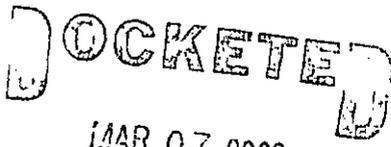


PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: February 4, 2002	2. BUREAU AGENDA NO. FEB-2002-L-0006*
3. BUREAU: Law	
4. SECTION(S):	5. PUBLIC MEETING DATE:
6. APPROVED BY: Director: B.R. Pankiw 7-5000 <i>[Signature]</i> Supervisor:	February 7, 2002
7. PERSONS IN CHARGE: K.O. Moury 2-8883 <i>[Signature]</i>	<div style="text-align: right;">  MAR 07 2002 </div>
8. DOCKET NO.: R-00005654 R-00016378	

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

DOCUMENT FOLDER

- (a) Pa. Public Utility Commission v. Philadelphia Gas Works; Petition for Enforcement of Settlements filed by the Office of Consumer Advocate.
- (b) On December 10, 2001, the Office of Consumer Advocate (OCA) filed a Petition for Enforcement of Settlements, claiming that the inclusion by Philadelphia Gas Works (PGW) of an additional \$7 million in bad debt expense in its December 1, 2001 Quarterly Update filing for the 2002 GCR period violates the provisions of the Interim Rates Settlement approved on February 21, 2001 and the 2002 GCR Settlement approved on September 7, 2001. In a related matter, the Office of Trial Staff (OTS) filed a Formal Complaint against the December 1, 2001 Quarterly Update filing, also challenging PGW's insertion of this \$7 million in that filing. By Secretarial Letter issued on December 26, 2001, addressing PGW's Informational Filing on December 12, 2001 pertaining to the use of a reserve account established by the Interim Rates Settlement, the Commission indicated that the \$7 million in question should not have been included in the December 1, 2001 filing. The Commission deferred the mechanics and timing of the refund of that amount to the pending proceedings initiated by the OCA and OTS at these dockets.
- (c) The Law Bureau recommends adoption of the proposed Order providing for a refund of the \$7 million inappropriately included in the December 1, 2001 Quarterly Update filing.

10. MOTION BY: Commissioner Chm. Thomas Commissioner Pizzigrilli - Abstaining
 Commissioner Wilson - Yes
SECONDED: Commissioner Bloom Commissioner Fitzpatrick - Yes

CONTENTS OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
February 7, 2002

REFER TO OUR FILE

R-00005654
R-00016378

DANIEL CLEARFIELD ESQUIRE
BLAKE J NELSON ESQUIRE
WOLF BLOCK SCHORR & SOLIS-COHEN
212 LOCUST STREET SUITE 300
HARRISBURG PA 17101

DOCKETED

FEB 26 2002

Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works

DOCUMENT
FOLDED

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on February 7, 2002 has adopted an Order in the above-entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,

James J. McNulty
Secretary

Enclosure
Certified Mail
JEP

SEE ATTACHED LIST
FOR ADDITIONAL PARTIES

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265

Public Meeting held February 7, 2002

Commissioners Present:

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

DOCKETED
FEB 26 2002
DOCUMENT
FOLDED

Pa. Public Utility Commission

v.

Docket No. R-00005654

Philadelphia Gas Works

Pa. Public Utility Commission

v.

Docket No. R-00016378

Philadelphia Gas Works

ORDER

BY THE COMMISSION:

Now before the Commission for disposition is the Petition for Enforcement of Settlements filed by the Office of Consumer Advocate (OCA) on December 10, 2001, arising out of the filing by Philadelphia Gas Works of its Quarterly Update to its Gas Cost Rate (GCR) on November 30, 2001 to become effective on December 1, 2001. Although the tariff supplement reduced PGW's GCR from

\$4.3724/Mcf to \$3.1307/Mcf, the OCA's Petition identifies an error in that filing that has the effect of increasing the Company's gas costs by \$7 million in the 2002 GCR period.

Specifically, the OCA explains that PGW inappropriately used this Quarterly Update filing as an opportunity to seek reinsertion of \$7 million for bad debt expense allowance that had previously been included in its GCR for the 2001 period. Seeking the immediate removal of the \$7 million from the 2002 GCR, the OCA claims that PGW's attempt to collect that amount violates provisions of two rate settlements approved by the Commission. The settlements include the Joint Petition for Full Settlement of Philadelphia Gas Works' Petition for the Establishment of Interim Rates and Related Appeal (Interim Rates Settlement), approved by Commission Order adopted on February 21, 2001 at Docket No. R-00005654, and the Settlement of PGW's 2002 GCR proceeding, approved by Commission Order adopted on September 7, 2001 at Docket No. R-00016378.

On December 13, 2001, PGW filed an Answer and Motion to Dismiss OCA's Petition. By that Answer, PGW seeks to justify the inclusion of \$7 million in the 2002 GCR as being authorized by the Interim Rates Settlement. In particular, PGW contends that the reserve account funds established by the Interim Rates Settlement contemplated the reinsertion of \$7 million in the 2002 GCR as an allowance for bad debt expenses. Further, PGW seeks dismissal of the Petition,

referring to the process outlined in the Interim Rates Settlement for the submission of an Informational Filing as the appropriate forum for raising these issues.

In a related filing, the Office of Trial Staff (OTS) filed a Formal Complaint on December 18, 2001 against PGW's December 1, 2001 Quarterly Update filing. By its Formal Complaint, the OTS also objects to PGW's inclusion of a \$7 million bad debt expense in its GCR for the 2002 period and urges the Commission to direct PGW to remove this amount from its GCR. PGW has filed an Answer to the OTS Complaint, which is currently pending before the Office of Administrative Law Judge.

The Informational Filing referenced by PGW, which arose out of the Interim Rates Settlement, was submitted to the Commission on December 12, 2001 at Docket No. R-00005654. By that filing, PGW sought permission to utilize certain reserve account funds created by the Interim Rates Settlement. Specifically, PGW requested authorization to retain the amount of \$17.58 million in GCR overcollections to enable it to meet bond ordinance covenant requirements through January 2002.

By Secretarial Letter issued on December 26, 2001, the Commission permitted PGW to keep a portion of the reserve account funds in the amount of \$10.58 million, which constituted GCR overcollections during the 2001 period.

Referring to the cash obligations confronting PGW through January 2002, the Commission was convinced that allowing PGW to retain those GCR overcollections was necessary to enable it to meet its debt service and cash obligations, as provided for by the Interim Rate Settlement.

The Commission also concluded, however, that PGW had inappropriately reinserted the amount of \$7 million in its December 1, 2001 Quarterly Update filing for the 2002 GCR period. Specifically, the Commission determined that the \$7 million identified for recovery in the Interim Rates Settlement and for inclusion in the reserve account had already been collected during the period from March 1, 2001 through August 31, 2001. As to the removal of the \$7 million from the GCR for the 2002 period and the refund of amounts already collected from consumers, the Commission deferred to this Petition, as well as the OTS Formal Complaint, as providing appropriate vehicles for implementing its directives.

Since the substantive issues raised by the Petition relating to the improper inclusion of an additional \$7 million in the December 1, 2001 Quarterly Update filing have already been addressed and resolved by the December 26, 2001 Secretarial Letter, no further discussion of those matters is necessary. Further, the Commission is satisfied that the Petition was properly filed by the OCA as a means of raising its objection to PGW's inclusion of the \$7 million in the

Quarterly Update filing, and we will not dismiss the Petition, as requested by PGW.

Rather, we are utilizing this Petition as the mechanism for directing PGW to remove \$7 million from its GCR for the 2002 period when it makes its March 1, 2002 Quarterly Update filing. Amounts already recovered by PGW should be treated as an overcollection at that time and returned to ratepayers over the course of the period covered by the March 1, 2002 filing.

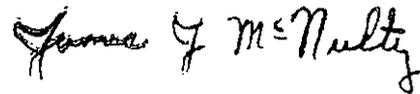
Finally, in view of the December 26, 2001 Secretarial Letter and our disposition of the OCA's Petition today, we believe that no further proceedings need to be conducted on the OTS Formal Complaint. Since PGW's Answer to the OTS Formal Complaint raises no factual issues necessitating an administrative hearing and all substantive issues have been resolved by our actions taken on December 26, 2001 and today, we sustain the OTS Formal Complaint to the extent *described herein, and it should be marked as closed; **THEREFORE,***

IT IS ORDERED:

1. That the Petition for Enforcement of Settlements filed by the Office of Consumer Advocate on December 10, 2001 is hereby granted, to the extent described in this Order.

2. That the Formal Complaint filed by the Office of Trial Staff on December 18, 2001 at Docket No. R-00016378C0003 is sustained, to the extent described in this Order, and is hereby marked as closed.
3. That in its Quarterly Update filing made on or about March 1, 2002, Philadelphia Gas Works remove \$7 million from its Gas Cost Rate for the 2002 period, treat it as an overcollection at that time, and refund any overcollections to ratepayers over the course of the period covered by the March 1, 2002 Quarterly Update filing.

BY THE COMMISSION,



James J. McNulty
Secretary

(SEAL)

Order Adopted: February 7, 2002

Order Entered: **FEB 07 2002**

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