

**Philadelphia Gas Works**

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Senior Attorney

**ORIGINAL**  
**PGW**

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VIA OVERNIGHT MAIL

May 8, 2006

James J. McNulty  
Secretary  
PA Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

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MAY 08 2006

PA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEASTONE BLDG

Re: Philadelphia Gas Works, Docket No. R-00061296

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of (“PGW”) Joint Petition for Settlement of Philadelphia Gas Works’ 2006-2007 GCR Proceeding along with Philadelphia Gas Works’ Statement in Support of its 2006-2007 GCR Proceeding.

PGW is requesting confidential treatment for Appendix B of the Joint Petition for Settlement due to its commercially sensitive nature. All pages of Appendix B have been marked “Confidential”.

If you have any questions regarding this matter, please contact me. Thank you for your assistance with this matter.

Respectfully submitted,

  
Gregory J. Stunder

**DOCUMENT  
FOLDER**

cc: Parties of record  
Administrative Law Judge Marlane R. Chestnut

109

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION, et al.

Docket No. R-00061296

v.

PHILADELPHIA GAS WORKS

DOCUMENT  
FOLDER

JOINT PETITION FOR SETTLEMENT OF  
PHILADELPHIA GAS WORKS'  
2006-2007 GCR PROCEEDING

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PHILADELPHIA GAS WORKS

TO ADMINISTRATION LAW JUDGE MARLANE R. CHESTNUT:

I. INTRODUCTION

1. Philadelphia Gas Works ("PGW"), the Office of the Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (collectively "the Settling Parties")<sup>1</sup> hereby submit this Joint Petition for Settlement of PGW's 2006-2007 GCR Proceeding, as captioned above, and respectfully request the following:

2. That Administrative Law Judge ("ALJ") Marlane R. Chestnut recommend and the Commission approve this Settlement and all of its terms and conditions.

3. That the ALJ recommend and the Commission authorize PGW to file a tariff supplement to reflect rates and terms consistent with this Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket Nos. R-00061296 to be effective for services rendered on or after September 1, 2006, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1,

<sup>1</sup> Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") and Action Alliance of Senior Citizens of Greater Philadelphia & the Tenant Union Representative Network do not join in this Settlement, but have authorized the Settling Parties to state their non-opposition to the Settlement.

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2006 to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by paragraph III 1.(b).

4. That based on the data and testimony submitted in this case, the ALJ recommend and the Commission make the Findings of Facts and Conclusions of Law proposed at Sections IV and V below.

5. That the Commission terminate its investigation at Docket No. R-00061296 and mark closed the proceedings at Docket Nos. R-00061296.

## **II. BACKGROUND**

1. On February 1, 2006 PGW submitted required data in advance of its annual purchased gas cost ("PGC") filing pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64.

2. On March 1, 2006, PGW submitted Supplement No. 12 to Gas Service Tariff - Pa. P.U.C. No. 2 and Supplement No. 11 to Gas Supplier Tariff - Pa. P.U.C. No. 1 to become effective for services rendered on or after September 1, 2006. This annual gas cost rate ("GCR") filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies to make annual purchased gas cost filings with the Commission to reflect increases or decreases in natural gas costs. With this filing, PGW also submitted a reconciliation of expenses previously incurred and revenues received, pursuant to 66 Pa. C.S. § 1307(f)(3), as well as a recalculation of PGW's Restructuring Surcharge. Furthermore, PGW submitted data in support of its Tariff supplement, as well as the direct testimony of witnesses Kenneth Dybalski (**PGW ST. 1** re: Proposed 2006 Annual GCR Adjustment) and Douglas Moser (**PGW ST. 2** re: Proposed 2006 Annual GCR Adjustment).

3. As required by Commission regulations, PGW provided public notice of its proposed GCR rate in Supplement No. 12 through bill inserts and newspaper publications in PGW's service territory.

4. OTS entered a notice of appearance in the case. PICGUG filed a Petition to Intervene and it was granted by the ALJ. OCA and OSBA filed complaints against PGW's tariff supplements and public statements. Action Alliance of Senior Citizens of Greater Philadelphia and the Tenant Union Representative Network filed a complaint.

5. A Prehearing Conference was held before ALJ Chestnut on March 15, 2006 and on the same date, ALJ Chestnut issued a Prehearing Order which established the schedule and the procedures applicable to this proceeding.

6. Discovery, both formal and informal, was undertaken by various parties. PGW provided responses to a total of 118 interrogatories served by the OCA, the OTS and OSBA.

7. On April 14, 2006, testimony was submitted by OSBA (OSBA St. 1). The other parties had agreed to delay the submission of direct testimony pending the outcome of settlement discussions.

8. The Settling Parties commenced settlement discussions and were able to reach a Settlement which resolves all issues pertaining to PGW's 2006-2007 annual GCR Filing.

### **III. SETTLEMENT**

The undersigned parties, intending to be legally bound and for due consideration given, agree to the terms and conditions set forth below:

#### **1. PURCHASED GAS COST RATES**

(a) The Settling Parties agree to accept the underlying data and calculations submitted by PGW in its February 1, 2006 pre-filing and its March 1, 2006 annual filing. The PGC rate adopted by this Settlement is \$12.3746. This rate is predicated on PGW's gas cost projections at the time of the March 1, 2006 annual PGC filing. In accordance with 52 Pa. Code § 53.64, PGW will submit a quarterly adjustment to the PGC rate on or before September 1, 2006, to be effective on one day's notice, to account for actual experience and

changes in forecasted natural gas prices and demand, which will establish the PGC rate, effective September 1, 2006.

(b) PGW shall calculate the quarterly filing updates for the 2006-2007 GCR period in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(5).

(c) Attached as Appendix "A" hereto are the rates relating to this Settlement.

## **2. GAS PURCHASING PROGRAM**

(a) Commencing upon the date of execution of this Settlement, the Settling Parties agree that PGW will follow the Base Volume Gas Purchasing Program attached hereto as Appendix "B".<sup>2</sup> The Gas Purchasing Program is intended to reduce PGW's exposure to natural gas price volatility and to establish agreed upon standards governing PGW's gas procurement practices.

(b) In PGW's 2007-2008 and 2008-2009 annual GCR proceedings, none of the Settling Parties shall be permitted to challenge the reasonableness, prudence or recoverability of gas costs associated with locked-in prices established in accordance with non-discretionary purchases (within the range of base volumes and goal volumes) in accordance with Appendix "B".

(c) The Settling Parties agree to monitor and review the appropriateness and effectiveness of the Gas Purchasing Program set forth in Appendix "B" and will revisit Gas Purchasing Program issues pertaining to fiscal year 2008-2009 and future years in the context of PGW's 2007-2008 annual GCR filing.

(d) The parties agree that PGW's obligation to follow the Gas Purchasing Program attached hereto as Appendix B is subject to PGW's credit limits and/or financial

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<sup>2</sup> The Gas Purchasing Program is extremely commercially sensitive and is marked confidential. As such, confidential treatment is requested in the Company's cover letter to Secretary McNulty.

constraints. PGW agrees that if financial constraints and/or credit limitations impact the Company's ability to carry out the Base Volume Gas Purchasing Program, PGW will contact the stakeholders in order to discuss the modifications to the Base Volume Gas Purchasing Program required by these factors.

(e) PGW has put in place procedures to ensure compliance with the Gas Purchasing Plan attached hereto as Appendix "B".

### **3. LNG UTILIZATION**

The Company commits to fill LNG storage to capacity for the 2006-2007 peak season. To the extent that operational and/or financial constraints arise that prevent the Company from filling the storage to capacity, the Company will explain in next year's 1307(f) filing what those constraints were and how they affected the ability to fill the storage.

### **4. LNG CAPACITY**

The Company commits to seek the necessary approvals and financing for the Phase II project unless circumstances or events not presently anticipated prevent it from doing so. PGW shall report to the Parties if it does not move forward with the Phase II project.

### **5. DEMAND AND SUPPLY FORECASTING**

The 1997 ICF Kaiser Study will be updated and distributed to the parties in July 2006.

### **6. SECONDARY MARKET TRANSACTIONS AND ASSET MANAGEMENT**

The Settling Parties agreed in the 2005-2006 GCR Proceeding Joint Settlement Petition that PGW will file a comprehensive plan (the "Plan") concerning its options for capacity marketing, capacity reductions, and the potential use of a third party asset manager by June 30, 2006. Upon completion of the Plan, the Company will distribute it among the Settling Parties and, upon request, convene a meeting with the Settling Parties in order to discuss the Plan. The Company will seek comments from the Settling Parties but the Company retains the sole right to

modify the Plan. Until the Plan is implemented, PGW will consider off-system sales opportunities and park and loan opportunities, in addition to continued capacity release opportunities.

## **7. DOMINION TRANSMISSION**

(a) PGW agrees to participate in the North American Energy Standards Board forum in which the Company will support Dominion Peoples' request to modify standard contract language regarding price adjustments in the event of future faulty reporting. PGW will support Dominion Peoples' efforts to the extent that PGW deems that they have merit. PGW will report the status of its efforts as part of the PGW §1307(f) proceeding next year.

(b) PGW agrees to take any reasonable steps which may be necessary (now and in the future) in order to assure that its PGC customers are included in the class if the West Virginia case (*Jacquet et al v. Dominion Transmission, Inc. et al*, Docket No. 2:05-cv-00548 (S.D. W.Va.)) survives the motion to dismiss and is given class action designation. PGW will report on its efforts in the West Virginia case as part of the PGW §1307(f) proceeding next year.

## **8. INTERIM GCR FILING**

OSBA reserves the right to address the issue of Interim GCR filings during the next 1307(f) proceeding if PGW files for an Interim GCR adjustment during the next year.

## **9. QUARTERLY GCR FILINGS MARKET DATA**

In its quarterly GCR filings (except the March 1 filing) beginning September 1, 2006, PGW agrees to use market data that are not earlier than the first day of the prior month. PGW also agrees to continue its efforts to upgrade its planning and forecasting models that will allow it to use more current market price information in its quarterly GCR filings, and to report on these efforts as part of the PGW §1307(f) proceedings next year.

## **10. SETTLEMENT PROVISIONS**

The parties agree that the provisions of the settlement are applicable only to PGW and only to the issues raised in this 2006 1307(f) proceeding due to the Company's status as a municipal utility whose rates are set on a cash flow method; therefore, the parties do not intend for this settlement to provide precedential value to investor owned utilities.

## **11. ADMISSION OF EVIDENCE**

The Settling Parties stipulate to the admission of the filing, testimony and exhibits identified in Appendix "C" hereto.

## **IV. PROPOSED FINDINGS OF FACT**

As a consequence of the Settlement terms and conditions set forth in Section III above, the Settling Parties request that the ALJ and the Commission make the following findings of fact and such other findings and conclusions as may be required as appropriate:

1. PGW's gas distribution system is located in Southeastern Pennsylvania in the County and City of Philadelphia. Since this is not a gas producing area, PGW and its natural gas customers are dependent upon the interstate natural gas pipeline system to deliver natural gas into the PGW gas distribution system. (PGW ST. 2 at 2).

2. PGW relies on the interstate pipeline for all natural gas supply, storage and transportation services, except for PGW's own on-system peak shaving facilities. In this regard, PGW owns and operates liquified natural gas ("LNG") facilities that are used both to meet *intraday, daily and seasonal supply needs as well as to meet peak day requirements.* (PGW ST. 2 at 2).

3. Duke Energy Gas Transmission (DEGT) and Williams Gas Pipeline comprise the two interstate natural gas pipelines that deliver gas to PGW's city gates. In addition, Dominion Transmission Inc. (DTI), and Equitrans, Inc. (Equitrans) provide natural gas storage services that

PGW uses to meet winter peak requirements. These storage services require intermediate transportation services from DEGT to deliver storage withdrawals to the PGW gas distribution system. (PGW ST. 2 at 2).

4. PGW pursues a least cost procurement policy using a portfolio approach in both contract structure and pricing. The portfolio approach protects ratepayers from some of the risk of natural gas market volatility by utilizing a mix of first of the month index pricing, storage injection and winter only supply contracts, as appropriate given market conditions. (PGW ST. 2 at 3).

5. PGW also uses capacity release and off system sales when available as an additional cost saving strategy. The prices for these transactions are negotiated and, in both instances, all associated credits and margins are returned to customers through the PGC. (PGW ST. 2 at 6).

6. The details of PGW's actual gas purchases for the 12 months ending December 31, 2005 and an estimate of gas purchases through August of 2007 are presented in the schedules attached to Item 53.64(c)(1) of PGW's February 1, 2006 Pre-filing and Tabs 3 and 4 of PGW's March 1, 2006 annual GCR filing.

7. Projected gas costs as reflected in this Settlement are based on peak-day capacity requirements at a 0 degree design day temperature. (PGW's February 1, 2006 Pre-filing, Item 53.64(c)(13)).

8. PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production and, therefore, transactions with affiliates are not an issue in this proceeding pertaining to PGW's procurement practices. (PGW's February 1, 2006 Pre-filing at Item 53.65(5)).

V. **PROPOSED CONCLUSIONS OF LAW**

1. **Historical Reconciliation Period Standards**

a. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2005<sup>3</sup>, it is requested that the ALJ and the Commission find that PGW has met the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that, during the twelve months ended December 31, 2005:

i. PGW met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.

2. **Interim and Projected Period Findings**

a. With respect to the eight-month interim period beginning on January 1, 2006, and with respect to the projected twelve-month period beginning September 1, 2006, when rates contained in this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning PGW's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from PGW's compliance with all of the provisions of Section 1318 of the Public Utility Code.

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<sup>3</sup> The reconciliation period for PGW's in this proceeding is the twelve-month period ended December 31, 2005, in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(1).

b. The Parties agree, based upon evidence of record in this proceeding concerning PGW's projected gas purchases and gas purchasing policies, that PGW's projected gas purchases and projected gas purchasing policies may comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section V.2., is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa.C.S. § 1318, and further review in an appropriate future proceeding. Section V.2. of the Settlement is not intended in any way to limit or prevent OTS, OCA or OSBA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether PGW's gas purchases and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from January 1, 2006, through August 31, 2007, were challenged, the Commission's findings based upon Section V of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing January 1, 2006, and the twelve-month application period commencing September 1, 2006, and ending on August 31, 2007.

## **VI. CONDITIONS OF SETTLEMENT**

1. This Settlement will go into effect upon the Commission's entry of a final order approving the Settlement, in full and without modification. If the Commission rejects the Settlement, the Agreement automatically will terminate and be null and void with the exception of paragraph 3 below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph 3, below) if the Commission, in approving the Settlement, modifies any of its terms or conditions or adds any conditions, unless

it is subsequently accepted by the aggrieved signatory party, or parties, as so modified. If the Commission approves the Settlement in full and without modification, the Stipulation:

a. shall be deemed to resolve with prejudice all issues addressed by this Settlement; and

b. shall be implemented and shall be enforceable notwithstanding the pendency of a petition for reconsideration or a legal challenge to the Commission's approval, unless such implementation and enforcement of the Settlement is stayed or enjoined by the Commission, another regulatory agency, or a Court having competent jurisdiction over the matter.

2. This Settlement is made without admission against or prejudice to any factual or legal positions which any of the signatories hereto may assert in subsequent litigation in the event that the Commission does not issue a final Order approving this Settlement in full and without modification. If the Commission does not adopt this Settlement in accordance with the terms set forth herein, all parties reserve their full right to argue that the Commission is without the legal authority to order the implementation of all or part of the terms and conditions set forth herein and no party shall be deemed to have waived or be estopped from asserting such a position before the Commission or before any court.

3. This Settlement Petition may be executed in counterparts, all of which shall constitute one agreement binding on all signatories, and shall have the same force and effect as an original instrument, notwithstanding that the signatories may not be signatories to the same original or the same counterpart.

4. The Settling Parties will submit Statements in Support of this settlement within 10 days of submission to the Commission.

5. The Settling Parties agree to waive exceptions to the ALJ's recommended decision if the ALJ recommends that the Joint Petition for Settlement of Philadelphia Gas Works' 2006-2007 GCR Proceeding be approved without change or modification.

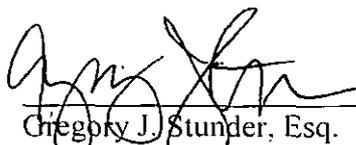
**CONCLUSION**

**WHEREFORE**, the Settling Parties, by their respective counsel, respectfully request as follows:

1. That Administrative Law Judge Marlane R. Chestnut and the Commission approve this Settlement including all terms and conditions thereof; and
2. That the Commission enter an order consistent with this Settlement, resolving and terminating the 2006-2007 GCR proceeding.

**Respectfully submitted,**

**Philadelphia Gas Works**



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Counsel for Philadelphia Gas Works

Dated: May 8, 2006

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PHILADELPHIA GAS WORKS  
COMMISSION

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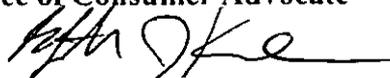
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REGULATORY SERVICES

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PA PUBLIC UTILITY COMMISSION  
CLERK OF COMMISSION

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By \_\_\_\_\_  
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Counsel for Office of Trial Staff

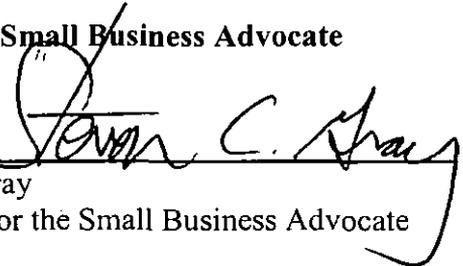
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PA PUBLIC UTILITY COMMISSION  
CLERK OF COMMISSION

**Appendix A**

<b><u>Gas Cost Rate</u></b>	
	<b><u>9/1/06</u></b>
Rate per Mcf	12.3746
<b><u>USC</u></b>	
	<b><u>9/1/06</u></b>
Rate per Mcf	2.2293
<b><u>Restructuring/Consumer Ed Surcharge</u></b>	
	<b><u>9/1/06</u></b>
Rate per Mcf	0.0562

## APPENDIX C

### Stipulated Record

1. PGW's February 1, 2006 Pre-Filing Information;
2. PGW's March 1, 2006 Annual GCR Filing;
3. PGW St. 1 (Dybalski);
4. PGW St. 2 (Moser);
5. OSBA St. 1 (Knecht) with Exhibits.

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION, et al.	:	
	:	Docket No. R-00061296
v.	:	
	:	
PHILADELPHIA GAS WORKS	:	

**PHILADELPHIA GAS WORKS' STATEMENT IN SUPPORT  
OF THE JOINT PETITION FOR SETTLEMENT  
OF ITS 2006-2007 GCR PROCEEDING**

Philadelphia Gas Works ("PGW" or "Company") submits this Statement in Support of the Joint Petition for Settlement of its 2006-2007 Gas Cost Rate ("GCR") Proceeding. PGW respectfully requests that Administrative Law Judge ("ALJ") Marlane R. Chestnut and the Public Utility Commission approve the Joint Petition, make the findings required by the Public Utility Code, 66 Pa. C.S. §§ 1317 and 1318, and deem this settlement in the public interest.

**I. BACKGROUND**

On February 1, 2006, PGW submitted required data in advance of its annual GCR filing pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64. On March 1, 2006, PGW submitted Supplement No. 12 to Gas Service Tariff - Pa. P.U.C. No. 2 and Supplement No. 11 to Gas Supplier Tariff - Pa. P.U.C. No. 1 to become effective for services rendered on or after September 1, 2006. This annual GCR filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies to make annual purchased gas cost filings with the Commission to reflect increases or decreases in natural gas costs. With this filing, PGW also submitted a reconciliation of expenses previously incurred and revenues received, pursuant to 66 Pa. C.S. § 1307(f)(3), as well as a recalculation of PGW's Restructuring Surcharge.

The Office of Trial Staff (“OTS”) entered a notice of appearance in the case. The Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene and it was granted by the ALJ. The Office of Consumer Advocate (“OCA”) and Office of Small Business Advocate (“OSBA”) filed complaints and public statements against PGW’s filing. Action Alliance of Senior Citizens of Greater Philadelphia and the Tenant Union Representative Network filed a complaint.

A Prehearing Conference was held before ALJ Chestnut on March 15, 2006 and on the same date, ALJ Chestnut issued a Prehearing Order which established the schedule and the procedures applicable to this proceeding.

Discovery, both formal and informal, was undertaken by various parties. The Parties commenced settlement discussions and were able to reach a Settlement which resolves all issues pertaining to PGW’s 2006-2007 annual GCR Filing.<sup>1</sup>

**II. PGW IS PURSUING A LEAST COST FUEL PROCUREMENT POLICY CONSISTENT WITH PGW’S OBLIGATION TO PROVIDE SAFE, ADEQUATE AND RELIABLE SERVICE TO ITS CUSTOMERS.**

Currently, PGW pursues a least cost procurement policy consistent with PGW’s obligation to provide safe, adequate and reliable service by among other things: 1) using a portfolio approach in contract structure and pricing; and 2) utilizing capacity release and off system sales when available as an additional cost saving strategy and method for providing credit offsets to customers on the Company’s purchased gas cost.

The proposed settlement advances the above goal by: 1) committing to a gas purchasing program that includes purchasing for both the 2006-07 and 2007-08 GCR periods; 2) committing

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<sup>1</sup> Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) and Action Alliance of Senior Citizens of Greater Philadelphia & the Tenant Union Representative Network do not join in this Settlement, but have authorized the Settling Parties to state their non-opposition to the Settlement.

to taking steps that seek to maximize LNG utilization and capacity; and 3) reaffirming its prior year commitment to file a comprehensive plan by June 30, 2006 concerning its options for capacity marketing, capacity reductions and the potential use of a third party asset manager.

The Company's portfolio approach utilizes a mix of first of the month index pricing, storage, and winter only supply contracts to protect ratepayers from some of the risk of natural gas market volatility. In the past, PGW's hedging transactions have included agreements whereby PGW has purchased natural gas into storage and deferred paying for the hedge until the winter period. The Gas Purchasing Program submitted with this settlement is intended to reduce PGW ratepayers' exposure to price volatility by hedging some portion of the Company's firm requirements against significant swings in the price of natural gas and establish agreed to standards governing PGW's gas procurement practices. The settlement agreement of the parties recognizes that PGW will also submit quarterly adjustments to the PGC factor in order to account for changes in forecasted price and demand. Also, as part of this settlement, PGW has reaffirmed its commitment to formulate a plan for future capacity marketing and reduction and the potential use of a third party asset manager. This plan will further assure that PGW is doing everything possible to reduce costs or improve cashflow and its financial strength.

Therefore, the above settlement terms certainly meet the Commission's goal in ensuring the least cost procurement policy consistent with PGW's obligation to provide safe, adequate and reliable service.

### **III. APPROVAL OF THE JOINT PETITION IS IN THE PUBLIC INTEREST**

The Joint Petition is in the public interest because it fairly and reasonably resolves a number of significant issues affecting PGW and its customers for the reasons stated above. All of the facts necessary to approve the settlement are included in the record of the proceeding

through the filing and supporting data itself, the testimony of the Parties, or the attachments to the settlement agreement submitted to the ALJ through the stipulation of the Parties.

#### IV. CONCLUSION

Having found that PGW pursues a least cost procurement policy consistent with PGW's obligation to provide safe, adequate and reliable service, that this settlement satisfies the Commission's requirements at Section 1317 and 1318 of the Code and is in the public interest, PGW supports the Joint Petition and urges ALJ Chestnut and the Commission to approve it in its entirety.

Respectfully submitted:



\_\_\_\_\_  
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Counsel for Philadelphia Gas Work

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MAY 08 2006

PA PUBLIC UTILITIES COMMISSION  
200 N. 3RD ST. HARRISBURG, PA 17102

**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 FIRST CLASS MAIL**

Stephen Keene, Esq.  
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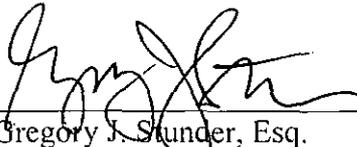
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