



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

IN REPLY PLEASE
REFER TO OUR FILE

June 5, 2013

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

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works 1307(f)
Docket No. R-2013-2346376

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E)
Statement in Support of Settlement in the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions,
please contact me at (717) 783-6155.

Sincerely,

Regina L. Matz
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #42498

Enclosure
RLM/sea

cc: Parties of Record
Hon. Christopher P. Pell

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2013-2346376
 :
 Philadelphia Gas Works 1307(f) :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Statement in Support of Settlement** dated June 5, 2013, in the manner and upon the persons listed below, in accordance with the requirements of § 1.54 (relating to service by a party):

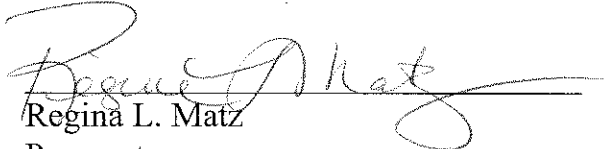
Served via electronic and first class mail

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Regina L. Matz
Prosecutor
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PA Attorney I.D. #42498

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :

v.

Philadelphia Gas Works

:
:
:
:

Docket No. R-2013-2346376

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE CHRISTOPHER PELL:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), through its Prosecutor, Regina L. Matz, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement (Joint Petition or Settlement) are in the public interest and represent a fair, just and reasonable balance of the interests of Philadelphia Gas Works (PGW or Company) and its customers. This request is based upon I&E's conclusion that the Settlement is in the public interest as supported by the following factors:

I. BACKGROUND

1. I&E is charged with the representation of the public interest in proceedings before the Commission relating to rates, rate-related services, and application

proceedings. In negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to identify to what extent amicable resolution of any proceeding will benefit the public interest. Based upon I&E's analysis of the Company's Section 1307(f) filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that Administrative Law Judge Christopher Pell and the Commission approve the Settlement in its entirety.

2. On January 31, 2013, the Company submitted its pre-filing information, as required by 52 Pa. Code §§ 53.64 and 53.65. Thereafter, on February 28, 2013, the Company filed Supplement No. 48 to its Supplier Tariff – Pa. PUC No. 1 to become effective for services rendered on or after September 1, 2013. The Company also filed its prepared Direct Testimony.

3. I&E filed its Notice of Appearance in this proceeding on February 12, 2013. The Office of Consumer Advocate filed its Complaint on March 5, 2013; the Office of Small Business Advocate filed its Complaint on February 20, 2013. On February 21, 2013, the Philadelphia Industrial and Commercial Gas Users Group filed a Petition to Intervene.

4. ALJ Pell conducted a telephonic Prehearing Conference on February 19, 2013, at which time the parties agreed to a procedural schedule.

5. I&E and other parties undertook discovery and entertained settlement discussions. Through the course of this discovery and settlement negotiations, I&E determined that it did not have proposed adjustments to the Company's filing. Moreover,

while I&E reviewed the testimony of the OCA in this proceeding, I&E had no adjustment resulting from OCA's evidentiary position as well.

II. SETTLEMENT

6. In accordance with the Commission's policy favoring settlements over costly and time consuming litigation, 52 Pa. Code § 5.231, the Joint Petitioners have achieved a full and complete settlement of all issues. I&E submits that the proposed Settlement is in the public interest and should be approved by the ALJ and the Commission for the following reasons:

A. PURCHASED GAS COST RATES

7. I&E represents that the purchased gas costs that PGW incurred during the historic period adhered to a least cost fuel procurement policy. Adhering to a least cost procurement policy benefits ratepayers because least cost gas directly impacts customer gas bills and obligates the Company to provide safe, adequate, and reliable service to its customers. After review of the filing and discovery, and in light of the settlement discussions, I&E maintains that the Company's gas purchasing practices have satisfied its least cost procurement obligation.

8. I&E analyzed the Company's E-factor and found that it was calculated in accordance with established Commission practices. This review is critical because the proper calculation of the E-factor ensures that rates are adjusted appropriately. PGW asserts it will calculate quarterly filing updates for the 2013-2014 PGC period in accordance with the Commission's regulations at 52 Pa. Code §53.64(i)(5), a point raised

by I&E in PGW's 2012-2013 PGC filing. I&E is satisfied that the Company's E-factor calculation is appropriate and accurate.

9. Additionally, I&E reviewed the Company's projected gas costs and determined that it appears those costs are consistent with a least cost fuel procurement policy. The filing projects a decrease to residential PGC rates from the March 1, 2013 currently effective rate of \$6.3991 per Mcf to a rate of \$5.7615 per Mcf effective September 1, 2013. While those costs are subject to review in a future PGC proceeding, I&E maintains that ratepayers are protected in that PGW gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.

B. PRICE ANALYSIS AND BUYING ADVISORY SERVICE

10. The Settlement allows PGW to continue to recover the Planalytics fee for price analysis and buying advisory services not to exceed \$125,000 for the 2013-2014 GCR period, with continued recovery beyond that period to be addressed in next year's 1307(f) proceeding. I&E agrees that continued recovery of this price analysis and buying advisory service is in the public interest. Section 1307(h) provides that risk management tools are included in the definition of gas costs. Therefore this cost, subject to the maximum \$125,000, is appropriately recovered from PGC customers as it assists the Company in mitigating the financial risk in its gas supply portfolio.

C. ASSET MANAGEMENT MARGIN/CREDIT RETENTION

11. Under the terms of the Settlement, 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 Company also agrees

to include an off-system sales margin, capacity release credit, and asset management margins/credits/fees retention proposal for the PGC period beginning September 1, 2014 in its March 1, 2014 annual filing.

12. I&E maintains that continuing PGW's longstanding asset management sharing mechanism serves the public interest because it continues to provide the Company an incentive to maximize its efforts to increase capacity release and off-system sales activity and thereby reduce gas costs for PGC customers.

D. MISCELLANEOUS

13. The Settlement also addresses PGW's Texas Eastern FTS-2 contract, its FOM Priced Daily Gas Supply contracts, its DTI GSS, Texas Eastern FTS-7, and its Texas Eastern FTS-8 contracts. I&E took no specific position with respect to any of these other Settlement provisions, and approves of the inclusion of these provisions in the Settlement.

III. CONCLUSION

14. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because resolution of this case by settlement rather than litigation will avoid the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense.

15. I&E further submits that the acceptance of the foregoing settlement will negate the need for any direct and cross-examination of witnesses, the preparation of

Main Briefs, Reply Briefs, Exceptions and Replies to Exceptions, and the filing of possible appeals.

16. The Settlement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlement, it may be withdrawn by the Company or I&E as provided therein.

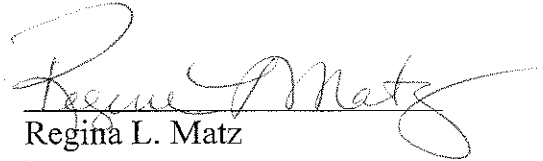
17. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

18. If the ALJ recommends that the Commission adopt the Settlement as proposed, I&E agrees to waive the filing of Exceptions. However, I&E has not waived its rights to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any additional matters, that may be proposed by the ALJ in his Recommended Decision. I&E also reserves the right to file Replies to Exceptions to any Exceptions that may be filed by the Company or any other party.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Christopher Pell recommend, and the

Commission subsequently approve, the foregoing Joint Petition for Settlement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Regina L. Matz". The signature is written in black ink and is positioned above the printed name and title.

Regina L. Matz
Prosecutor

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: June 5, 2013