



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Office of Administrative Law Judge  
P.O. BOX 3265, HARRISBURG, PA 17105-3265  
March 15, 2006

IN REPLY PLEASE  
REFER TO OUR FILE

In Re: R-00061296

(SEE LETTER DATED 3/9/06)

Pennsylvania Public Utility Commission v. Philadelphia Gas Works  
1307(f)

Hearing Notice

This is to inform you that a hearing on the above-captioned case will be held as follows:

Type: Initial Hearing

Date: Friday, May 12, 2006

Time: 9:00 a.m.

Location: In an available hearing room  
Philadelphia State Office Building  
Broad and Spring Garden Streets  
Philadelphia, PA 19130

Presiding: Administrative Law Judge Marlane R. Chestnut  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130  
Telephone: 215.560.2105  
Fax: 215.560.3133

**DOCUMENT  
FOLDER**

**DOCKETED**  
APR 10 2006

*Attention: You may lose the case if you do not come to this hearing and present facts on the issues raised.*

If you intend to file exhibits, 2 copies of all hearing exhibits to be presented into evidence must be submitted to the reporter. An additional copy must be furnished to the Presiding Officer. A copy must also be provided to each party of record.

Individuals representing themselves do not need to be represented by an attorney. All others (corporation, partnership, association, trust or governmental agency or subdivision) must be represented by an attorney. An attorney representing you should file a Notice of Appearance before the scheduled hearing date.

If you are a person with a disability, and you wish to attend the hearing, we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission at least (2) two business days prior to your hearing:

- Scheduling Office: 717.787.1399
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1.800.654.5988

pc: Judge Chestnut  
June Perry - LA, Keystone 3NW  
Cyndi Page - BPL, Keystone 3NE  
Cherie Pyle, Scheduling Officer  
Beth Plantz  
Docket Section  
Calendar File

R-00061296 PHILADELPHIA GAS WORKS 1307(F)

RICHARD KANASKIE ESQUIRE  
PUC OFFICE OF TRIAL STAFF  
400 NORTH STREET  
2 WEST KEYSTONE  
HARRISBURG PA 17120

STEPHEN GRAY ESQUIRE  
OFFICE OF SMALL BUSINESS  
ADVOCATE  
1102 COMMERCE  
300 NORTH 2ND STREET  
HARRISBURG PA 17101

GREGORY J STUNDER ESQUIRE  
PHILADELPHIA GAS WORKS  
800 WEST MONTGOMERY AVENUE  
PHILADELPHIA PA 19122

PHILLIP BERTOCCI ESQUIRE  
COMMUNITY LEGAL SERVICES  
1424 CHESTNUT STREET  
PHILADELPHIA PA 19102

STEPHEN KEENE ESQUIRE  
OFFICE OF CONSUMER ADVOCATE  
555 WALNUT STREET  
5TH FLOOR FORUM PLACE  
HARRISBURG PA 17101-1921

CHARIS MINCAVAGE ESQUIRE  
MCNEES WALLACE NURICK  
100 PINE STREET  
PO BOX 1166  
HARRISBURG PA 17108-1166

# OALJ Hearing Report

Please Check Those Blocks Which Apply

Docket No.:	R-00061296		YES	NO
		Prehearing Held:	<input type="checkbox"/>	<input type="checkbox"/>
Case Name:	Pennsylvania Public Utility Commission v. Philadelphia Gas Works	Hearing Held:	<input type="checkbox"/>	<input type="checkbox"/>
		Testimony Taken:	<input type="checkbox"/>	<input type="checkbox"/>
		Transcript Due:	<input type="checkbox"/>	<input type="checkbox"/>
		Hearing Concluded:	<input type="checkbox"/>	<input type="checkbox"/>
Location:	Philadelphia	Further Hearing Needed:	<input type="checkbox"/>	<input type="checkbox"/>
Date:	March 15, 2006	Estimated Add'l Days:		
ALJ:	Marlane R. Chestnut	RECORD CLOSED:	<input type="checkbox"/>	<input type="checkbox"/>
		DATE:		
Reporting Firm:	Precision Reporting	Briefs to be Filed:	<input type="checkbox"/>	<input type="checkbox"/>
		DATE:		
		Bench Decision:	<input type="checkbox"/>	<input type="checkbox"/>
		REMARKS:		

DOCUMENT  
FOLDER

MAR 24 2006  
PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PLEASE PRINT CLEARLY - Incomplete information may result in delay of processing.

Name and Telephone Number	Address	Who are you representing?
✓ Gregory J. Stunder, Esq. Telephone: 215-684-6878	800 W. Montgomery Avenue City: Philadelphia State: PA Zip: 19122 <i>greg.stunder@pgworks.com</i>	Philadelphia Gas Works <i>pgworks.com</i>
	E-mail Address: <a href="mailto:gregory.stunder@pgworks.com">gregory.stunder@pgworks.com</a>	Fax Number: 215-684-6798
✓ Richard Kanaskie, Esq. Telephone: 717-783-6184	P.O. Box 3265 City: <del>Philadelphia</del> Harrisburg State: PA Zip: 17105-3265	Office of Trial Staff
	E-mail Address: <a href="mailto:kanaskie@state.pa.us">kanaskie@state.pa.us</a>	Fax Number: 717-772-2677
Aron Beatty, Esq. Telephone: 717-783-5048	555 Walnut Street 5th Floor, Forum Place City: Harrisburg State: PA Zip: 17101-1921	Office of Consumer Advocate
	E-mail Address: <a href="mailto:abeatty@paoca.org">abeatty@paoca.org</a>	Fax Number: 717-783-7152

Check this box if additional parties or attendees appear on back of form.

3/23/06 *elp.*

*Krista L. Schults, R.P.R.*  
Reporter's Signature

**Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.**

Name and Telephone Number	Address			Who are you representing?
✓ Stephen Gray, Esq.	Suite 1102, Commerce Building 300 North 2 <sup>nd</sup> Street			Office of Small Business Advocate
	City Harrisburg	State PA	Zip 17101	
Telephone: 717-783-2525	E-mail Address: <a href="mailto:sgray@state.pa.us">sgray@state.pa.us</a>			Fax Number: 717-783-2831
✓ Charis Mincavage, Esquire	100 Pine Street P.O. Box 1166			PICGUG
	City Harrisburg	State PA	Zip 17108-1166	
Telephone: 717-232-8000	E-mail Address: <a href="mailto:cmincavage@mwn.com">cmincavage@mwn.com</a>			Fax Number: 717-237-5300
✓ Philip Bertocci, Esquire	Community Legal Services 1424 <del>PA Street</del> Chestnut St.			Action Alliance of Senior Citizens Tenant Union Representative Network
	City Philadelphia	State PA	Zip 19102	
Telephone: 215-981- <del>0434</del> 3702	E-mail Address: <a href="mailto:pbertocci@clsphila.org">pbertocci@clsphila.org</a>			Fax Number: 215-981- <del>0434</del> 0435
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	
Telephone:	E-mail Address:			Fax Number:
	City	State	Zip	

*Note: Completion of this form does not constitute an entry of appearance, see 52 Pa. Code §§1.24 and 1.25.*

**Philadelphia Gas Works**

Gregory J. Stunder  
Senior Attorney



800 W. Montgomery Avenue, Philadelphia, PA 19122  
Telephone: (215) 684-6878 – Fax (215) 684-6798  
Email: greg.stunder@pgworks.com

March 17, 2006

**VIA OVERNIGHT MAIL**

Aron Beatty, Esquire  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

**Re: Philadelphia Gas Works Annual GCR Filing 1307(f)  
Docket No. R-00061296**

Dear Mr. Beatty:

On behalf of Philadelphia Gas Works, enclosed please find the revised response to OCA-Set 1-45. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Gregory J. Stunder". The signature is written in dark ink and includes a small, stylized monogram or initials "GSB" at the bottom right of the signature.

Gregory J. Stunder

Enclosure

cc: Attached Certificate of Service w/enc.  
James McNulty, w/ Cert. of Service only

**RECEIVED**

MAR 17 2006

**DOCUMENT  
FOLDER**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

A handwritten mark consisting of a large, stylized 'X' or '76' with a diagonal slash through it, located in the bottom right corner of the page.

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 EXPRESS MAIL

Stephen Gray, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

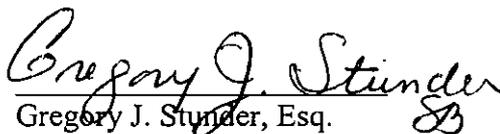
Charis Mincavage, Esquire  
McNEES, WALLACE, NURICK  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Phillip Bertocci, Esq.  
Community Legal Services  
1424 Chestnut Street  
Philadelphia, PA 19102

Richard LeLash  
Financial and Regulatory Consultant  
18 Seventy Acre Road  
Redding, CT 06896

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

Daniel Clearfield, Esq.  
Alan Kohler, Esq.  
Wolf, Block, Schorr and Solis-Cohen LLP  
213 Market Street  
9<sup>th</sup> Floor  
Harrisburg, PA 17101

  
Gregory J. Stunder, Esq.

Date: March 17, 2006

RECEIVED

MAR 17 2006

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

---

# Philadelphia Gas Works

Gregory J. Stunder  
Senior Attorney



800 W. Montgomery Avenue, Philadelphia, PA 19122  
Telephone: (215) 684-6878 – Fax (215) 684-6798  
Email: greg.stunder@pgworks.com

March 29, 2006

## VIA OVERNIGHT MAIL

Stephen Gray, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

# RECEIVED

MAR 29 2006

Re: Philadelphia Gas Works Annual GCR Filing 1307(f)  
Docket No. R-00061296

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Mr. Gray:

On behalf of Philadelphia Gas Works, enclosed please find the response to **OSBA Set 1, No. 3**.  
If you have any questions, please do not hesitate to contact me.

Sincerely,

*Gregory J. Stunder*  
Gregory J. Stunder *SB*

Enclosure

cc: Attached Certificate of Service w/enc.  
James McNulty, w/ Cert. of Service only

# DOCUMENT FOLDER

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 EXPRESS MAIL

Aron Beatty, Esq.  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

Charis Mincavage, Esq.  
McNEES, WALLACE, NURICK  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

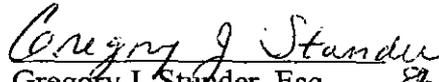
Richard Kanaskie, Esq.  
Office of Trial Staff  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Fl  
Harrisburg, PA 17120

Richard Lelash  
Financial and Regulatory Consultant  
18 Seventy Acre Road  
Redding, CT 06896

Philip Bertocci, Esq.  
Community Legal Services  
1424 Chestnut Street, 4<sup>th</sup> Fl  
Philadelphia, PA 19102

Daniel Clearfield, Esq.  
Alan Kohler, Esq.  
Wolf, Block, Schorr and Solis-Cohen LLP  
213 Market Street, 9<sup>th</sup> Fl  
Harrisburg, PA 17101

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

  
Gregory J. Stunder, Esq. *GB*

Date: March 29, 2006

RECEIVED

MAR 29 2006

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



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

IN REPLY PLEASE  
REFER TO OUR FILE

May 3, 2006

ORIGINAL

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

DOCKET  
FOLIO

Re: Pennsylvania Public Utility Commission v.  
Philadelphia Gas Works 1307(f)  
Docket No. R-00061296

Dear Secretary McNulty:

Enclosed please find the original and three (3) copies of the **Office of Trial Staff Statement in Support of Settlement Agreement** in the above-captioned proceeding.

As evidenced by the enclosed Certificate of Service, copies are being served on all active parties of record.

Sincerely,

Richard A. Kanaskie  
Prosecutor  
Office of Trial Staff

Enclosure  
RAK:cer  
c: Parties of Record

2006 MAY -3 PM 3:28  
PA PUC  
SECRETARY'S BUREAU

RECEIVED

46



## BACKGROUND

1. On March 1, 2006, the Company made its annual purchased gas cost (“PGC”) filing as Supplement No. 12 to Tariff Gas-Pa. P.U.C. No. 2 (“Supplement No 12”). Supplement No. 12 was filed pursuant to Section 1307(f) of the Public Utility Code proposing rates for recovery of its natural gas costs. At the same time, the Company filed Supplement No. 11 to Tariff Gas –Pa. P.U.C. No. 1.

2. OTS entered its Notice of Appearance on March 7, 2006. The Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”) filed Formal Complaints. Formal Complaints were also filed by the Action Alliance of Greater Philadelphia and the Tenant Union Representative Network (“Action Alliance et al.”). In addition, on March 10, 2006, the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene.

3. The matter was assigned to Administrative Law Judge (“ALJ”) Marlane R. Chestnut.

4. A telephonic Prehearing Conference was held on March 15, 2006, at which time a procedural schedule was developed. The schedule included filing dates for Testimony, Briefs and Reply Briefs as well as a date for an Evidentiary Hearing.

5. In accordance with the Commission’s policy favoring settlements over costly and time consuming litigation, OTS, PGW and all active parties were successful in achieving an Agreement using Discovery and settlement discussions.

## DISCUSSION

6. The Settlement provides that the natural gas costs that PGW incurred during the historic period were incurred under a least cost fuel procurement policy.

7. The settlement also provides that the natural gas costs that PGW will incur in the upcoming period appear that they will be incurred based on the Company's adherence to its least cost fuel procurement policy. The Company's diligence in adhering to a least cost procurement strategy benefits customers directly in their gas bills. A least cost procurement policy, despite the quarterly fluctuations, benefits ratepayers on an annual basis. This statutory policy must be adhered to and OTS is of the opinion that PGW's practices reflect this requirement.

8. Furthermore, the Company's calculation of the E-Factor was done in accordance with established Commission practices. The proper calculation of the E-Factor protects ratepayers by ensuring that rates are adjusted appropriately to reflect the impact that these charges have on purchased gas costs. For example, the interest associated with over-collections or under-collections must be appropriately reflected in the Company's claimed purchased gas costs. OTS is satisfied that the Company's calculations are appropriate and accurate.

9. In addition, the company's projected gas costs ("C-Factor") are also planned in accordance with established commission practices. This adherence to accepted practices aids ratepayers in that the company's practices with respect to purchased gas is being done

with the balanced interests of the Company and ratepayers being considered. OTS opines that ratepayers are protected in that PGW gains no unwarranted financial advantage through its practices.

10. PGW's annual filing indicates a proposed decrease in its rates compared to its last quarterly update.

11. The Agreement will benefit consumers by reducing the purchased gas cost rate from its current level of \$12.5632/Mcf to the requested level of \$12.3746/Mcf. The use of quarterly updates isolates consumers from dramatic swings on an annual basis.

12. PGW may place into effect the natural gas supply rates as proposed and identified in Appendix "A" to the Petition, subject to quarterly updates as required by Commission Regulations.

13. The parties to this proceeding are in agreement that the Company will adhere to the purchasing patterns established in the Base Volume Gas Purchasing Program attached to the Settlement as Appendix "B".

14. Furthermore, the parties agree to review the effectiveness of the Base Volume Gas Purchasing Program in the Company's 2007 PGC filing. OTS agrees that it will not challenge the reasonableness of this program as long as it is restricted to the volumes set forth in the plan.

15. The limited nature of the Base Volume Gas Purchasing Program will assist in reducing the volatile nature of gas purchases while not dramatically impacting the

Company's requirement of purchasing gas under a least cost procurement policy. Reducing volatility can be beneficial to ratepayers as long as it does not violate that statutory mandates of gas purchases.

16. The Company's establishment of internal procedures to ensure compliance with its purchasing plan benefits ratepayers. A purchasing plan is only effective if executed timely and properly and the Company's internal procedures will accomplish this goal.

17. In addition, the Company's agreement to fully utilize Liquefied Natural Gas ("LNG") storage to capacity protects its consumers as it allows the Company to make advantageous purchases and helps to ensure an adequate supply of gas throughout the season.

18. The Company's PGC practices adequately protect its ratepayers as its annual filings include provisions deemed appropriate in protecting the public interest. Provisions agreed to in last year's proceeding have been implemented and policies are in place to protect the Company's ratepayers from the impact of purchased gas on rates borne by the consumer. For example, the Company currently has a policy in dealing with line hits and the subsequent loss of gas. The establishment and enforcement of this policy protects ratepayers by providing for recovery of lost resources from other entities when appropriate.

## CONCLUSION

19. Based upon OTS' 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 expense involved in continuing to formally pursue all issues in this proceeding.

20. OTS further submits that 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 reply exceptions, and the filing of possible appeals. The avoidance of further rate case expense by settlement of this base rate proceeding serves the interests of PGW, the active parties and PGW's customers.

21. 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 PGW or OTS or as provided therein.

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

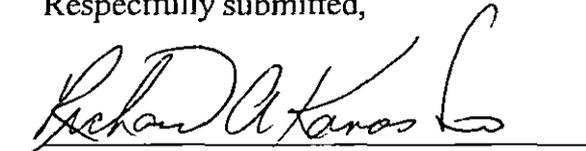
23. If the ALJ recommends that the Commission adopt the Settlement as proposed, OTS has agreed to waive the filing of Exceptions. However, OTS has not

waived its rights to file 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 her Recommended Decision. OTS has also reserved the right to file Reply Exceptions to any Exceptions that may be filed by PGW or any Formal Complainant.

24. The Office of Trial Staff is satisfied that the provisions and data contained in the Company's annual filing accurately reflect its purchased gas costs and its practices adequately protect the public interest. Therefore, OTS has determined that it is not necessary to file testimony in this proceeding.

WHEREFORE, the Commission's Office of Trial Staff represents that it supports the Settlement as being in the public interest and respectfully requests that Administrative Law Judge Marlane R. Chestnut recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Johnnie E. Simms", written over a horizontal line.

Johnnie E. Simms  
Chief Prosecutor

Richard A. Kanaskie  
Prosecutor  
Office of Trial Staff

Pennsylvania Public Utility Commission  
Post Office Box 3265  
Harrisburg, Pennsylvania 17105-3265  
(717) 787-1976

Dated: May 3, 2006

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :  
v. : Docket No. R-00061296  
Philadelphia Gas Works 1307(f) :

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Statement in Support**, dated May 3, 2006, either personally, by first class mail, electronic mail, express mail and/or by fax upon the persons listed below:

Gregory J. Stunder, Esquire  
Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

Charis Mincavage, Esquire  
McNees, Wallace & Nurick  
100 Pine Street  
P.O. Box 1166  
Harrisburg, Pa 17108-1166

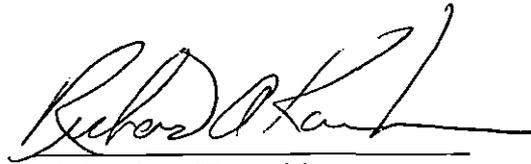
Philip Bertocci, Esquire  
Community Legal Services  
1424 Pine Street  
Philadelphia, PA 19102

Stephen Keene, Esquire  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

2006 MAY -3 PM 3:28  
PA PUC  
SECRETARY'S BUREAU

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

Hon. Marlane R. Chestnut  
Office of Administrative Law Judge  
Pennsylvania Public Utility Commission  
1302 State Office Building  
Broad & Spring Garden Streets  
Philadelphia, PA 19130

A handwritten signature in black ink, appearing to read "Richard A. Kanaskie", written over a horizontal line.

Richard A. Kanaskie  
Prosecutor  
Office of Trial Staff

Dated: May 3, 2006  
Docket No. R-00061296