

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: July 1, 2002		2. BUREAU AGENDA NO. JUL-2002-ALJ-0036*	
3. BUREAU: ALJ			
4. SECTION(S):		5. PUBLIC MEETING DATE: July 11, 2002	
6. APPROVED BY: CHIEF ALJ: Robert A. Christianson 7-6108 Supervisor:			
7. PERSONS IN CHARGE: ALJ Allison K. Turner			
8. DOCKET NO.: R-00027133; R-00027133C0001/C0002			

DOCKETED

JUL 23 2002

DOCUMENT FOLDER

9. (a) **CAPTION** (abbreviate if more than 4 lines)
 (b) **Short summary of history & facts, documents & briefs**
 (c) **Recommendation**

- (a) PA PUC, et al. v. Philadelphia Gas Works
- (b) On March 1, 2002, PGW submitted Supplement No. 19 to Tariff Gas – Pa. PUC No. 1 to become effective for services rendered on or after September 1, 2002. The filing was made pursuant to 66 Pa. C.S. §1307(f). On April 30, 2002, PGW, OTS and OCA filed Joint Petition for Settlement.
- (c) ALJ Turner issued a Recommended Decision adopting the Joint Petition for Settlement.

Recommended Decision served: June 4, 2002

No Exceptions have been received by the Commission.

Calendar Sheet Doc. No. 339154

Order Doc. No. 339155

10. **MOTION BY:** Commissioner Chm. Thomas

SECONDED: Commissioner Bloom

Commissioner Wilson - Yes
 Commissioner Fitzpatrick - Yes
 Commissioner Pizzingrilli - Yes

CONTENT OF MOTION: That the Decision of ALJ Turner be adopted as the action of the Commission.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
July 11, 2002

Revised 1/13/01

**IN REPLY PLEASE
REFER TO OUR FILE**

R-00027133
R-00027133C0001
R-00027133C0002

MARGARET FLORES ESQ
PHILADELPHIA GAS WORKS
800 WEST MONTGOMERY AVE
PHILADELPHIA PA 19122

DOCUMENT FOLDER

Pennsylvania Public Utility Commission, et al
V
Philadelphia Gas Works

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on July 11, 2002 has adopted an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
James J. McNulty
Secretary

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encls
cert. mail

See Attached List for Additional Parties

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PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held July 11, 2002

Commissioners Present:

Glen R. Thomas, Chairman
Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Terrance J. Fitzpatrick
Kim Pizzingrilli

Pennsylvania Public Utility
Commission, et al.

v.

R-00027133
R-00027133C0001
R-00027133C0002

Philadelphia Gas Works

DOCUMENT FOLDER

ORDER

BY THE COMMISSION:

We adopt as our action the Recommended Decision of Administrative Law Judge Allison K. Turner dated May 14, 2002; THEREFORE,

IT IS ORDERED:

1. The gas cost rate (GCR) for Philadelphia Gas Works, to be effective September 1, 2002, is \$2.0301 per Mcf (including gross receipts tax), as calculated and represented as Appendix A to the Settlement which is in Attachment A to the Recommended Decision. This GCR rate is a decrease of \$-0.0142 per Mcf from the GCR as initially filed by PGW at this docket. This GCR rate is also a decrease from the previously-effective GCR rate of \$3.1307 per Mcf. Pursuant to the provisions of 52 Pa. Code §§53.64(i)(5)(iii), PGW may file quarterly adjustments to be effective September 1, 2002 and December 1, 2002.

2. PGW is hereby authorized to file a tariff supplement reflecting the rates described in Paragraph 1 above to be effective for service rendered on and after September 1, 2002, subject to quarterly adjustments as permitted by Commission regulations.

3. The Stipulated Testimony and Exhibits listed in Appendix C to the Joint Petition for Settlement are hereby admitted to the record at this docket. PGW shall, if it has not already, provide sufficient copies to the Secretary of the Commission for the Commission's public folders at this docket.

4. The Settling Parties agree to accept the underlying data and calculations submitted by PGW in its February 1, 2002 pre-filing and its March 1, 2002 annual filing with one exception pertaining to the appropriate projected credit to the GCR Factor resulting from gross capacity release and off system sales. In this regard, the \$2.2 million credit for gross capacity release and off system sales will be incorporated into the calculation of the GCR Factor. The resulting GCR Factor adopted by this Settlement is \$2.0301. This GCR Factor is predicated on PGW's gas cost projections at the time of the March 1, 2002 annual GCR filing. In accordance with 52 Pa. Code §53.64, PGW will submit a quarterly adjustment to the GCR Factor on September 1, 2002, and December 1, 2002, to be effective on one day's notice, to account for actual experience and changes in forecasted natural gas prices and demand.

5. PGW shall calculate the quarterly filing updates for the 2002-2003 GCR period in accordance with the Commission's regulations at 52 Pa. Code §53.64(i)(5). Furthermore, quarterly updates will be calculated as set forth in the following paragraphs.

6. PGW's quarterly filing shall use the actual over/under recovery level in existence as of October 31, 2002.

7. In forecasting natural gas prices for its GCR quarterly updates, PGW shall use: (1) the actual known prices for November 2001; (2) the most recent NYMEX futures closing prices, available at the time PGW begins the preparation of the December 1, 2002 quarterly filing, for the forecast months of December 2002, January 2003, and February 2003; (3) the simple monthly average of these recent NYMEX futures prices and the DRI-derived gas prices forecast for the remaining eight forecast months.

8. PGW reserves the right to propose alternative methodologies for forecasting natural gas prices in the event that, in PGW's best judgment, the calculation methodologies set forth in paragraph 7 above would produce unreasonable results. PGW agrees to provide the DRI forecast as soon as it is available and to notify the Parties prior to submitting a quarterly filing that implements an alternative forecasting methodology.

9. Commencing upon the date of execution of this Settlement, the Parties agree that PGW will follow the Gas Purchasing Program attached to the Joint Petition for Settlement.

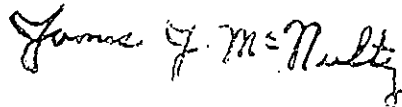
10. The Gas Purchasing Program is intended to reduce PGW's exposure to natural gas price volatility and to establish agreed to standards governing PGW's gas procurement practices.

11. In PGW's 2003-2004 annual GCR proceeding, no party 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 solely on the basis that PGW should not have locked-in the price prior to applicable deadlines.

12. The Parties agree to monitor and review the appropriateness and effectiveness of the Gas Purchasing Program and revisit the Program in the context of PGW's 2003-2004 annual GCR filing. The Settling Parties have also discussed the inclusion of longer-term gas purchasing standards in PGW's Gas Purchasing Program. PGW will continue to consider long term standards as it implements Appendix "B" and proceeds with restructuring. The Settling Parties agree to revisit this issue within the context of PGW's 2003-2004 annual GCR proceeding, however, the Parties agree that in the future all non-discretionary purchases will occur over a period of 12 months or greater.

13. The Commission hereby terminates its investigation at Docket No. R-00027133 and the file shall be marked closed, and that the complaints at Docket Nos. R-00027133C0001 and R-00027133C0002 shall be considered satisfied, and the files shall be marked closed.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: July 11, 2002

ORDER ENTERED: JUL 11 2002

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2. Article Number



7106 4575 1293 1139 6684

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? (Extra Fee) Yes

1. Article Addressed to:

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery 2/15/02

C. Signature [Signature] Agent Addressee

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

R-00027133C0001

Kevin J Moody ESQ

PS Form 3811, June 2000

Domestic Return Receipt

2. Article Number



7106 4575 1293 1139 6691

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? (Extra Fee) Yes

1. Article Addressed to:

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery 2/15/02

C. Signature [Signature] Agent Addressee

D. Is delivery address different from item 1? Yes No
If YES, enter delivery address below:

R-00027133C0001

Kevin J. Moody ESQ

PS Form 3811, June 2000

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