

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: PA PUC, OCA, OSBA v.
Philadelphia Gas Works.

Public Meeting: May 23, 2013
2333993-ALJ
Docket: R-2012-2333993

MOTION OF COMMISSIONER JAMES H. CAWLEY

Before the Commission today are Philadelphia Gas Works' (PGW or Company) Supplement No. 55 to Tariff Gas – Pa. P.U.C. No. 2, the Joint Petition for Settlement, Statements in Support of Settlement, and Administrative Law Judge Pell's Recommended Decision (RD) approving the Settlement without modification.

In this proceeding, PGW proposed to unbundle natural gas procurement costs from distribution rates and to recover these costs through a Gas Procurement Charge (GPC) that would be included in its Price-to-Compare (PTC). The Company also proposed to establish a Merchant Function Charge (MFC) rider to remove uncollectible bad debt expense from distribution rates and to recover these costs through an MFC rider that would be included in its PTC. Finally, the tariff request reformulated the Price-to-Compare to include the newly created GPC/MFC and the purchased gas cost e-factor.

The record demonstrates that PGW has provided sufficient evidence in support of its MFC Rider. However, a thorough review of the record reveals that PGW has not complied with our regulations regarding its proposed GPC rate. Specifically, Section 62.223(b)(1) of our regulations requires the following cost elements to be included in the GPC:

- (i) Natural gas supply service, acquisition, and management costs, including natural gas supply bidding, contracting, hedging, credit, risk management costs, **and working capital**; and
- (ii) Administrative, legal, regulatory, and general expenses related to those natural gas procurement activities, excluding those related to the administration of firm storage and transportation capacity.

52 Pa. Code § 62.223(b)(1) (Emphasis added).

The Office of Small Business Advocate (OSBA) testified that the Company's GPC proposal included no provision for working capital, despite the fact that the Commission's regulations explicitly

contemplate including such costs in the GPC. See OSBA Statement in Support, at 3. OSBA specifically raised concerns regarding PGW's GPC related costs – storage gas working capital (SGWC) and cash working capital (CWC) – and noted that this issue will need to be reexamined. OSBA concluded that PGW incurs CWC costs for its sales customers but not for its shopping customers, and further noted that PGW will incur substantially higher CWC costs for sales customers than for shopping customers. (RD at 10.) As a result, OSBA testified that PGW's proposal to keep all CWC in base rates serves to over-charge shopping customers. RD at 10.

PGW does not dispute OSBA's assertions, yet argues that it will begin to incur CWC for shopping customers when a purchase of receivables (POR) mechanism goes into place. However, PGW does not currently have a POR program in place. OSBA ultimately dropped its objection because (1) the adjustments were revenue neutral – an increase in the PTC is essentially offset by a decrease in base rates, and (2) natural gas suppliers did not participate in this proceeding, so the issue must have been deemed to be insignificant to them.

PGW's explanations and OSBA's reasons for acquiescence fail to justify the failure to comply with our regulations, which require the removal of these costs from base rates. Therefore, PGW should make a compliance filing within 20 days of the effective date of the Commission's Order removing the estimated costs for PGW's storage gas working capital and cash working capital from base rates, and file revised GPC and distribution rates. In light of this modification, the Settling Parties may inform the Commission whether they propose to withdraw support for the Settlement within 5 days of the Commission's Order, and may file comments to the compliance filing within 10 days of its filing. If no such Exceptions are filed within 5 days, then the Settlement, as modified by this Motion, shall become effective by operation of law.

THEREFORE, I move that:

1. The Recommended Decision be modified consistent with this Motion.
2. The Office of Special Assistants draft an appropriate order consistent with this Motion.

May 23, 2013
Date


James H. Cawley, Commissioner