in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(5).

(c) Attached as Appendix "A" hereto are the rates relating to this Settlement.

2. GAS PURCHASING PROGRAM

(a) Commencing upon the date of execution of this Settlement, the Settling Parties agree that PGW will follow the Gas Purchasing Program attached hereto as Appendix B. The Gas Purchasing Program is intended to reduce PGW ratepayers' exposure to natural gas price volatility and to establish agreed upon standards governing PGW's gas procurement practices.

(b) In PGW's 2011-2012 and 2012-2013 annual PGC proceedings, none of the Settling Parties shall be permitted to challenge the reasonableness, prudence or recoverability of gas costs associated with locked-in prices established in accordance with non-discretionary purchases made in accordance with Appendix B.

(c) The Settling Parties agree to monitor and review the appropriateness and effectiveness of the Gas Purchasing Program set forth in Appendix B and will revisit the Gas Purchasing Program on a going-forward basis in the context of PGW's 2012-2013 and future years' annual PGC filing.

(d) The Settling Parties agree that PGW's obligation to follow the Gas Purchasing Program attached hereto as Appendix B is subject to PGW customers' incremental migration to transportation service, as well as PGW financial constraints and/or credit limitations. PGW agrees that if these factors impact the Company's ability to carry out the Gas Purchasing Program, PGW will contact the stakeholders in order to discuss the necessary modifications to the Gas Purchasing Program.

(e) As part of its March 1, 2012 filing, PGW will provide schedules demonstrating how it has complied with Appendix B (Schedules 1 and 2) to this Settlement.

3. SUMMIT REPORT RECOMMENDATIONS

PGW will provide an action plan addressing the Summit Report recommendations, which will include a cost benefit analysis regarding the Equitrans and Dominion storages, in the Company's March 1, 2012 Annual Filing.

4. PRICE ANALYSIS AND BUYING ADVISORY SERVICE

PGW is permitted to recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2011-2012 GCR period. Continued recovery of the fee beyond the 2011-2012 GCR period must be addressed in next year's Purchased Gas Cost proceeding.

5. OFF-SYSTEM SALES MARGIN, CAPACITY RELEASE CREDIT AND ASSET MANAGEMENT MARGIN/CREDIT/FEE RETENTION

PGW will retain 25% of all off-system sales margins, capacity release credits and asset management margins/credits/fees with the remaining 75% applied as an offset to purchased gas costs. The retention period is September 1, 2011 to August 31, 2012 unless the Commission approves continuation. The Company also agrees to include an off-system sales margin, capacity release credit and asset management margins/credits/fees retention proposal for the Purchased Gas Cost period(s) beginning on September 1, 2012 in its March 1, 2012 annual 1307(f) filing.

6. ADMISSION OF EVIDENCE

The Settling Parties stipulate to the admission of the filing, testimony and exhibits identified in Appendix "C" hereto.

IV. PROPOSED FINDINGS OF FACT

As a consequence of the Settlement terms and conditions set forth in Section III above, the Settling Parties request that the ALJs and the Commission make the following findings of fact and such other findings and conclusions as may be required as appropriate:

1. PGW's gas distribution system is located in Southeastern Pennsylvania in the County and City of Philadelphia. Since this is not a gas producing area, PGW and its natural gas customers are dependent upon the interstate natural gas pipeline system to deliver natural gas into the PGW gas distribution system. (PGW ST. 2 at 2).

2. PGW relies on the interstate pipeline for all natural gas supply, storage and transportation services, except for PGW's own on-system peak shaving facilities. In this regard, PGW owns and operates liquefied natural gas ("LNG") facilities that are used both to meet intraday, daily and seasonal supply needs as well as to meet peak day requirements. (PGW ST. 2 at 2).

3. Spectra Energy ("Spectra") and Williams Gas Pipeline are the two interstate natural gas pipelines that deliver gas to PGW's city gates. In addition, Dominion Transmission Inc. ("DTI"), and Equitrans, Inc. ("Equitrans") provide natural gas storage services that PGW uses to meet winter peak requirements. These storage services require intermediate transportation services from Spectra to deliver storage withdrawals to the PGW gas distribution system. (PGW ST. 2 at 2).

4. PGW pursues a least cost procurement policy using a portfolio approach in both contract structure and pricing. The portfolio approach protects ratepayers from some of the risk of natural gas market volatility by utilizing a mix of first-of-the-month index pricing, physical forward purchase contracts, storage, winter-only supply contracts, and LNG, as appropriate

given market conditions, and to the extent PGW is not constrained by its financial condition. (PGW ST. 2 at 3).

5. PGW also uses capacity release and off-system sales when available. The prices for the off-system sales transactions are negotiated and 75% of associated credits and margins are returned to customers through the GCR.

6. The details of PGW's actual gas purchases for the 12 months ending December 31, 2010 and an estimate of gas purchases through August of 2012 are presented in the schedules attached to Item 53.64(c)(1) of PGW's February 1, 2011 Pre-filing and Tabs 3 and 4 of PGW's March 1, 2011 annual GCR filing.

7. Projected gas costs as reflected in this Settlement are based on peak-day capacity requirements at a 0 degree design day temperature. (PGW's February 1, 2011 Pre-filing, Item 53.64(c)(13)).

8. PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production. Therefore, transactions with affiliates are not an issue in this proceeding pertaining to PGW's procurement practices. (PGW's February 1, 2011 Pre-filing at Item 53.65(5)).

V. PROPOSED CONCLUSIONS OF LAW

1. Historical Reconciliation Period Standards

(a) With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2010², it is requested that the ALJs and the Commission find that PGW has met the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, as required by Section 1307(f)(5) of the Public

² The reconciliation period for PGW in this proceeding is the twelve-month period ended December 31, 2010, in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(1).

Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that, during the twelve months ended December 31, 2010:

i. PGW met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.

2. Interim and Projected Period Findings

(a) With respect to the eight-month interim period beginning on January 1, 2011, and with respect to the projected twelve-month period beginning September 1, 2011, when rates contained in this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning PGW's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from PGW's compliance with all of the provisions of Section 1318 of the Public Utility Code.

(b) The Settling Parties agree, based upon evidence of record in this proceeding concerning PGW's projected gas purchases and gas purchasing policies, that PGW's projected gas purchases and projected gas purchasing policies may comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section V.2., is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, and further review in an appropriate future proceeding. Section V.2. of the Settlement is not intended in any way to limit or prevent OTS or OCA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether PGW's gas purchases

and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from January 1, 2011 through August 31, 2011 were challenged, the Commission's findings based upon Section V of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing January 1, 2011, and the twelve-month application period commencing September 1, 2011, and ending on August 31, 2012.

VI. CONDITIONS OF SETTLEMENT

1. This Settlement will go into effect upon the Commission's entry of a final order approving the Settlement, in full and without modification. If the Commission rejects the Settlement, the Agreement automatically will terminate and be null and void with the exception of paragraph 3 below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph 3, below) if the Commission, in approving the Settlement, modifies any of its terms or conditions or adds any conditions, unless it is subsequently accepted by the aggrieved signatory party, or parties, as so modified. If the Commission approves the Settlement in full and without modification, the Stipulation:

(a) shall be deemed to resolve with prejudice all issues addressed by this Settlement; and

(b) shall be implemented and shall be enforceable notwithstanding the pendency of a petition for reconsideration or a legal challenge to the Commission's approval, unless such implementation and enforcement of the Settlement is stayed or enjoined by the Commission, another regulatory agency, or a Court having competent jurisdiction over the matter.

2. This Settlement is made without admission against or prejudice to any factual or legal positions which any of the signatories hereto may assert in subsequent litigation in the event that the Commission does not issue a final Order approving this Settlement in full and without modification. If the Commission does not adopt this Settlement in accordance with the terms set forth herein, the Settling Parties reserve their full right to argue that the Commission is without the legal authority to order the implementation of all or part of the terms and conditions set forth herein and no party shall be deemed to have waived or be estopped from asserting such a position before the Commission or before any court.

3. This Settlement Petition may be executed in counterparts, all of which shall constitute one agreement binding on all signatories, and shall have the same force and effect as an original instrument, notwithstanding that the signatories may not be signatories to the same original or the same counterpart.

4. The Settling Parties will submit Statements in Support of this settlement.

5. The Settling Parties agree to waive exceptions to the ALJs' recommended decision if the ALJs recommend that the Joint Petition for Settlement of Philadelphia Gas Works' 2011-2012 GCR Proceeding be approved without change or modification.³

CONCLUSION

WHEREFORE, the Settling Parties, by their respective counsel, respectfully request as follows:

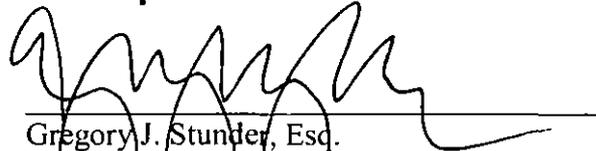
1. That Administrative Law Judge Christopher Pell and the Commission approve this Settlement including all terms and conditions thereof; and

³ See Appendix D – Sample Ordering Paragraphs for the Recommended Decision.

2. That the Commission enter an order consistent with this Settlement, resolving and terminating the 2011-2012 GCR proceeding.

Respectfully submitted,

Philadelphia Gas Works



Gregory J. Stunder, Esq.
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800 West Montgomery Ave.
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215-684-6878

Counsel for Philadelphia Gas Works

Dated: May 9, 2011

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Counsel for Office of Trial Staff

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Harrisburg, PA 17105-3265

Office of Consumer Advocate

By _____

Aron Beatty

Counsel for the Consumer Advocate

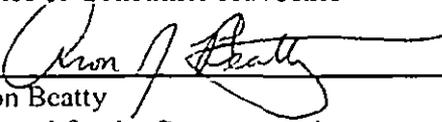
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Adcolu A. Bakare
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By  _____
Aron Beatty
Counsel for the Consumer Advocate

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Appendix A

<u>Gas Cost Rate</u>	
	<u>09/01/2011</u>
Rate per Mcf	\$6.2753
<u>USC</u>	
	<u>09/01/2011</u>
Rate per Mcf	\$2.1458
<u>Restructuring/Consumer Ed Surcharge</u>	
	<u>09/01/2011</u>
Rate per Mcf	(\$0.0001)

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Appendix B
Schedule 1

Gas Purchasing Program

	<u>2010-2011</u>		<u>2011-2012</u>		<u>2012-2013</u>	
	<u>Dth</u>	<u>% of Total</u>	<u>Dth</u>	<u>% of Total</u>	<u>Dth</u>	<u>% of Total</u>
Non-discretionary component						
Price hedging - monthly incremental contracts - Schedule 2	9,580,000	18.8%	9,580,000	19.1%	9,580,000	19.1%
Physical hedging (depending on beginning inventory)	12,000,000	23.5%	12,000,000	23.9%	12,000,000	23.9%
	21,580,000	42.3%	21,580,000	43.0%	21,580,000	43.0%
Market Rates Component						
FOM Call Options	18,250,000	35.8%	18,250,000	36.3%	18,250,000	36.3%
	39,830,000	78.1%	39,830,000	79.3%	39,830,000	79.3%
Discretionary *	11,170,000	21.9%	10,380,000	20.7%	10,380,000	20.7%
TOTAL PURCHASES	51,000,000	100.0%	50,210,000	100.0%	50,210,000	100.0%

* Discretionary purchases will partly consist of volumes that are price hedged and physically hedged depending upon PGW's ability to perform such transactions.

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SECRETARY'S BUREAU

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1	Delivery	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
2	Month												
3	K Month	Dth											
4	Sep-09	70,000											
5	Oct-09	70,000	70,000										
6	Nov-09	70,000	70,000	70,000									
7	Dec-09	70,000	70,000	70,000	70,000								
8	Jan-10	70,000	70,000	70,000	70,000	70,000							
9	Feb-10	70,000	70,000	70,000	70,000	70,000	70,000						
10	Mar-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000					
11	Apr-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000				
12	May-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000			
13	Jun-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	
14	Jul-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
15	Aug-10	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
16	Sep-10		70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
17	Oct-10			70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
18	Nov-10				70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
19	Dec-10					70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000
20	Jan-11						70,000	70,000	70,000	60,000	62,000	60,000	62,000
21	Feb-11							70,000	70,000	60,000	62,000	60,000	62,000
22	Mar-11								70,000	60,000	62,000	60,000	62,000
23	Apr-11									60,000	62,000	60,000	62,000
24	May-11										62,000	60,000	62,000
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50	Jul-13												
51		840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
52													9,580,000
53	Comparison												
54	9/10 - 8/11	840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
55													9,580,000
56	9/11 - 8/12	840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
57													9,580,000
58	9/12 - 8/13	840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
59													9,580,000

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1	<u>Delivery</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>	<u>Aug-12</u>
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22	Mar-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000					
23	Apr-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000				
24	May-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000			
25	Jun-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000		
26	Jul-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	
27	Aug-11	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
28	Sep-11		70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
29	Oct-11			70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
30	Nov-11				70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
31	Dec-11					70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
32	Jan-12						70,000	70,000	60,000	62,000	60,000	62,000	62,000
33	Feb-12							70,000	60,000	62,000	60,000	62,000	62,000
34	Mar-12								60,000	62,000	60,000	62,000	62,000
35	Apr-12									62,000	60,000	62,000	62,000
36	May-12										60,000	62,000	62,000
37	Jun-12											62,000	62,000
38	Jul-12												62,000
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51		840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
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16	Sep-10												
17	Oct-10												
18	Nov-10												
19	Dec-10												
20	Jan-11												
21	Feb-11												
22	Mar-11												
23	Apr-11												
24	May-11												
25	Jun-11												
26	Jul-11												
27	Aug-11												
28	Sep-11	70,000											
29	Oct-11	70,000	70,000										
30	Nov-11	70,000	70,000	70,000									
31	Dec-11	70,000	70,000	70,000	70,000								
32	Jan-12	70,000	70,000	70,000	70,000	70,000							
33	Feb-12	70,000	70,000	70,000	70,000	70,000	70,000						
34	Mar-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000					
35	Apr-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000				
36	May-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000			
37	Jun-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000		
38	Jul-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	
39	Aug-12	70,000	70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
40	Sep-12		70,000	70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
41	Oct-12			70,000	70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
42	Nov-12				70,000	70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
43	Dec-12					70,000	70,000	70,000	60,000	62,000	60,000	62,000	62,000
44	Jan-13						70,000	70,000	60,000	62,000	60,000	62,000	62,000
45	Feb-13							70,000	60,000	62,000	60,000	62,000	62,000
46	Mar-13								60,000	62,000	60,000	62,000	62,000
47	Apr-12									62,000	60,000	62,000	62,000
48	May-13										60,000	62,000	62,000
49	Jun-13											62,000	62,000
50	Jul-13												62,000
51		840,000	840,000	840,000	840,000	840,000	840,000	840,000	740,000	752,000	720,000	744,000	744,000
52													9,580,000
53	Comparison												
54	9/10 - 8/11												
55													
56	9/11 - 8/12												
57													
58	9/12 - 8/13												
59													

APPENDIX C

Stipulated Record

1. PGW's February 1, 2011 Pre-Filing Information;
2. PGW's March 1, 2011 Annual GCR Filing;
3. PGW St. 1 (Dybalski); and
4. PGW St. 2 (Moser).

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.

v.

PHILADELPHIA GAS WORKS

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Docket No. R-2011-2224739

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Appendix D

Sample Ordering Paragraphs for the Recommended Decision

1. That the Joint Petition for Settlement of the Philadelphia Gas Works' 2011-2012 GCR Proceeding submitted by the Philadelphia Gas Works, the Office of Trial Staff and the Office of Consumer Advocate at Docket No. R-2011-2224739 is approved.¹

2. That the Philadelphia Gas Works is authorized to file a tariff supplement to reflect rates and terms consistent with the Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket Nos. R- R-2011-2224739 to be effective for services rendered on or after September 1, 2011, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2011, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by paragraph III 1(b) of the Joint Petition.

3. That the Gas Purchasing Program in Appendix B shall be made available to the Commission and its Staff for use in this proceeding. For purposes of filing, to the extent that Appendix B is placed in the Commission's report folders, such information shall be handled in accordance with routine Commission procedures inasmuch as the report folders are not subject to public disclosure.

¹ The undersigned concur with the findings of fact and the conclusions of law as set forth in Sections IV. and V., respectively, of the Joint Petition for Settlement of the Philadelphia Gas Works' 2011-2012 GCR Proceeding.

4. That the Philadelphia Gas Works shall calculate the quarterly filing updates for the 2011-2012 GCR period in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(5).

5. That the Philadelphia Gas Works will follow the Gas Purchasing Program attached to the Joint Settlement Petition as Appendix B.

6. That in the Philadelphia Gas Works' 2011-2012 and 2012-2013 annual gas cost rate proceedings, none of the Settling Parties shall be permitted to challenge the reasonableness, prudence or recoverability of gas costs associated with locked-in prices established in accordance with non-discretionary purchases under Appendix B solely on the basis that the Philadelphia Gas Works should not have locked-in the price prior to applicable deadlines.

7. That the Settling Parties agree to monitor and review the appropriateness and effectiveness of the Gas Purchasing Program set forth in Appendix B of the Joint Petition and will revisit the Gas Purchasing Program on a going-forward basis in the context of PGW's 2012-2013 and future years' annual PGC filing.

8. That the Philadelphia Gas Works' obligation to follow the Gas Purchasing Program attached to the Joint Petition as Appendix B is subject to Philadelphia Gas Works' credit limits and/or financial constraints. If financial constraints and/or credit limitations impact the Company's ability to carry out the Gas Purchasing Program, Philadelphia Gas Works will contact the stakeholders in order to discuss the modifications to the Gas Purchasing Program required by these factors.

9. That the Philadelphia Gas Works will will provide an action plan addressing the Summit Report recommendations, which will include a cost benefit analysis regarding the Equitrans and Dominion storages, in the Company's March 1, 2012 Annual Filing.

10. That the Philadelphia Gas Works will recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2011-2012 GCR period.

Continued recovery of the fee beyond the 2011-2012 GCR period must be addressed in next year's Purchased Gas Cost proceeding.

11. That the Philadelphia Gas Works will retain 25% of all off-system sales margins, capacity release credits and asset management margins/credits/fess with the remaining 75% applied as an offset to purchased gas costs. The retention period is September 1, 2011 to August 31, 2012 unless the Commission approves continuation. The Company also agrees to include an off-system sales margin, capacity release credit and asset management margins/credits/fees retention proposal for the Purchased Gas Cost period(s) beginning on September 1, 2012 in its March 1, 2012 annual 1307(f) filing.

12. That the Philadelphia Gas Works' filing and the testimony and the accompanying exhibits submitted by the Philadelphia Gas Works are admitted into evidence in this proceeding.

13. That the formal complaint filed by the Office of Consumer Advocate at C-2011-2229913 is deemed satisfied.

14. That the formal complaint filed by the Office of Small Business Advocate at C-2011-2226343 is deemed satisfied.

15. That the intervention of the Philadelphia Industrial and Commercial Gas Users Group is dismissed.

16. That the Commission Investigation at Docket No. R-2011-2224739 is terminated and marked closed.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.

v.

PHILADELPHIA GAS WORKS

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Docket No. R-2011-2224739

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**PHILADELPHIA GAS WORKS' STATEMENT IN SUPPORT
OF THE JOINT PETITION FOR SETTLEMENT
OF ITS 2011-2012 GCR PROCEEDING**

Philadelphia Gas Works ("PGW" or "Company") submits this Statement in Support of the Joint Petition for Settlement of its 2011-2012 Gas Cost Rate ("GCR") Proceeding. PGW respectfully requests that Administrative Law Judge ("ALJ") Christopher Pell and the Public Utility Commission approve the Joint Petition, make the findings required by the Public Utility Code, 66 Pa. C.S. §§ 1317 and 1318, and deem this settlement in the public interest.

I. BACKGROUND

On February 1, 2011, PGW submitted required data in advance of its annual GCR filing pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64. On March 1, 2011, PGW submitted Supplement No. 45 to Gas Service Tariff - Pa. P.U.C. No. 2 and Supplement No. 38 to Gas Supplier Tariff - Pa. P.U.C. No. 1 to become effective for services rendered on or after September 1, 2011. This annual GCR filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies to make annual purchased gas cost filings with the Commission to reflect increases or decreases in natural gas costs.

The Office of Trial Staff ("OTS") entered a notice of appearance in the case. The Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") filed a Petition to

Intervene which was granted by the ALJ. The Office of Consumer Advocate (“OCA”) and Office of Small Business Advocate (“OSBA”) filed complaints against PGW’s filing.

A Prehearing Conference was held before ALJ Christopher Pell on March 14, 2011. ALJ Pell issued a Prehearing Order which established the schedule and the procedures applicable to this proceeding.

Discovery, both formal and informal, was undertaken by various parties. The Parties commenced settlement discussions and were able to reach a Settlement which resolves all issues pertaining to PGW’s 2011-2012 annual GCR Filing.¹

II. PGW IS PURSUING A LEAST COST FUEL PROCUREMENT POLICY CONSISTENT WITH PGW’S OBLIGATION TO PROVIDE SAFE, ADEQUATE AND RELIABLE SERVICE TO ITS CUSTOMERS.

Currently, PGW pursues a least cost procurement policy consistent with PGW’s obligation to provide safe, adequate and reliable service by among other things:

(1) using a portfolio approach in contract structure and pricing; and

(2) utilizing capacity release credits, off system sales margins (when available) and asset management arrangement fees as an additional cost saving strategy and method for providing 75% of the credits, margins and fees as a reduction to purchased gas costs.²

The proposed settlement advances the above goal by:

(1) committing to a gas purchasing program that includes purchasing for both the 2011-2012 and 2012-13 GCR periods;³ and

¹ The Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

² Joint Petition for Settlement Paragraph III.5.

³ Joint Petition for Settlement Paragraph III.2.

(2) agreeing to provide an action plan addressing the Summit Report recommendations, which will include a cost benefit analysis regarding the Equitrans and Dominion storages, in the Company's March 1, 2012 Annual Filing.⁴

The Company's portfolio approach utilizes a mix of first-of-the-month index pricing, physical forward purchase contracts, storage injection, winter-only supply contracts, and LNG to protect ratepayers from some of the risk of natural gas market volatility. The Gas Purchasing Program submitted with this settlement is intended to reduce PGW ratepayers' exposure to price volatility by hedging some portion of the Company's firm requirements against significant swings in the price of natural gas and establish agreed to standards governing PGW's gas procurement practices. The settlement agreement of the parties recognizes that PGW will also submit quarterly adjustments to the PGC factor in order to account for changes in forecasted price and demand. The foregoing will further assure that PGW is doing everything possible to reduce costs or improve cashflow and its financial strength.

Therefore, the above settlement terms certainly meet the Commission's goal in ensuring the least cost procurement policy consistent with PGW's obligation to provide safe, adequate and reliable service.

III. APPROVAL OF THE JOINT PETITION IS IN THE PUBLIC INTEREST

The Joint Petition is in the public interest because it fairly and reasonably resolves a number of significant issues affecting PGW and its customers and produces GCR rates that are just, reasonable and compliant with the Public Utility Code. All of the facts necessary to approve the settlement are included in the record of the proceeding through the filing and

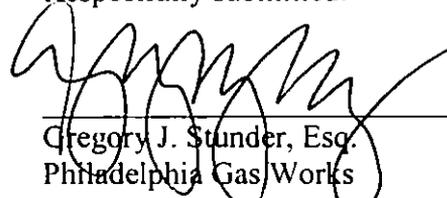
⁴ Joint Petition for Settlement Paragraph III.3.

supporting data itself, the testimony, or the attachments to the settlement agreement submitted to the ALJ through the stipulation of the Parties.

IV. CONCLUSION

Having found that PGW pursues a least cost procurement policy consistent with PGW's obligation to provide safe, adequate and reliable service, that this settlement satisfies the Commission's requirements at Section 1317 and 1318 of the Code and is in the public interest, PGW supports the Joint Petition and urges ALJ Pell and the Commission to approve it in its entirety.

Respectfully submitted:



Gregory J. Stunder, Esq.
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122
215-684-6878

Counsel for Philadelphia Gas Work

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA E-MAIL and FIRST CLASS MAIL

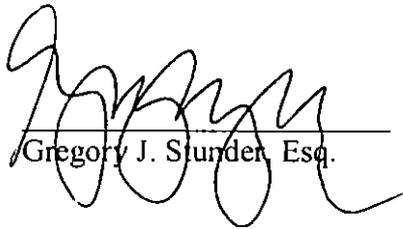
Aron Beatty, Esq.
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Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Adeolu Bakare, Esq.
Office of Trial Staff
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Date: May 9, 2011



Gregory J. Stunder, Esq.

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1 From This portion can be removed for Recipient's records.
Date 5/9/11 FedEx Tracking Number 872073442872

Sender's Name G Stundes Phone 215 684 6878

Company PHILADELPHIA GAS WORKS

Address 800 W MONTGOMERY AVE

Dept./Floor/Suite/Room

City PHILADELPHIA State PA ZIP 19120-2898

2 Your Internal Billing Reference

3 To Recipient's Name Rosemary Chiavetta Phone 717 772 7777

Company PA PUC

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REQUIRED Available ONLY for
FedEx Priority Overnight and
FedEx 2Day to select locations.

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4a Express Package Service

To most locations

Packages up to 150 lbs.

FedEx Priority Overnight
Next business morning ** Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx Standard Overnight
Next business afternoon.
Saturday Delivery NOT available

FedEx First Overnight
Earliest next business morning delivery to select locations

FedEx 2Day
Second business day ** Thursday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx Express Saver
Night by next afternoon.
Saturday Delivery NOT available

EXP SAVER

4b Express Freight Service

To most locations

Packages over 150 lbs.

FedEx 1Day Freight
Next business day ** Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx 1Day Freight Booking Fee

FedEx 2Day Freight
Second business day ** Thursday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx 3Day Freight
Third business day ** Saturday Delivery NOT available

5 Packaging

* Declared value limit \$200

FedEx Envelope*

FedEx Pak*
Includes FedEx Small Pak and FedEx Large Pak

FedEx Box

FedEx Tube

Other

6 Special Handling and Delivery Signature Options

SATURDAY Delivery
NOT available for FedEx Standard Overnight, FedEx Express Saver, or FedEx 3Day Freight

No Signature Required
Package may be left without obtaining a signature for delivery

Direct Signature
Someone at recipient's address may sign for delivery. Fee applies.

Indirect Signature
If no one is available at recipient's address, someone at a neighboring address may sign for delivery. For residential deliveries only. Fee applies.

Does this shipment contain dangerous goods?

One box must be checked

No

Yes

As per attached Shipper's Declaration

Yes

Shipper's Declaration not required

Dry Ice

Dry ice, 3 UN 1845

kg

Dangerous goods (including dry ice) cannot be shipped in FedEx packaging or placed in a FedEx Express Drop Box

Cargo Aircraft Only

7 Payment Bill to:

Sender
Acct. No. in Section 1 will be billed.

Recipient

Third Party

Credit Card

Cash/Check

Enter FedEx Acct. No. or Credit Card No. below

Obtain recip Acct. No.

Total Packages

Total Weight

Credit Card Auth.

*Our liability is limited to \$100 unless you declare a higher value. See the current FedEx Service Guide for details.

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