



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

IN REPLY PLEASE
REFER TO OUR FILE

December 18, 2001

ORIGINAL

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission

v.

Philadelphia Gas Works
Docket No. R-00016378C 0003

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SECRETARY'S BUREAU

Dear Secretary McNulty:

Enclosed for filing please find an original and nine (9) copies of the **Formal Complaint** of the Office of Trial Staff (OTS) in the above-captioned proceeding.

Copies are being served on all active parties of record.

Sincerely,

Johnnie E. Simms
Senior Prosecutor
Office of Trial Staff

JES:em

Enclosure

cc: Parties of Record

DOCUMENT
FOLDER

54

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL
01 DEC 18 PM 2:31

PA.P.U.C.
SECRETARY'S BUREAU

Pennsylvania Public Utility Commission :

Docket No. R-00016378C 0003

v. :

Philadelphia Gas Works :

DOCKETED
DEC 19 2001

DOCUMENT
FOLDER

FORMAL COMPLAINT OF THE OFFICE OF TRIAL STAFF

NOW COMES the Office of Trial Staff ("OTS") by its counsel and, pursuant to 52 Pa. Code § 5.21 *et seq.*, files the following Formal Complaint against the Philadelphia Gas Works ("PGW" or "Company").

I. Introduction and Summary

This Case concerns PGW's December 1, 2001 Quarterly Update to its Gas Cost Rate ("GCR") filed pursuant to 52 Pa. Code § 53.64, and the Order in the above-captioned case. A copy of this Quarterly Update, together with the Company's cover letter and the information required by 52 Pa. Code § 53.64, is attached hereto as **Attachment A.**¹ PGW's cover letter dated November 30, 2001, informed the Commission that its Quarterly GCR factor of \$3.1307 was adjusted

¹ PGW's proposed tariff supplement, to be effective as of December 1, 2001, reflects a decrease in PGW's GCR factor from its present \$4.372 to \$3.1307.

with the purpose of holding from the GCR, the Interim Rate Reserve Fund authorized by the Commission's Order of February 22, 2001. In support of the position that its Quarterly Update can be adjusted for an Interim Rate Reserve Fund, PGW relies upon the Joint Petition for Full Settlement ("Joint Petition") between the Commission's Law Bureau and PGW filed on February 8, 2001. PGW attempts to provide further support for its position in its cover letter dated November 30, 2001 as follows:

In the Joint Petition, PGW was permitted to create a "Reserve Fund" consisting of the \$7 million increase to the non-gas portion of PGW's GCR and any GCR over-collection accumulated for the 2000-01 GCR (which, as reflected in the attached schedules, is \$10.58 million as of August 31, 2001), up to a maximum of \$25 million. This reserve account was authorized to be used by PGW to meet bond ordinance requirements in the Winter 2001-02 period, through January 2002.

By relying on the above quote from the Company's cover letter of November 30, 2001, it appears that PGW is operating under the belief that it has the Commission's approved an annual \$7 million recovery of non-gas costs to fund the reserve account.

OTS respectfully submits that PGW has misinterpreted the Commission's Order in Pennsylvania Public Utility Commission, et al. v. Philadelphia Gas Works- Docket Nos. R-00005654 and R-00005619 (Order entered February 22, 2001), which afforded the Commission the opportunity to describe the Joint Petition between its Law Bureau and PGW, in pertinent part, as follows:

In exchange for these commitments by PGW and the City, PGW would be permitted to implement rate design changes enabling it to charge and collect the Commission's previously-authorized \$11 million interim base rate increase by August 31, 2001. In addition, PGW would be permitted to recover \$7 million through its GCR, compressed so as to be collected by August 31, 2001, to account for additional bad debt expense produced by dramatically higher than projected natural gas costs incurred by PGW. The Joint Petition would also allow PGW to hold in reserve any GCR overcollection that it actually incurs, not to exceed \$25 million, to insure that it has sufficient cash to meet its bond covenants through January 2002. Any remaining portion of the reserve would be returned to ratepayers through the GCR, subject to PGW's right to request a different treatment. To this end, PGW would make an informational filing when it determines whether it will need the reserve fund, by no later than December 31, 2001. The filing would then be subject to review and approval by the Commission.

Opinion and Order at pages 3 through 4.

OTS respectfully submits that the Commission approved the "compression of rates" for PGW customers in its Order of February 22, 2001, so as to guarantee that by August 31, 2001, PGW would collect from its ratepayers only the following items:

- **The Commission's previously-authorized \$11 million interim base rate increase.**
- **\$7 million through its GCR, to account for additional bad debt expense produced by dramatically higher than projected natural gas costs incurred by PGW.**

Moreover, while not guaranteeing any amount or the existence of a potential GCR overcollection, the Commission in its Order of February 22, 2001, afforded PGW the opportunity to hold in reserve any GCR overcollection that may occur, as long

as, the amount did not exceed \$25 million. Most notably, Commission reaffirmed its position regarding this matter in its Opinion and Order entered December 6, 2001, in Pennsylvania Public Utility Commission v. Philadelphia Gas Works R-00006042 (Order entered December 6, 2001), where the Commission commented in pertinent part, as follows:

The *Joint Petition* filed on February 8, 2001, allowed PGW to increase its base rates by \$11 million (the amount awarded by the Commission initially) and also allowed it to include in its GCR an additional \$7 million to account for bad debt expense. Furthermore, PGW was permitted to retain up to \$18 million in over-recovered gas cost revenues that would typically be returned to customers. The *Joint Petition* allowed such recovery and treatment from March 1 through August 31, 2001. PGW was required to withdraw its Petition for Review with the Commonwealth Court. The Commission adopted the *Joint Petition* without modification on February 22, 2001. (Emphasis Added).

Opinion and Order at page 5.

Accordingly, when PGW filed its Quarterly update reflecting a GCR net overcollection of \$17,580,192², the proper treatment required that \$7 million be recognized as accounting for the additional bad debt expense and that the remaining \$10.5 million³ could be recognized as a reserve fund for PGW as set forth in the Commission's Opinion and Order of February 22, 2001.⁴ However, the Company's Schedule 8, properly recognizes the appropriate removal of the \$7 million from the total overcollection of \$17,580,192. This treatment would be

² See Schedule 8, Attachment A.

³ See Schedule 8, Attachment A.

⁴ The \$17,580,192 is PGW's GCR net overcollection ending August 31, 2001.

consistent with the Joint Petition, wherein, the agreement clearly provides that the \$7 million will be “subsumed within any calculated over-recovery”. Instead of following the dictates of the Commission, PGW has unilaterally imposed its own accounting practice of recognizing the entire GCR net overcollection of \$17,580,192 for its reserve fund, and then billing its ratepayers an additional \$7 million for “interim settlement bad debt allowance” by increasing the projected cost of gas. There is no provision in either the *Joint Petition* or the Commission’s Order of February 22, 2001 to suggest that the Commission approved the “compression” of the GCR rates from March 1, 2001 through August 31, 2001 for the purpose of guaranteeing a net GCR overcollection for the funding of PGW’s reserve account. On the contrary, the compression of GCR rates during the prescribed time period, guaranteed that PGW would recover \$7 million by August 31, 2001, to account for additional bad debt expense produced by dramatically higher than projected natural gas costs. If, and only if, there was a GCR overcollection during the same time period, could that amount be held in a reserve account, but the Commission did not guarantee the recovery of any overcollection through the GCR mechanism for the purpose of funding a reserve account.

Moreover, the recovery and treatment of both the bad debt expense and any GCR overcollection for the reserve account had to occur from “March 1 through August 31, 2001. PGW, by its December 1, 2001 filing for an additional \$7 million in bad debt expense, would require the recovery and treatment of the

“bad debt expense” three months after the August 31, 2001 deadline as imposed by the Commission.

Normally, OTS would not address the December 1, 2001, Quarterly GCR Filing, and simply address the issue in PGW’s annual GCR Filing. PGW has chosen to expand the quarterly filing beyond the intent of the statute and regulations, which is to reconcile gas costs for a quarterly period commencing four months prior to the filing date and to adjust gas cost projections for the balance of the PGC rate effective period. The purpose of a quarterly filing is not to introduce non-gas costs into the rate calculation. Any claim for the recovery of non-gas costs in the PGC rate should have been appropriately claimed in PGW’s annual filing and review.

Since PGW is a cash flow utility, which potentially could face refunding \$7 million at the end of its fiscal year, for different reasons, such a refund may cause irreparable harm to both the utility and its rate paying customers. Moreover, OTS respectfully submits that the issue to be addressed in this complaint is not whether PGW presently has sufficient funds to meet its bond covenants, but rather, has PGW’s December 1, 2001, GCR Filing complied with the Commission’s Opinion and Order of February 22, 2001.

OTS seeks the suspension and investigation of PGW’s December 1, 2001 GCR Filing to the extent that the Filing seeks to recover \$7 million of bad debt expense from its customers, as the Filing is a contravention of the Commission’s

Opinions and Orders of February 22, 2001, December 6, 2001, and 66 Pa. C.S. §1307(f)(1)(ii) of the Public Utility Code.

II. Statement of the Case

1. The name and address of the Complainant are:

The Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

2. The Complainant's attorney in the matter is:

Johnnie E. Simms, Senior Prosecutor
The Office of Trial Staff
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265
TEL: (717) 787-1976
FAX: (717) 772-2677

3. The name and address of the Respondent's counsel is:

Daniel Clearfield, Esq.
212 Locust Street
Suite 300
Harrisburg, Pennsylvania 17101

4. The Office of Trial Staff ("OTS") is a statutory Bureau of the Pennsylvania Public Utility Commission. The Office of Trial Staff's general prosecutorial authority and duties are prescribed, inter alia, in the Public Utility Code at 66 Pa. C.S. §306.

5. On July 1, 2000, pursuant to The Natural Gas Choice and Competition Act ("Act"), the Pennsylvania Public Utility Commission ("Commission") assumed jurisdiction over the public utility service being offered by Philadelphia Gas

Works ("PGW") within the City of Philadelphia. 66 Pa. C.S. §2212. Prior to the passage of the Act, PGW's rates, terms and conditions of service were exempt from the jurisdiction, regulation and control of the Commission. Instead, PGW was regulated by the Philadelphia Gas Commission, a local agency of the City of Philadelphia authorized by the Philadelphia Home Rule Charter 351 Pa. Code §§3.3-100, 5.5-902.

6. "On February 8, 2001, a Joint Petition for Full Settlement ("Joint Petition") of the Commission's November 22, 2000 Order, at Docket No. R-00005654, and a related appeal at Docket No. 557 M.D. 2000, was filed in the docketed proceedings at R-00005654 and R-00005619 by PGW and the Commission's Law Bureau, along with the City of Philadelphia."

7. The Joint Petition provided inter alia, in pertinent part that "PGW would be permitted to implement rate design changes enabling it to charge and collect the Commission's previously-authorized \$11 million interim base rate increase by August 31, 2001. In addition, PGW would be permitted to recover \$7 million through its GCR, compressed so as to be collected by August 31, 2001, to account for additional bad debt expense produced by dramatically higher than projected natural gas costs incurred by PGW."

8. "The Joint Petition would also allow PGW to hold in reserve any GCR overcollection that it actually incurs, not to exceed \$25 million, to insure that it has sufficient cash to meet its bond covenants through January 2002.

9. The Commission further reiterated in Pennsylvania Public Utility Commission v. Philadelphia Gas Works R-00006042 (Order entered December 6, 2001) that “since PGW deemed the \$11 million interim base rate award to be inadequate, PGW appealed the Commission’s decision to the Commonwealth Court of Pennsylvania. The Commission’s Law Bureau and PGW settled the appeal allowing the \$11 million base rate increase to be implemented, as well as allowing recovery of \$7 million of bad debt expense through the GCR. Both of the increases were compressed so that the full \$18 million annual amount of the increase would be recovered by the end of PGW’s current fiscal year on August 31, 2001.” Further, the implementation of the Joint Petition for the recovery and treatment of the base rate increase of \$11 million, the collection of an additional \$7 million to account for bad debt expense, and retaining over-recovered gas cost revenues for a reserve account must occur from March 1 through August 31, 2001.

10. By cover letter dated November 30, 2001, PGW filed it December 1, 2001 Quarterly Update, pursuant to 52 Pa. Code § 53.64. As evidenced by Schedule 18, PGW’s first Quarter GCR Filing showed an over-recovered gas cost revenues of \$17,580,192, which included a compression of GCR rates from March 1 through August 31, 2001 for the Commission approved \$7 million to account for bad debt expense. PGW in its December 1, 2001 GCR Filing is seeking to utilized the entire \$17,580,192 as over-recovered gas costs revenues for its “Reserve Fund”. Moreover, with its December 1, 2001 GCR Filing, PGW is requesting that the

GCR factor in the first Quarter of the 2001-2002 GCR period be adjusted for its customers to pay \$7 million beginning December 1, 2001 to account for bad debt expense allowance.⁵ (See Schedule 1).

11. PGW's proposed tariff supplement, to be effective December 1, 2001 reflecting its Quarterly Update contravenes the Commission's Orders entered February 22, 2001 and December 6, 2001, respectively. Moreover, the proposed tariff supplement contravenes the Public Utility Code at 66 Pa. C.S.

§1307(f)(1)(ii). It is beyond dispute that the proposed tariff supplement's revision to include \$7 million for bad debt expense in a GCR Quarterly Update is **outside** the requirements for quarterly updates pursuant to 66 Pa. C.S. §1307(f)(1)(ii). In that regard 66 Pa. C.S. §1307(f)(1)(ii) provides in pertinent part that Quarterly Updates are to be utilized to "reflect actual or projected changes in natural gas costs reflected in rates." Accordingly, since bad debt expense has no association with PGW's actual or projected changes in its natural gas costs, it is impermissible to utilize Quarterly Filings as a vehicle for requesting payments from ratepayers for anything other than actual or projected changes in gas costs.

12. Moreover, PGW's request in its December 1, 2001, Quarterly Update for the payment of \$7 million to account for bad debt expense is above the allowance of bad debt authorized by the Commission in PGW's most recent base rate proceeding at Docket No. R-00006042.

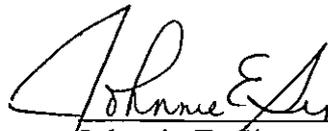
⁵ On Schedule 1 of the December 1, 2001 Quarterly Update Filing, PGW utilized "Interim Settlement" instead of Joint Petition.

III. Relief Requested

THEREFORE, the Office of Trial Staff respectfully requests that the Pennsylvania Public Utility Commission:

- a. Issue such Orders and/or conduct such proceedings as may be necessary and enter the appropriate findings that Philadelphia Gas Works' December 1, 2001 Quarterly Update of its Gas Cost Rate, and the proposed tariff supplement as it relates to receiving \$7 million for bad debt expense is unlawful and contrary to the Public Utility Code, 66 Pa. C.S. §1307(f)(1)(ii);
- b. Find that the inclusion of a \$7 million bad debt expense based upon the Joint Petition between Philadelphia Gas Works and the Commission Law Bureau is in violation of the relevant provisions of the Commission's Orders at Docket Nos. R-00005654 and R-00005619 (Order entered February 22, 2001), and Docket No. R-00006042 (Order entered October 6, 2001);
- c. Determine that placing the Philadelphia Gas Works' proposed tariff supplement based on the December 1, 2001 Quarterly Update into effect as it relates to including \$7 million for bad debt expense during the pendency of the Office of Trial Staff's Complaint will result in irreparable harm to Philadelphia Gas Works and its customers;
- d. Direct the immediate suspension and investigation of Philadelphia Gas Works' ability to collect \$7 million in bad debt expense during the duration of this investigation; and
- e. Grant such other relief as the Pennsylvania Public Utility Commission deems appropriate.

Respectfully submitted

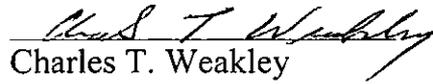

Johnnie E. Simms
Senior Prosecutor

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DATED: December 18, 2001

VERIFICATION

I, Charles T. Weakley, hereby state that the facts set forth above are true and correct to the best of my knowledge, information, and belief. I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).


Charles T. Weakley
Fixed Utility Financial Analyst
The Office of Trial Staff

Dated: December 18, 2001

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ATTACHMENT A

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November 30, 2001

VIA HAND DELIVERY

James McNulty, Secretary
PA Public Utility Commission
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works v. Pennsylvania Public Utility
Commission, Docket No. R-00016378 Quarterly Filing

Dear Secretary McNulty:

Enclosed for filing is PGW's December 1, 2001 Quarterly Update, to its Gas Cost Rate ("GCR") filed pursuant to 52 Pa. Code § 53.64 and the order in the above-captioned case. All supporting schedules required by section 53.64 are attached.

Also in accordance with the above regulation and order, a proposed tariff supplement, to be effective as of December 1, 2001, is enclosed reflecting a decrease in PGW's GCR factor from its present \$4.3724 to \$3.1307.

Please note that the Quarterly GCR factor stated above was marginally adjusted so as to hold from the GCR the Interim Rate Reserve Fund authorized by the PUC's Order of February 22, 2001 and fully described in the Joint Petition for Full Settlement between the PUC Law Bureau and PGW filed on February 8, 2001. In the Joint Petition, PGW was permitted to create a "Reserve Fund" consisting of the \$7 million increase to the non-gas portion of PGW's GCR and any GCR overcollection accumulated for the 2000-01 GCR (which, as reflected in the attached schedules, is \$10.58 million as of August 31, 2001), up to a maximum of \$25 million. This reserve account was authorized to be used by PGW to meet bond ordinance requirements in the Winter 2001-02 period, through January 2002. The Joint Petition further authorized PGW to make an informational filing by December 31 if it determines, after considering the effect of the PUC's base rate award, that it requires the reserve account to meet its bond covenants in the December 2001 - January 2002 period.

Since the PUC is still considering PGW's base rate proceeding, PGW has withheld from this update the reserve account funds from the GCR pending a determination by PGW of the

James McNulty, Secretary
November 30, 2001
Page 2

need to utilize the reserve and a PUC determination authorizing such use. Once the PUC makes a determination on PGW's petition for reconsideration, the Company will evaluate its cash needs through January 2002 and if the reserve fund is needed to satisfy its cash obligations it shall make a filing to retain the fund for that purpose. If for any reason the Commission disagrees with PGW's position, the Company will file a revision to its GCR that will return the appropriate portion of the reserve fund to customers by revising downward its GCR factor on a going forward basis.

Please contact me if you have any questions concerning this filing.

Sincerely,



Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DCC/lww
Enclosure

cc: All Parties of Record
Karen Moury, Esq. w/enc.
Robert Rosenthal, Director, Fixed Utility Services w/enc.

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 FIRST CLASS MAIL, HAND DELIVERY AND/OR FACSIMILE

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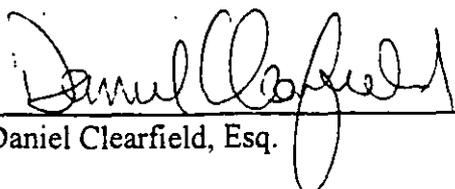
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Harrisburg, PA 17101


Daniel Clearfield, Esq.

Date: November 30, 2001

Statement

Actual data, as available, was utilized for the months of September and October. Known per dekatherm natural gas prices are used for the month of November, 2001; and, where known and quantifiable, actual per dekatherm prices are used for December, 2001 through October, 2002. Any remaining volumes not locked-in for price for the months of December, 2001 through October, 2002 are based on the NYMEX Futures Prices (from 11-02-01) for December, 2001 through February, 2002; and the average of the NYMEX Futures Prices (from 11-02-01) and the November, 2001 DRI (Standard and Poors' Fuel Price Service Report) for March through October, 2002. The latest applicable pipeline tariff transportation and fuel charges from specific basin points have been incorporated into these pricing determinants. Forecasted temperatures for the period are assumed to be normal, (i.e., the estimate incorporates the degree-day pattern from the normal 4,555 pattern).

This filing has Net Applicable Raw Material Expenses of \$382,197,358 with applicable sales of 59,157,217 Mcf. This results in a GCR factor of \$3.1307/Mcf.

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Levelized Gas Cost Rate

First Quarter GCR Filing
2001-2002

Formula:

$$\text{GCR} = ((C-E) / S) - B$$

where:

| | | |
|--|----------------------|--------------------|
| S = Applicable Sales Volume (Mcf) | 59,157,217 | (Schedule 2) |
| <i>Fuel</i> | | |
| Net Natural Gas Expense | \$332,665,490 | |
| Plus: Purchased Electric Expense | \$1,407,599 | |
| Total Applicable Fuel Expense | <u>\$334,073,089</u> | |
| <i>Non-Fuel</i> | | |
| Conservation Programs | \$2,561,719 | |
| CRP Discounts | \$37,953,537 | |
| Total Applicable Non-Fuel Expenses | <u>\$40,515,256</u> | |
| C = Applicable Raw Material Expense | \$374,588,345 | (Schedule 4) |
| E = Adjustment For: Natural Gas Refunds | \$43,760 | (Schedule 5) |
| Prior Reconciliation | <u>(\$652,773)</u> | |
| Total Adjustment | <u>(\$609,013)</u> | (Schedules 6,7,8)* |
| C-E = Net Applicable Raw Material Expense | \$375,197,358 | |
| Interim Settlement Bad Debt Allowance | <u>\$7,000,000</u> | |
| Total Net Applicable Raw Material Expense | <u>\$382,197,358</u> | |
| B = Base Fuel Charge/Mcf | \$3.1800 | |
| Projected Unit Cost of Fuel | \$6.4607 | |
| Recovery Test on: Applicable Sales Volume of (Mcf) | 59,157,217 | |
| @ GCR in effect 12/01/01 | \$3.1307 | (Schedules 9 & 10) |
| @ Base Fuel Rate Effective 9/1/90 | \$3.1800 | |
| -GCR Charge | \$194,077,817 | |
| + Base Fuel Charge | <u>\$188,119,950</u> | |
| = Total Projected Recovery | <u>\$382,197,767</u> | |
| Compared To | | |
| Net Applicable Raw Material Expense | <u>\$382,197,358</u> | |
| = Net Over/(Under) Recovery | <u>\$409</u> | |

Degree Days 4,555

* Prior Reconciliation includes over-collection of \$10,580,192 as of August 31, 2001. (Schedule 8)

11/29/2001

Applicable Sales

GCR Calculations

| <u>MONTH</u> | <u>TOTAL BILLED SALES</u> | <u>LESS LBS & RELATED</u> | <u>LESS SENIOR CITIZENS</u> | <u>TOTAL APPLICABLE SALES</u> |
|-----------------|-----------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| NOVEMBER - 2001 | 4,710,210 | 940,765 | 87,678 | 3,681,767 |
| DECEMBER | 8,061,541 | 706,126 | 194,119 | 7,161,296 |
| JANUARY - 2002 | 13,025,154 | 806,037 | 346,567 | 11,872,550 |
| FEBRUARY | 11,848,913 | 686,374 | 308,574 | 10,651,966 |
| MARCH | 9,556,608 | 603,889 | 250,190 | 8,702,529 |
| APRIL | 6,722,920 | 783,704 | 164,256 | 5,774,961 |
| MAY | 3,520,568 | 569,281 | 73,978 | 2,877,309 |
| JUNE | 2,545,796 | 473,173 | 43,044 | 2,029,578 |
| JULY | 2,065,281 | 508,219 | 30,974 | 1,526,088 |
| AUGUST | 2,075,366 | 523,503 | 30,974 | 1,520,889 |
| SEPTEMBER | 1,950,326 | 542,878 | 28,152 | 1,379,296 |
| OCTOBER | 2,745,148 | 723,522 | 42,638 | 1,978,988 |
| TOTAL | <u>68,625,831</u> | <u>7,867,469</u> | <u>1,601,144</u> | <u>59,157,217</u> |

**Philadelphia Gas Works
Summary of Fuels Purchased
Two Months Ending October 2001**

Schedule 3

| | Actual | | | Projected | | | Actual Over/Under vs Projected | | |
|----------------------------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|--------------------------------|---------------|---------------|
| | Sept-01 | Oct-01 | Total | Sept-01 | Oct-01 | Total | Sept-01 | Oct-01 | Total |
| Total Natural Gas Billed | \$ 28,876,139 | \$ 30,713,875 | \$ 59,589,814 | \$ 31,079,422 | \$ 38,560,438 | \$ 67,639,860 | \$(2,203,283) | \$(5,046,761) | \$(6,050,044) |
| Less Interruptible Credit | \$ 1,234,359 | \$ 1,828,953 | \$ 3,064,312 | \$ 1,864,541 | \$ 2,741,579 | \$ 4,606,120 | \$(630,182) | \$(911,826) | \$(1,541,808) |
| Pipeline Storages | | | | | | | | | |
| (To) | \$ (13,748,629) | \$ (8,850,903) | \$ (22,597,532) | \$ (13,998,325) | \$ (12,778,482) | \$ (26,776,807) | \$ 251,896 | \$ 3,027,579 | \$ 4,179,275 |
| From | \$ - | \$ 621,658 | \$ 621,658 | \$ - | \$ 563,037 | \$ 563,037 | \$ - | \$ 58,521 | \$ 58,521 |
| Net Pipeline Storages | \$ (13,748,629) | \$ (8,229,345) | \$ (21,975,974) | \$ (13,998,325) | \$ (12,215,445) | \$ (26,213,770) | \$ 251,896 | \$ 3,086,100 | \$ 4,237,796 |
| LNG Storage | | | | | | | | | |
| (To) | \$ (3,882,845) | \$ (4,289,338) | \$ (8,171,981) | \$ (3,548,554) | \$ (3,694,693) | \$ (7,241,647) | \$ (336,091) | \$ (584,343) | \$ (930,434) |
| From | \$ 487,825 | \$ 1,008,713 | \$ 1,474,638 | \$ 441,885 | \$ 452,352 | \$ 894,337 | \$ 25,940 | \$ 554,361 | \$ 580,301 |
| Net LNG Storage | \$ (3,414,720) | \$ (3,282,623) | \$ (6,697,343) | \$ (3,104,569) | \$ (3,242,641) | \$ (6,347,210) | \$ (310,151) | \$ (39,982) | \$ (350,133) |
| NET NATURAL GAS | \$ 10,480,431 | \$ 17,371,754 | \$ 27,852,185 | \$ 12,111,987 | \$ 18,360,771 | \$ 30,472,768 | \$(1,831,558) | \$(989,017) | \$(2,620,573) |
| APPLICABLE GCR EXPENSES | | | | | | | | | |
| Net Natural Gas Expense | \$ 10,480,431 | \$ 17,371,754 | \$ 27,852,185 | \$ 12,111,987 | \$ 18,360,771 | \$ 30,472,768 | \$(1,831,558) | \$(989,017) | \$(2,620,573) |
| Electric | \$ 95,237 | \$ 95,498 | \$ 190,735 | \$ 114,187 | \$ 114,167 | \$ 228,334 | \$(18,930) | \$(18,669) | \$(37,599) |
| Non Fuel Expense: | | | | | | | | | |
| Conservation Works Program | \$ 2,302 | \$ 2,647 | \$ 4,949 | \$ 183,333 | \$ 183,333 | \$ 366,666 | \$(181,031) | \$(180,688) | \$(361,717) |
| Customer Responsibility Program | \$ (767,808) | \$ (87,143) | \$ (854,952) | \$ (513,028) | \$ (188,852) | \$ (699,880) | \$ (254,781) | \$ 99,709 | \$(155,072) |
| Total GCR Expenses | \$ 9,810,361 | \$ 17,382,756 | \$ 27,192,917 | \$ 11,896,459 | \$ 18,471,419 | \$ 30,367,878 | \$(2,086,298) | \$(1,088,663) | \$(3,174,961) |

**PROJECTED APPLICABLE FUEL EXPENSE
SUMMARY
GCR CALCULATION**

| | NOVEMBER 2001 | DECEMBER 2001 | JANUARY 2002 | FEBRUARY 2002 | MARCH 2002 | APRIL 2002 | MAY 2002 | JUNE 2002 | JULY 2002 | AUGUST 2002 | SEPTEMBER 2002 | OCTOBER 2002 | TOTAL |
|--------------------------------------|------------------|------------------|-----------------|------------------|---------------|---------------|-------------|--------------|--------------|----------------|-------------------|-----------------|--------------|
| <u>NATURAL GAS BILLED</u> | 37,585,101 | 40,259,019 | 44,265,257 | 36,241,663 | 31,140,058 | 28,047,735 | 26,918,213 | 23,737,994 | 24,584,007 | 24,285,468 | 26,172,198 | 29,866,528 | 373,105,239 |
| LBS CREDIT | (3,965,759) | (3,354,121) | (4,024,903) | (3,141,033) | (2,452,306) | (2,704,369) | (1,938,513) | (1,614,356) | (1,760,033) | (1,820,762) | (1,070,070) | (2,239,841) | (30,586,066) |
| SENDOUT VOLUME IN MCF | 978,045 | 735,783 | 839,890 | 715,201 | 629,298 | 814,847 | 591,859 | 491,929 | 528,409 | 544,338 | 659,165 | 745,228 | 8,174,009 |
| LBS AND RELATED | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 | 1.0300 |
| PRICE \$/DKT | 3.9366 | 4.4258 | 4.8528 | 4.2639 | 3.7834 | 3.2222 | 3.1799 | 3.1661 | 3.2338 | 3.2475 | 2.8079 | 3.0056 | |
| NATURAL GAS TO STORAGE | 3,806,421 | - | - | - | - | 6,644,621 | 9,919,311 | 9,093,648 | 9,361,352 | 8,970,469 | 11,788,218 | 10,218,510 | 69,600,548 |
| FROM STORAGE | 4,980,634 | 13,188,647 | 18,989,814 | 14,528,822 | 8,730,239 | 1,701,330 | 131,196 | - | - | - | - | - | 82,248,682 |
| NET N.G. STORAGE | 1,174,213 | 13,188,647 | 18,989,814 | 14,528,822 | 8,730,239 | (4,943,291) | (9,788,114) | (9,093,648) | (9,361,352) | (8,970,469) | (11,788,218) | (10,218,510) | (7,551,865) |
| LNG TO STORAGE | 2,278,825 | 247,126 | - | - | - | - | 1,743,656 | 2,343,975 | 2,478,437 | 2,491,981 | 2,988,509 | 3,018,812 | 17,607,323 |
| FROM STORAGE | 465,135 | 2,188,594 | 5,160,008 | 3,752,811 | 859,905 | 444,742 | 460,048 | 461,648 | 395,433 | 377,543 | 372,169 | 369,474 | 15,305,510 |
| NET LNG STORAGE | (1,813,689) | 1,939,468 | 5,160,008 | 3,752,811 | 859,905 | 444,742 | (1,303,610) | (1,882,328) | (2,081,005) | (2,114,438) | (2,614,340) | (2,649,338) | (2,301,814) |
| NET N.G. EXPENSE | 32,979,885 | 52,033,013 | 64,390,175 | 51,380,263 | 38,277,895 | 20,844,617 | 13,887,975 | 11,147,663 | 11,381,617 | 11,379,798 | 10,199,570 | 14,762,839 | 332,665,490 |
| <u>APPLICABLE GCR EXPENSE</u> | | | | | | | | | | | | | |
| NET N.G. EXPENSE | 32,979,885 | 52,033,013 | 64,390,175 | 51,380,263 | 38,277,895 | 20,844,617 | 13,887,975 | 11,147,663 | 11,381,617 | 11,379,798 | 10,199,570 | 14,762,839 | 332,665,490 |
| PURCHASED ELECTRIC & LPG | 117,926 | 117,926 | 117,926 | 117,926 | 117,926 | 117,927 | 117,927 | 117,927 | 117,927 | 117,927 | 114,167 | 114,167 | 1,407,598 |
| <u>NON FUEL EXPENSES</u> | | | | | | | | | | | | | |
| CONSERVATION WORKS | 219,505 | 219,505 | 219,505 | 219,505 | 219,505 | 219,505 | 219,505 | 219,505 | 219,505 | 219,508 | 183,334 | 183,334 | 2,561,719 |
| CUSTOMER RESPONSIBILITY PROGRAM | 2,025,276 | 6,425,398 | 12,006,508 | 9,025,878 | 6,533,880 | 3,022,536 | 481,109 | (416,832) | (837,109) | (210,183) | (242,821) | (80,301) | 37,953,537 |
| TOTAL APPLICABLE EXPENSES | 35,342,572 | 58,785,840 | 76,734,114 | 60,743,572 | 45,149,206 | 24,204,785 | 14,708,516 | 11,068,463 | 11,081,940 | 11,507,049 | 10,254,249 | 15,000,039 | 374,588,345 |
| TOTAL APPLICABLE SALES | 3,881,787 | 7,161,298 | 11,872,550 | 10,851,966 | 8,702,529 | 5,774,961 | 2,877,309 | 2,029,578 | 1,528,088 | 1,520,689 | 1,379,298 | 1,976,988 | 59,157,217 |

PGW
NATURAL GAS REFUNDS
2001-02 ACTUAL

| <u>Month</u> | <u>Pipeline</u> | <u>Amount</u> | <u>TOTAL</u> |
|----------------|-----------------|---------------|--------------|
| SEPTEMBER 2001 | Transco | \$43,760.00 | \$43,760.00 |

**FUEL ADJUSTMENT
STATEMENT OF RECONCILIATION**

September & October 2001

| | NET COST OF FUEL 1 | APPLICABLE SALES 2 | BASE FUEL FACTOR 3 | BASE FUEL CREDIT 4=2*3 | FUEL COST REMAINING TO BE RECOVERED 5=1-4 | GCR FACTOR APPLIED 6 | GCR REVENUE BILLED 7 | 2001-2002 OVER/(UNDER) RECOVERY 8=7-5 | CARRYOVER DISTRIBUTED ON GCR BUDGET VOLUME 9 | NET OVER/(UNDER) RECOVERED 10=8+9 |
|---|--------------------------|--------------------------|-----------------------------|------------------------------|---|-------------------------------|-------------------------------|--|---|--|
| PRIOR YEAR'S CARRYOVER: | | | | | | | | | | |
| SEPT & OCT 2001 Actual OVER/(UNDER) BILLING | | | | | | | | | (652,773) | |
| 2001-2002 NATURAL GAS REFUNDS | | | | | | | | | 43,760 | |
| TOTAL "E" FACTOR | | | | | | | | | (609,013) | |
| 2001-2002 | | | | | | | | | | |
| SEPTEMBER ACTUAL | 9,810,161 | 1,482,129 | 3.1800 | 4,713,170 | 5,096,991 | 5.5341 | 8,030,309 | 2,933,318 | 0 | 2,933,318 |
| OCTOBER ACTUAL | 17,382,756 | 1,894,724 | 3.1800 | 6,025,222 | 11,357,534 | 4.3724 | 7,771,443 | (3,586,091) | 0 | (3,586,091) |
| TOTAL | 27,192,917 | 3,376,853 | | 10,738,392 | 16,454,525 | | 15,801,752 | (652,773) | | - |

FUEL ADJUSTMENT

STATEMENT OF RECONCILIATION

Finalized As Of August 31, 2001

| | NET COST OF FUEL | APPLICABLE SALES | BASE FUEL FACTOR | BASE FUEL CREDIT | FUEL COST REMAINING TO BE RECOVERED | GCR FACTOR APPLIED | GCR REVENUE BILLED | Finalized As Of August 31, OVER/(UNDER) RECOVERY | CARRYOVER DISTRIBUTED ON GCR BUDGET VOLUME | NET OVER/(UNDER) RECOVERY |
|---|---------------------|---------------------|------------------------|---------------------|--|--------------------------|--------------------------|--|--|---------------------------------|
| | 1 | 2 | 3 | 4=2*3 | 5=1-4 | 6 | 7 | 8=7-5 | 9 | 10=8+9 |
| PRIOR YEAR'S CARRYOVER: | | | | | | | | | | |
| 1999-2000 FINALIZED OVERBILLING | | | | | | | | | (14,050,859) | |
| 2000-2001 NATURAL GAS REFUNDS | | | | | | | | | 5,002,016 | |
| TOTAL "E" FACTOR | | | | | | | | | (9,048,843) | |
| Finalized As Of August 31, 2001. | | | | | | | | | | |
| SEPTEMBER | 12,843,601 | 1,482,659 | 3.1800 | 4,714,856 | 8,128,745 | 1.0982 | 1,616,117 | (6,512,628) | (109,017) | (6,621,645) |
| OCTOBER | 22,444,968 | 2,599,426 | 3.1800 | 8,266,175 | 14,178,733 | 1.0982 | 2,801,074 | (11,377,659) | (355,608) | (11,733,267) |
| NOVEMBER | 36,538,935 | 4,318,717 | 3.1800 | 13,733,520 | 22,805,415 | 1.0982 | 5,097,106 | (17,708,309) | (506,952) | (18,215,261) |
| DECEMBER | 73,641,489 | 8,641,077 | 3.1800 | 27,478,625 | 46,162,864 | 2.6678 | 22,271,131 | (23,891,733) | (909,618) | (24,801,351) |
| JANUARY | 92,902,230 | 11,679,909 | 3.1800 | 37,142,111 | 55,760,119 | 4.6724 | 53,946,373 | (1,813,746) | (1,524,154) | (3,337,900) |
| FEBRUARY | 68,865,829 | 8,975,312 | 3.1800 | 28,541,492 | 40,324,337 | 6.1985 | 55,795,589 | 15,471,252 | (1,787,157) | 13,704,095 |
| MARCH | 64,731,639 | 8,360,140 | 3.1800 | 28,585,245 | 28,146,394 | 6.4552 | 54,285,006 | 26,138,612 | (1,246,850) | 24,891,762 |
| APRIL | 35,584,612 | 5,983,901 | 3.1800 | 19,028,805 | 16,555,807 | 6.6959 | 40,234,816 | 23,679,009 | (927,211) | 22,751,798 |
| MAY | 19,661,528 | 2,389,445 | 3.1800 | 7,598,435 | 12,063,093 | 6.6959 | 16,454,779 | 4,391,686 | (636,869) | 3,754,817 |
| JUNE | 7,331,096 | 1,735,496 | 3.1800 | 5,516,877 | 1,812,219 | 6.6959 | 11,289,833 | 9,457,614 | (524,417) | 8,933,197 |
| JULY | 13,415,765 | 1,607,386 | 3.1800 | 5,111,487 | 8,304,278 | 6.6959 | 10,504,465 | 2,200,187 | (431,112) | 1,769,075 |
| AUGUST | 5,958,431 | 1,281,764 | 3.1800 | 4,076,010 | 1,862,421 | 6.6959 | 8,476,971 | 6,584,550 | (109,678) | 6,484,872 |
| TOTAL | 443,920,063 | 59,055,232 | | 187,795,638 | 256,124,425 | | 282,753,260 | 26,628,835 | (9,048,843) | 17,580,192 |
| Interim Settlement Adjustment | | | | | | | | | | (7,000,000) |
| GRAND TOTAL | 443,920,063 | 59,055,232 | | 187,795,638 | 256,124,425 | | 282,753,260 | 26,628,835 | (9,048,843) | 10,580,192 |

CALCULATION OF RECOVERED CHARGES
November 1, 2001 Through October 31, 2001

Schedule 9

| | Usage | | <u>Total 2001-02</u> | | <u>Total 2000-01</u> | |
|---------------------------------|-----------|-------------------|----------------------|--------------------|----------------------|--------------------|
| | MCFs | \$ | MCFs | \$ | MCFs | \$ |
| Applicable Sales (MCFs) | | | | | | |
| November 1 through November 30 | 7,146,910 | ⁽¹⁾ | | | | |
| December 1 thru August 31 | | | 52,010,307 | ⁽²⁾ | | |
| | | | | | 59,157,217 | |
| Total Applicable Sales | | | | | | |
| Base Fuel Factor \$/MCF | 3.18 | | 3.18 | | | |
| Base Fuel Charge | | 22,727,174 | | 165,392,776 | | 188,119,950 |
| GCR Fuel Factor \$/Mcf | 4.3724 | | 3.1307 | | | |
| GCR Fuel Charge | | 31,249,149 | | 162,828,257 | | 194,077,408 |
| Total Projected Recovery | | <u>53,976,323</u> | | <u>328,221,034</u> | | <u>382,197,357</u> |

⁽¹⁾ Proper utilization of sales include all of November billed sales and 15 days of average December billed sales recognizing PGW's cycle billing.

⁽²⁾ Proper utilization of sales include 16 days of average December billed sales and billed sales for the months of January through August 2002 recognizing PGW's cycle billing.

NOTE: The "Total Projected Recovery" includes the Base Fuel Factor of \$3.18 plus the GCR Fuel Factor which fluctuates based on actual natural gas prices times Applicable Sales.

Philadelphia Gas Works

Schedule 10

Dec-01

PROPOSED RATES
Effective December 1, 2001*

| <u>Rate</u> | <u>Current Base Rate</u> (1) | <u>Current GCR</u> (2) | <u>Current Commodity Rate</u> (3)=(1)+(2) | <u>Proposed GCR</u> (4) | <u>Increase</u> (5)=(4)-(2) | <u>Proposed Commodity Rate</u> (6)=(3)+(5) |
|-------------------------------|-------------------------------------|-------------------------------|--|--------------------------------|--------------------------------|---|
| Residential GS/PHAGS | \$ 6.9119 | \$ 4.3724 | \$ 11.2843 | \$ 3.1307 | \$ (1.2417) | \$ 10.0426 |
| Commercial GS/MUNGS | \$ 7.1200 | \$ 4.3724 | \$ 11.4924 | \$ 3.1307 | \$ (1.2417) | \$ 10.2507 |
| Industrial GS | \$ 7.1200 | \$ 4.3724 | \$ 11.4924 | \$ 3.1307 | \$ (1.2417) | \$ 10.2507 |
| Phila.Housing Authority (PHA) | \$ 7.1260 | \$ 4.3724 | \$ 11.4984 | \$ 3.1307 | \$ (1.2417) | \$ 10.2567 |
| Municipal (M)S | \$ 6.4130 | \$ 4.3724 | \$ 10.7854 | \$ 3.1307 | \$ (1.2417) | \$ 9.5437 |

* Excludes customer charges

Natural Gas Prices Used In PGW's First Quarter GCR

11/30/2001 9:23 AM

November 2001

Schedule 11

| | DRI Prices | | | | | | | | | | Basis Differentials | | | | | | | | | | NYMEX Futures (11/01/01) Settle | Prices Used For Gas Cost Inputs | | | | | | | | | | | | | | | | |
|---------|------------|---------|---------|-------|------|------|------|--------------------|------|---------|---------------------|---------|---------|--------|--------|--------|--------|--------------------|------|---------|--|---------------------------------|---------|------|-------|------|------|--------------------|--------|------|------|------|------|------|------|------|------|------|
| | Transco | | | TETCO | | | | | | | Henry Hub | Transco | | | TETCO | | | | | | | Transco | | | TETCO | | | | | | | | | | | | | |
| | Sta. 30 | Sta. 45 | Sta. 45 | ELA | WLA | ETX | STX | Average ELA/ETX | M-1 | Sta. 30 | | Sta. 45 | Sta. 45 | ELA | WLA | ETX | STX | Average ELA/ETX | M-1 | Sta. 30 | | Sta. 45 | Sta. 45 | ELA | WLA | ETX | STX | Average ELA/ETX | M-1 | | | | | | | | | |
| 2001:11 | 2.47 | 2.52 | 2.55 | 2.46 | 2.47 | 2.46 | 2.42 | 2.46 | 2.58 | 2.55 | (0.08) | (0.03) | 0.00 | (0.09) | (0.08) | (0.09) | (0.13) | (0.09) | 0.03 | | | | | | | | | | Actual | 3.11 | 3.14 | 3.18 | 3.11 | 3.08 | 3.08 | 3.05 | 3.10 | 3.26 |
| 2001:12 | 2.53 | 2.61 | 2.64 | 2.56 | 2.55 | 2.53 | 2.47 | 2.55 | 2.71 | 2.65 | (0.12) | (0.04) | (0.01) | (0.09) | (0.10) | (0.12) | (0.18) | (0.11) | 0.06 | 3.2480 | Futures | 3.13 | 3.21 | 3.24 | 3.16 | 3.15 | 3.13 | 3.07 | 3.14 | 3.31 | | | | | | | | |
| 2002:1 | 2.62 | 2.70 | 2.74 | 2.68 | 2.64 | 2.61 | 2.56 | 2.65 | 2.81 | 2.74 | (0.12) | (0.04) | 0.00 | (0.06) | (0.10) | (0.13) | (0.18) | (0.10) | 0.07 | 3.3920 | Futures | 3.27 | 3.35 | 3.39 | 3.33 | 3.29 | 3.26 | 3.21 | 3.30 | 3.46 | | | | | | | | |
| 2002:2 | 2.62 | 2.69 | 2.73 | 2.69 | 2.64 | 2.61 | 2.58 | 2.65 | 2.81 | 2.74 | (0.12) | (0.05) | (0.01) | (0.05) | (0.10) | (0.13) | (0.16) | (0.09) | 0.07 | 3.3840 | Futures | 3.26 | 3.33 | 3.37 | 3.33 | 3.28 | 3.25 | 3.22 | 3.29 | 3.45 | | | | | | | | |
| 2002:3 | 2.50 | 2.55 | 2.59 | 2.53 | 2.51 | 2.49 | 2.46 | 2.51 | 2.63 | 2.59 | (0.09) | (0.04) | 0.00 | (0.06) | (0.08) | (0.10) | (0.13) | (0.08) | 0.04 | 3.3230 | DRI/Fut | 2.87 | 2.93 | 2.96 | 2.90 | 2.88 | 2.86 | 2.83 | 2.88 | 2.94 | | | | | | | | |
| 2002:4 | 2.46 | 2.50 | 2.54 | 2.48 | 2.47 | 2.45 | 2.45 | 2.47 | 2.56 | 2.55 | (0.09) | (0.05) | (0.01) | (0.07) | (0.08) | (0.10) | (0.10) | (0.09) | 0.01 | 3.2210 | DRI/Fut | 2.80 | 2.84 | 2.88 | 2.82 | 2.81 | 2.79 | 2.79 | 2.80 | 2.85 | | | | | | | | |
| 2002:5 | 2.72 | 2.74 | 2.78 | 2.71 | 2.72 | 2.70 | 2.70 | 2.71 | 2.79 | 2.79 | (0.07) | (0.05) | (0.01) | (0.08) | (0.07) | (0.09) | (0.09) | (0.09) | 0.00 | 3.2510 | DRI/Fut | 2.95 | 2.97 | 3.01 | 2.94 | 2.95 | 2.93 | 2.93 | 2.94 | 2.98 | | | | | | | | |
| 2002:6 | 2.78 | 2.81 | 2.85 | 2.76 | 2.78 | 2.75 | 2.74 | 2.76 | 2.86 | 2.85 | (0.07) | (0.04) | 0.00 | (0.09) | (0.07) | (0.10) | (0.11) | (0.10) | 0.01 | 3.2870 | DRI/Fut | 3.00 | 3.03 | 3.07 | 2.98 | 3.00 | 2.97 | 2.96 | 2.97 | 3.03 | | | | | | | | |
| 2002:7 | 2.87 | 2.91 | 2.95 | 2.86 | 2.88 | 2.85 | 2.83 | 2.86 | 2.97 | 2.95 | (0.08) | (0.04) | 0.00 | (0.09) | (0.07) | (0.10) | (0.12) | (0.10) | 0.02 | 3.3270 | DRI/Fut | 3.06 | 3.10 | 3.14 | 3.05 | 3.07 | 3.04 | 3.02 | 3.04 | 3.10 | | | | | | | | |
| 2002:8 | 2.87 | 2.91 | 2.95 | 2.86 | 2.88 | 2.85 | 2.84 | 2.86 | 2.96 | 2.95 | (0.08) | (0.04) | 0.00 | (0.09) | (0.07) | (0.10) | (0.11) | (0.10) | 0.01 | 3.3670 | DRI/Fut | 3.08 | 3.12 | 3.16 | 3.07 | 3.09 | 3.06 | 3.05 | 3.06 | 3.12 | | | | | | | | |
| 2002:9 | 2.93 | 2.96 | 3.00 | 2.91 | 2.93 | 2.90 | 2.90 | 2.91 | 3.00 | 3.00 | (0.07) | (0.04) | 0.00 | (0.09) | (0.07) | (0.10) | (0.10) | (0.09) | 0.00 | 3.3670 | DRI/Fut | 3.11 | 3.14 | 3.18 | 3.09 | 3.11 | 3.08 | 3.08 | 3.09 | 3.14 | | | | | | | | |
| 2002:10 | 2.93 | 2.96 | 3.00 | 2.91 | 2.93 | 2.90 | 2.90 | 2.91 | 3.01 | 3.00 | (0.07) | (0.04) | 0.00 | (0.09) | (0.07) | (0.10) | (0.10) | (0.09) | 0.01 | 3.4020 | DRI/Fut | 3.13 | 3.16 | 3.20 | 3.11 | 3.13 | 3.10 | 3.10 | 3.11 | 3.16 | | | | | | | | |

Actual Gas Cost

Schedule 12

| | <u>Sep-01</u> (Actual) | <u>Oct-01</u> (Actual/Estimated)* |
|-------------------------------|---------------------------|--------------------------------------|
| Williams | \$ 2,667,345 | \$ 2,749,450 |
| Texas Eastern | \$ 2,612,611 | \$ 2,504,959 |
| Dominion | \$ 147,460 | \$ 129,981 |
| Equitrans | \$ 34,499 | \$ 34,295 |
| ANR | \$ 163,601 | \$ 159,945 |
| Spot Purchases -Transco | \$ 4,108,472 | \$ 5,308,782 |
| Spot Purchases -Tetco | \$ 751,315 | \$ 275,829 |
| Transco Supply1 | \$ 2,757,713 | \$ 2,737,366 |
| Transco Supply2 | \$ 162,797 | \$ 269,129 |
| Transco Supply3 | \$ - | \$ 51,345 |
| Transco Supply4 | \$ - | \$ - |
| Transco Supply5 | \$ 3,114,750 | \$ 3,234,075 |
| Transco Supply6 | \$ 433,635 | \$ 18,250 |
| Transco Supply7 | \$ 2,727,075 | \$ 1,776,300 |
| Transco Supply8 | \$ 1,643,318 | \$ 1,640,358 |
| Transco Supply9 | \$ - | \$ - |
| Tetco Supply1 | \$ 16,623 | \$ 494,101 |
| Tetco Supply2 | \$ - | \$ - |
| Tetco Supply3 | \$ 128,991 | \$ - |
| Tetco Supply4 | \$ 4,724,250 | \$ 4,898,775 |
| Tetco Supply5 | \$ 1,173,000 | \$ 1,227,600 |
| Tetco Supply6 | \$ - | \$ - |
| Tetco Supply7 | \$ 467,202 | \$ 1,431,056 |
| Tetco Supply8 | \$ - | \$ - |
| Sub Total | \$ 27,834,656 | \$ 28,941,595 |
| Deferred Gas Payment — | \$ 1,008,000 | \$ 796,500 |
| Off System Sales | \$ - | \$ 89,500 |
| Gas Transportation | \$ 33,482 | \$ 49,366 |
| Adjustment | \$ - | \$ 836,713 |
| Total Costs | \$ 28,876,139 | \$ 30,713,675 |

* October 2001 costs are not finalized

PHILADELPHIA GAS WORKS

GAS SERVICE TARIFF



Issued by: Les A. Fyock
Vice President
Regulatory Affairs
PHILADELPHIA GAS WORKS
800 West Montgomery Avenue
Philadelphia, PA 19122

NOTICE

This Tariff Supplement Makes a Decrease in the Gas Cost Rate

LIST OF CHANGES MADE BY THIS TARIFF

THE GAS COST RATE CLAUSE - Section 11.2 - (Sixth Revised Page No. 71)

Decreases the current effective Gas Cost Rate effective December 1, 2001.

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11. GAS COST RATE CLAUSE

11.1 PROVISION FOR ADJUSTMENT

The Gas Cost Rate shall be applied to each Mcf (1,000 cubic feet) of gas supplied under Rates Schedules GS, MS, PHA, and NGVS-Firm, except for gas usage under the Special Provisions – Air Conditioning of those rates.

11.2 COMPUTATION OF GAS COST RATE

- a. The Gas Cost Rate shall be computed to the nearest one-hundredth cent (0.01¢) in accordance with the formula set forth below:

$$GCR = ((C - E) / S) - B$$

- b. Each Gas Cost Rate so computed shall be applied to Customers' bills for twelve monthly billing periods commencing with September; provided, however, that for the 2001-2002 GCR period, that such rate may be revised on an interim basis subject to the following procedures: If there is known and measurable change in gas cost during the effective period of the Gas Cost Rate and the change would result in an increase or decrease in the Gas Cost Rate of 2% or more, PGW may file a petition with the Commission to implement an update early for a proposed revision to its Gas Cost Rate incorporating the recalculated rate, which revision shall become effective on one's days notice. Such filing shall be made in accordance with applicable provisions of 52 Pa Code § 53.64 (i)(5).

The currently effective Gas Cost Rate is \$ 3.1307 for service on or after December 1, 2001.

(D)

11.3 DEFINITIONS

GCR - Gas Cost Rate determined to the nearest one-hundredth cent (0.01¢) to be applied to each Mcf of gas supplied under Rate Schedules GS, MS, PHA, and NGVS-Firm, except for gas usage under the Special Provisions – Air Conditioning of those rates

C - the current cost of natural gas and other raw materials determined as follows: (a) for all types of gas, project the cost for each purchase (adjusted for net current gas stored) for the computation year plus (b) the arithmetical sum of (1) the projected book value of non-current gas at the beginning of the computation year minus (2) the projected book value of non-current gas at the end of the computation year.

E - experienced net over billings (or under billing) of the cost of natural gas and other raw materials as of the end of the computation year.

Additionally, supplier refunds received prior to the end of the August billing period will be included in the factor "E". Commencing with the Fiscal Year 1991-92 GCR calculation, supplier refunds anticipated to be received within the computation year will be included in Factor "E".

(D) – Decrease

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :

v. :

Docket No. R-00016378

C0003

Philadelphia Gas Works :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Formal Complaint** of the Office of Trial Staff, dated December 18, 2001, either personally, by first class mail, electronic mail, express mail, or by fax upon the persons listed below:

Wendell F. Holland, Esquire
Obermayer Rebman Maxwell & Hippel LLP
1 Penn Center 19th Floor
1617 J. Kennedy Boulevard
Philadelphia, PA 19103-1895

Walter W. Cohen, Esquire
Obermayer Rebman Maxwell & Hippel LLP
204 State Street
Harrisburg, PA 17101

David M. Kleppinger, Esquire
Charis M. Burak, Esquire
Karen S. Miller Orner, Esquire
McNees, Wallace & Nurick
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140

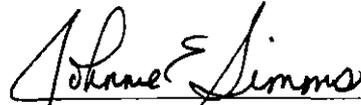
Steven C. Gray, Esquire
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

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01 DEC 18 PM 2:31
PA.P.U.C.
SECRETARY'S BUREAU

Irwin A. Popowsky, Esquire
Stephen J. Keene, Esquire
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Daniel Clearfield, Esquire
Mark Stewart, Esquire
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212 Locust Street, Suite 300
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Philip A. Bertocci, Esquire
Edward A. McCool, Esquire
Community Legal Services
1424 Chestnut Street
Philadelphia, PA 19102-2505



Johnnie E. Simms
Senior Prosecutor
Office of Trial Staff

Dated: December 18, 2001
Docket No. R-00016378

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

DECEMBER 19, 2001

WENDELL F. HOLLAND
OBERMAYER REBMANN MAXWELL & HIPPEL LLP
1 PENN CNTR 19TH FL
1617 J KENNEDY BLVD
PHILADELPHIA PA 19103-1895

RE: PA PUC vs PHILADELPHIA GAS WORKS
Docket Number R-00016378C0003

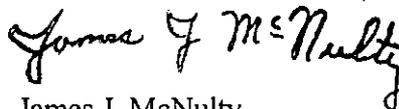
Dear Sir/Madam:

A Complaint has been filed against you in the above-captioned matter before the Pennsylvania Public Utility Commission by OFFICE OF TRIAL STAFF.

This complaint, of which the attached is a true and correct copy, has been presented and filed of record with the Pennsylvania Public Utility Commission. The Pennsylvania Public Utility Code, 66 Pa. C.S., requires the Commission to serve on each party named in a complaint a copy of the complaint.

Within twenty (20) days from the date on which this complaint is served, you may either satisfy this complaint or comply with the provisions of 52 Pa. Code, Section 5.61 et seq., as amended.

Very truly yours,



James J. McNulty
Secretary

(SEAL)

Certified Mail
Return Receipt Requested

JJH

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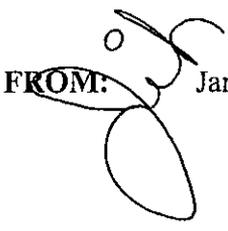
DOCKETED
DEC 19 2001

COMMONWEALTH OF PENNSYLVANIA

DATE: DECEMBER 19, 2001

SUBJECT: R-00016378C0003

TO: Office of Administrative Law Judge

FROM:  James J. McNulty, Secretary

OFFICE OF TRIAL STAFF
v.
PHILADELPHIA GAS WORKS

Attached is copy of a formal complaint filed in connection with the above docketed proceeding.

This matter is assigned to your office for necessary action.

Attachment - copy of complaint

cc:
Bureau of Fixed Utility Services - w/copy of complaint
Law Bureau - w/copy of complaint
Office of Special Assistants - w/copy of complaint

JIH

DOCUMENT
FOLDER

DOCKETED
DEC 19 2001

Wolf, Block, Schorr and Solis-Cohen LLP

212 Locust Street
Suite 300
Harrisburg, PA 17101
T: 717 237 7160
F: 717 237 7161
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Mark S. Stewart
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E-mail: mstewart@wolfblock.com

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January 8, 2002

James J. McNulty, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17102

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PA.P.U.C.
SECRETARY'S BUREAU

KCR

Re: Pa. PUC v. Philadelphia Gas Works,
Docket No. R-00016378C 0003

Dear Secretary McNulty:

Enclosed for filing please find the original and three copies of Philadelphia Gas Works' Answer to the Formal Complaint of the Office of Trial, in the above-referenced matter. As evidenced by the attached Certificate of Service, all parties of record have been served in the manner indicated.

If you have any questions regarding this filing, please feel free to call me at your convenience.

Very truly yours,


Mark S. Stewart

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

MSS/jlg
Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Pennsylvania Public Utility Commission :
:
v. :
:
Philadelphia Gas Works :

Docket No. R-00016378C 0003

**PHILADELPHIA GAS WORKS' ANSWER
TO THE FORMAL COMPLAINT OF THE OFFICE OF TRIAL STAFF**

Philadelphia Gas Works ("PGW") respectfully submits this Answer to the Formal Complaint of the Office of Trial Staff ("OTS"). The OTS's Complaint involved PGW's December 1, 2001 GCR Quarterly Update and a dispute over the correct amount in the reserve account established by the Commission-approved Joint Petition for Full Settlement of PGW's Petition for the Establishment of Interim Rates and Related Appeals ("Interim Settlement") entered into by the PUC Law Bureau and PGW. As set forth in the Quarterly Update filing, PGW believed that the reserve account contained \$17.58 million, and adjusted its Quarterly GCR so as to hold from its GCR that amount. OTS disputed PGW's claim to \$7 million of the reserve account funds, believing that it was not authorized by the Interim Settlement.

While PGW disputes the allegations in the OTS's Complaint, the issue of whether the one time, non-gas cost \$7 million was within the reserve account has been determined in the negative by the Commission via its December 26, 2001 Secretarial letter.¹ As PGW stated in its

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¹ In response to the substance of the Complaint, PGW incorporates by reference its position on the \$7 million as expressed in its December 12, 2001 informational filing, December 19, 2001 reply to the comments of the Office of Consumer Advocate ("OCA") and the Consumer Education and Protective Association ("CEPA"), Answer and Motion to Dismiss the Petition for Enforcement of Settlements of the OCA and Reply to the Exceptions/Comments of CEPA, and December 21, 2001 reply to the comments of the

Quarterly Update filing, it would file a downward revision to its GCR that would return the appropriate portion of the reserve fund to customers on a going forward basis should the Commission disagree for any reason with its position as to the reserve account.

However, while the Commission has determined that the \$7 million is not contained within the reserve account, there exists outstanding issues regarding the manner and timing of both the removal of the \$7 million from the Company's 2002 GCR and the refund of the non-authorized monies collected by PGW to date, which the Commission has recognized and deferred to this proceeding for examination and determination.² Consistent therewith, PGW opposes the OTS's call for an immediate refund and looks forward to utilizing this or some other proceeding to resolve those issues amicably.

In further response to the Complaint, PGW avers as follows:

1. Admitted.
2. Admitted.
3. Admitted.
4. Admitted.
5. Admitted.
6. Admitted.
7. Admitted that the quotation of the Commission's February 22, 2001, Order is accurate.

Office of Small Business Advocate. All of these filings were made at Docket No. R-00005654.

² See *Pa. PUC v. Philadelphia Gas Works*, Docket No. 00005654, Secretarial letter (December 26, 2001) at 4.

8. Admitted that the quotation of the Commission's February 22, 2001, Order is accurate. By way of further response, while the language of the Interim Settlement called for a maximum reserve account of \$25 million, only up to \$18 million of that amount was to be derived from an actual overcollection. Interim Settlement at ¶ 27.

9. Admitted in part and denied in part. Admitted that the quotation of the Commission's December 6, 2001, Order from the base rate case is accurate. Admitted that the overcollection portion of the reserve account had to be collected by August 31, 2001. Denied that the entire reserve account had to be collected by that date.

10. Admitted in part and denied in part. PGW denies that it adjusted its Quarterly GCR to account for \$7 million for bad debt expense. PGW asserts that the \$7 million adjustment was necessary to fund the reserve account as per the terms of paragraph 27 of the Interim Settlement.

11. This paragraph sets forth a conclusion of law to which no response is required. To the extent that a response is deemed necessary, the allegations are denied.³

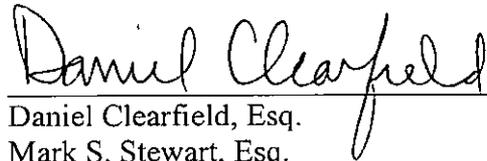
12. This paragraph sets forth a conclusion of law to which no response is required. To the extent that a response is deemed necessary, the allegations are denied. By way of further response, PGW's Quarterly Update did not adjust its GCR to account for \$7 million for bad debt expense. Rather, an adjustment was made to fund the reserve account consistent with the terms of the Interim Settlement.⁴

³ See *supra* n. 1.

⁴ See *supra* n. 1.

WHEREFORE, PGW respectfully requests that the Commission deny the relief requested by the OTS in its Formal Complaint and, consistent with its December 26, 2001 Secretarial letter, use this proceeding to explore and resolve the issues surrounding the removal and refunding of the disallowed portion of the reserve account.

Respectfully submitted,



Daniel Clearfield, Esq.
Mark S. Stewart, Esq.
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street, Suite 300
Harrisburg, PA 17101
(717) 237-7173
Attorneys for Philadelphia Gas Works

Of Counsel:
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Margaret Flores, Esquire
Gregory J. Stunder, Esquire
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800 West Montgomery Ave.
Philadelphia, PA 19122

Date: January 8, 2001

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VERIFICATION

I, Les A. Fyock, hereby state that I am the Vice President of Regulatory Affairs for the Philadelphia Gas Works, and am authorized to make this verification on its behalf, and that the facts above set forth are true and correct to the best of my knowledge, information and belief and that PGW would expect to be able to prove the same at any hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. Section 4904 relating to unsworn falsification to authorities.

Date: 1-8-02



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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/OR FIRST CLASS MAIL

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Date: January 8, 2002


Mark S. Stewart, Esquire

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