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February 12, 2016

Via Electronic Filing

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

Re: Petition of Philadelphia Gas Works for Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge Cap and to Permit Levelization of DSIC Charges, Docket No. P-2015-2501500

Dear Secretary Chiavetta:

Oh behalf of Philadelphia Gas Works ("PGW") enclosed for filing please find its Petition for Reconsideration, Amendment and/or Clarification of the Commission's Final Order Entered January 28, 2016, with regard to the above-referenced matter. Copies of the above filing have been served in accordance with the attached Certificate of Service.

Sincerely,



Daniel Clearfield

DC/lww
Enclosure

cc: Hon. Christopher P. Pell w/enc.
Hon. Marta Guhl, w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Petition for Reconsideration, Amendment and/or Clarification upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Dated: February 12, 2016

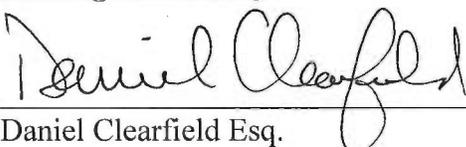
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works for Waiver :
of Provisions of Act 11 to Increase the : Docket No. P-2015-2501500
Distribution System Improvement Charge CAP :
and to Permit Levelization of DSIC Charges :

**PHILADELPHIA GAS WORKS
PETITION FOR RECONSIDERATION, AMENDMENT AND/OR
CLARIFICATION OF THE COMMISSION'S
FINAL ORDER ENTERED JANUARY 28, 2016**

Pursuant to Section 703(g) of the Public Utility Code,¹ and Section 5.572 of the Pennsylvania Public Utility Commission's ("Commission" or "PUC") regulations,² Philadelphia Gas Works ("PGW" or "Company") submits this Petition for Reconsideration, Amendment and/or Clarification of the Commission's Final Order entered January 28, 2016 ("Final Order"). In support of this Petition, PGW states as follows:

Introduction

This Petition requests that the Commission reconsider, amend and/or clarify its Final Order in three respects: a) reconsider and amend the portion of the Order disapproving PGW's request for a cap on DSIC undercollection recovery of 2.5%, for a total DSIC cap of 10%; b) clarify the special requirements created for keeping track of and accounting for the monies billed under PGW's Distribution System Improvement Charge ("DSIC") resulting from increasing the cap from 5% to 7.5% until PGW's Long Term Infrastructure Improvement Plan ("LTIIIP") is approved by the PUC; and c) amend the ongoing requirement to keep track of and account for DSIC billings and expenditures.

¹ 66 Pa.C.S. § 703(g).

² 52 Pa. Code § 5.572.

First, PGW is requesting reconsideration of the denial of its request to raise the DSIC cap for reconciliation purposes from 7.5% to 10%. In rejecting this part of PGW's Petition, the Order appears to rely on the fact that, at the time of the decision, no demonstrated need for an additional cap amount for undercollections was shown. However, since the PUC decision, PGW has calculated and reported a DSIC undercollection for 2015 of over \$11 million.³ This amount, resulting principally from the transition of the DSIC to an annualized, levelized billing basis, is too large to be recovered within the 7.5% DSIC cap without materially impacting the Company's ability to bill and expend the targeted \$33 million budget for annual, DSIC funded main replacement starting in calendar year 2016. To deal with this transitional undercollection, PGW is requesting that the PUC either: a) reconsider and revise its order to accept PGW's requested additional 2.5% cap for undercollections; or b) authorize an increase in the DSIC cap above the 7.5% for a limited period of time so as to permit the recovery of this 2015 undercollection amount.

Second, PGW is requesting that the Commission reconsider, revise and/or clarify its ordering paragraphs 8(c) and 8(d). The Commission's Ordering Paragraphs 8(c) and (d) impose requirements on DSIC revenues *collected* by PGW. That is not the appropriate standard. *Collected* revenues have no direct impact on PGW's DSIC or reconciliation. PGW does not track DSIC revenues on a collected revenue basis and does not have the ability to distinguish individual components of payments received from customers or the individual components of payments received from other parties on behalf of customers. Nor does it track the individual tariff components of revenues *collected* from items like late payments, budget billing or payment arrangements. PGW can take special account of the DSIC revenues collected as a result of the

³ PGW's Amended 2015 DSIC Reconciliation Report is attached as Attach. 1, hereto.

increase in the cap from 5% to 7.5% that are *billed* and record those billed revenues in a special account until PGW's Modified LTIP is approved, and requests clarification or modification of the PUC's Order to do so.

PGW also is requesting reconsideration of Ordering Paragraph 8(d). In addition to applying to collected, rather than billed revenues, Ordering Paragraph 8(d) requires PGW to “separately track and account for all distribution system improvement charge proceeds and expenditures in a separate accounting mechanism and to specifically designate all revenues collected through the [DSIC] for future distribution system improvement charge-related spending or refunds to customers.” These requirements, as written, are perpetual and applicable to the DSIC in its entirety. However, PGW respectfully submits that these special accounting rules should not apply on a permanent basis. PGW, like all utilities with a DSIC, already carefully tracks DSIC revenues billed to customers and reconciles those billings with amounts actually expended for applicable distribution system improvements. Nothing in the Final Order or the record indicates that PGW's current tracking and accounting mechanism is flawed or inadequate, and PGW uses these same accounting mechanisms for all of its automatic adjustment clause mechanisms where PGW bills customers before it actually makes the expenditure. Moreover, following special accounting rules for this one item could cause confusion and concern by financial analysts or PGW's auditors. Accordingly, PGW respectfully requests that after its amended LTIP is approved, PGW be permitted to continue to track and account for its billed DSIC revenues as it does currently. To provide additional tracking, PGW is willing to enhance its quarterly reporting requirements and to adjust its DSIC percentage when warranted to avoid material over or under collections.

Background

1. The Commission's Final Order generally approved PGW's Petition to permit it to increase its DSIC cap from 5% to 7.5% (inclusive of reconciliation) and to permit PGW to use an annualized, leveled charge as the basis for establishing a DSIC. However, the Order declined to grant PGW's request for an additional 2.5% increase in its DSIC cap to recover reconciliation undercollections, indicating that PGW had not met its burden of proving that the additional 2.5% cap was merited.⁴

2. Moreover, in addition to imposing additional reporting requirements, all of which PGW accepts, the Order also created special requirements to be used by PGW both during the time that PGW's amended LTIP is being considered by the Commission, as well as on a permanent basis.⁵

3. Ordering Paragraph 8(c) provides that PGW is ordered:

[t]o take measures to ensure that the approved, additional distribution system improvement charge money is not comingled with any of Philadelphia Gas Work's other funds during the pendency of its amended Long Term Infrastructure Improvement Plan, including closely tracking and accounting for all incremental distribution system improvement charge **revenues collected** above the current 5% level and placing that money in an escrow account **until the Commission approves the amended Long Term Infrastructure Improvement Plan.**

Final Order at Ordering Paragraph 8(c) (emphasis added).

4. Ordering Paragraph 8(d) provides that PGW is ordered:

[t]o separately track and account for all distribution system improvement charge **proceeds** and expenditures in a separate accounting mechanism and to specifically designate **all revenues collected** through the

⁴ Final Order at 55.

⁵ Final Order at Ordering Paragraphs 8(c), (d).

distribution system improvement charge for future distribution system improvement charge-related spending or refunds to customers.

Final Order at Ordering Paragraph 8(d) (emphasis added). During the hearings, such concepts were raised by the Office of Consumer Advocate (“OCA”), but no specificity as to implementation mechanics were developed on the record.⁶

5. The standards for granting a petition for reconsideration, modification or clarification were set forth in *Duick v. Pennsylvania Gas and Water Company*⁷. Under the standards set forth in *Duick*, such petitions may properly raise any matter designed to convince the Commission that it should exercise its discretion to amend or rescind a prior Order, in whole or in part. Such petitions should succeed when they raise “new and novel arguments” not previously heard or considerations that appear to have been overlooked or not addressed by the Commission or in the record.⁸

6. PGW now is able to provide to the Commission the actual amount of its 2015 DSIC undercollection, data that was not available at the time of the PUC decision in this docket. Moreover, the Commission’s Order provides specific detail about how to implement special “tracking and accounting” requirements that were not developed on the record prior to the Commission’s decision. Accordingly, review and amendment of the Final Order is authorized under the PUC’s established standard for reconsideration, clarification and/or amendment.

Recovery of Undercollection from 2015

7. In its Order, the Commission determined that any under-collection of DSIC revenues counts against the 7.5% cap, and denied PGW’s request to raise its DSIC cap by an

⁶ See OCA St. 1 at 12, 20; OCA St. 1-S at 9; OCA Main Brief at 29-30.

⁷ *Duick v. Pennsylvania Gas and Water Company*, 56 Pa. P.U.C. 553 (1982).

⁸ *Duick*, 56 Pa. P.U.C. at 559.

additional 2.5%, or up to 10%, for reconciliation purposes.⁹ In reaching this determination, the Commission noted that: “PGW appears to believe that future undercollections will be significant enough to merit an increase to the DSIC of 2.5% above its requested 7.5%. However, we find nothing on the record to indicate that this will be the case.”¹⁰

8. While these data were unavailable at the time of the PUC decision, PGW filed on January 29, 2016 its Report of 2015 billed revenues and expenditures docketed at M-2016-2526459.¹¹ Based upon this new information, it is now clear that the undercollection from 2015 is significant. PGW has experienced a DSIC undercollection for 2015¹² of over \$11 million.¹³ That amount is approximately the same as the amount of increase originally requested by PGW, and is more than two and a half times the consolidated total of PGW’s prior undercollections.¹⁴

9. The amount of undercollection for 2015 to a large degree (all but \$500,000) is caused by PGW transitioning to an annualized, levelized DSIC in which PGW’s billed revenue

⁹ Final Order at 55

¹⁰ *Id.*

¹¹ See, Attach. 1, hereto. At the direction of the PUC’s Bureau of Audits, PGW filed an amended schedule that, while showing the same \$11.4 million undercollection for 2015 compresses 16 months of reported DSIC recoverable costs into 12 months; however the effect is the same. As a publically filed PUC report, the Commission may take administrative notice of its contents as an item incorporated by reference. 52 Pa. Code § 1.33.

¹² Under standard practice, under or over collections are reconciled and filed by January 31 of each year and will be billed or credited from April 1 to March 31 each year. However, the annual reconciliation of the DSIC for calendar years 2013 and 2014 resulted in lag in which recoverable costs for the months of September to December were not included in the annual reconciliation.

¹³ *Philadelphia Gas Works filed Distribution System Improvement Charge Annual Reconciliation Under 1307(e) for the Year Ended December 31, 2015*, PUC Docket No. M-2016-2526959, filed January 29, 2016.

¹⁴ The consolidated total of prior undercollections is about \$4.3 million. For the year ended December 2013, PGW experienced an undercollection of about \$3 million. *Philadelphia Gas Works Filed Distribution System Improvement Charge Annual Reconciliation 1307(E) For Year Ending December 31, 2013*, PUC Docket Nos. M-2014-2408253, Secretarial Letter dated May 5, 2014. For the year ended December 2014, PGW experienced an undercollection of about \$1.3 million. *Philadelphia Gas Works filed 1307(e) annual DSIC reconciliation filing for year ended December 31, 2014*, PUC Docket No. M-2015-2466528, Secretarial Letter dated May 14, 2015.

for a month and its DSIC expenditures for the same month will be compared for each month in the calendar year. Previously, to comply with the requirements of Act 11, PGW was forced to compare DSIC billed revenue to expenditures made in a prior 3-month period (with an additional one month reporting lag). This created a four month lag. Therefore, to eliminate this lag PGW's 2015 undercollection encompasses 16 months of recoverable costs.¹⁵

10. In order to recover the transitional undercollection for the year ended December 2015 (without an increase in the DSIC cap), PGW will be forced to either: a) reduce its DSIC-financed construction; or b) carry the \$11.4 million forward and add the undercollection from the year ended December 2015 to the DSIC in the next year. However, if PGW continues to expend at the \$33 million annual level, PGW will never be able to recover the \$11.4 million because its DSIC expenditures will always be at the 7.5% cap.

11. Neither of those options is reasonable for PGW and/or its customers. Delaying PGW's main replacement runs counter to the conclusions of the Final Order, the Commission Staff Report and the general consensus that PGW's antiquated cast iron mains need to be replaced as quickly as reasonably possible.¹⁶ On the other hand, delays in recovering its DSIC related expenditures will have a negative effect on PGW's cash flow,¹⁷ which could erode its financial indicators and risk the financial health of the Company that has been so long in developing and redound to the detriment of its customers.

¹⁵ See, Attach 1. As noted, at the direction of the Bureau of Audits, Attachment 1 displays the data by compressing 16 months of recoverable costs into 12 months. Absent the switch to an annualized, leveled DSIC, PGW's 2015 undercollection would have been about \$500,000. During the proceeding, PGW witness Dybalski indicated that the Company's 2015 reconciliation would cover 16 months of recoverable costs. See, PGW St. 2 at 12-13. ("Note that in the first year, the 'annual' reconciliation will have 16 months of recoverable costs due to [the lag in recoverable costs for the months of September to December])." Accord, PGW Petition at p. 22, fn. 55.

¹⁶ PGW's Reply Exceptions at 7-8.

¹⁷ PGW St. 3-R at 4-7.

12. While the extent of the 2015 undercollection results from a special, one-time event (the transition to an annualized, levelized DSIC) PGW is likely to experience undercollections of lesser amounts in the future. Because PGW's DSIC expenditures will always be budgeted to use the full 7.5%, any future undercollection will again either force PGW to back down its main replacement program or carry the undercollection with the hope that at some point in the future there will be "cap space" to permit the recovery of the undercollection.

13. Accordingly, PGW respectfully requests that the Commission reconsider its Order in this respect and make one of two alternative revisions: a) revise PGW's DSIC cap so as to permit an additional 2.5% amount as a cap for undercollections as PGW originally requested; or b) permit an increase in PGW's DSIC cap for the limited purpose of permitting the recovery of this transitional undercollection resulting from the move to an annualized, levelized DSIC.¹⁸

14. Authorizing a permanent 2.5% DSIC cap would provide PGW with the flexibility to manage the existing as well as future DSIC undercollections without any delay in its accelerated main replacement program if a material undercollection arises in the future.¹⁹ PGW would also note that it is more likely to experience undercollections that will result in it exceeding its authorized DSIC cap to a greater extent than other utilities that are regulated on a rate of return/rate base basis. Because of the "pay as you go" basis on which it recovers DSIC expenditures, PGW's DSIC expenditures will stay at a constant \$33 million.²⁰ This means that,

¹⁸ PGW would retain the right to request for future cap exceptions if similar one-time circumstances created a material undercollection.

¹⁹ Note that DSIC undercollections are the difference between amounts billed and amounts actually expended in the relevant period. As explained below, PGW doesn't track or account for DSIC revenues *collected*; therefore, DSIC undercollections have no effect on its experienced level of write-offs, uncollectible expense or cash receipts, all of which are calculated on the basis of total revenue collected.

²⁰ PGW St. 2 at 8-9; PGW St. 2-R at 5, 10.

absent an increase in distribution revenues, any amount of experienced undercollection will result in it not having the full \$33 million to expend for main replacement.

15. In the alternative, increasing the DSIC cap for a limited period of time so as to permit the recovery of this transitional undercollection amount from 2015 will permit PGW to both recover the undercollection from 2015 without undue delay and produce the targeted \$33 million budget for main replacement in calendar year 2016. While it will result in an increase greater than 7.5% the increase would only be for a limited period. To recognize that the undercollection was created over longer than one year, and to further mitigate the effect on customers, PGW is willing to recover the 2015 transitional undercollection over a two year period, or \$5.7 million a year. The DSIC cap would have to be temporarily increased to 8.84% to accommodate this recovery.

16. It should also be recalled that, as the record indicated, an increase to 7.5% in the DSIC will increase residential customer rates by just \$1.64 a month. The additional amount to recover the 2015 transitional undercollection over two years would increase residential rates by just an additional \$0.85 per month.²¹ The record also showed that, because of historically low wholesale gas costs, total customer bills are at some of the lowest levels in recent history and that customer charges, even with the DSIC increases will be lower than total customer bills in 2013, when the DSIC was first authorized.²² Accordingly, PGW believes that the positive effects of permitting PGW to immediately recover this material undercollection justify the incremental customer impacts.

²¹ Based on a residential heating customer using 83 Mcf per year and rates on February 1, 2016. The increase for other customer classes would also be relatively small.

²² PGW St. 2-R at 10.

Use of “Revenues Collected”

17. Ordering Paragraphs 8(c) and 8(d) direct PGW to establish special tracking and accounting for proceeds/revenues *collected* by PGW.

18. While the Order appears to adopt the recommendations of the OCA for special tracking and accounting, the OCA never provided any specific or detailed recommendations in this regard.

19. PGW does not track DSIC proceeds/revenues *collected* but instead accounts for DSIC revenues on the basis of the amounts **billed**.²³ Amounts collected are tracked and accounted for on a gross basis and affect PGW’s uncollectible expense and its cash receipts. Accordingly, PGW’s DSIC billings, including its reconciliation mechanism, are not, and have never been affected by PGW’s actual overall collections.²⁴

20. Focusing on billed revenues is consistent with Act 11 as well as prior PUC implementation orders. Act 11 specifies that the DSIC is based on a percentage of amounts **billed**, not on revenues collected.²⁵ PGW reconciles its **billings** with the actual installation of DSIC-eligible property on an annual basis, and customers are either credited for any over-collection, or billed for any under-collection.²⁶

²³ PGW consistently made reference to the amounts billed. See, e.g., Petition at Introduction and at ¶¶ 11, 41-42, 51, 53; PGW St. 2 at 3-4, 10-13; PGW St. 2-R at 5-6.

²⁴ Under or over recovery of billed revenue is caused by differences between assumed normal sales volumes and actual billings.

²⁵ See 66 Pa.C.S. §§ 1358(a)(1), (d)(1).

²⁶ See, e.g., *Philadelphia Gas Works Filed Distribution System Improvement Charge Annual Reconciliation 1307(E) For Year Ending December 31, 2013*, PUC Docket No. M-2014-2408253 (annual reconciliation for 2013); *Philadelphia Gas Works filed 1307(e) annual DSIC reconciliation filing for year ended December 31, 2014*, PUC Docket No. M-2015-2466528 (annual reconciliation for 2014).

21. Moreover, PGW does not have the ability to distinguish individual components of payments received from customers or the individual components of payments received from other parties on behalf of customers on the basis of individual tariff items. As noted above, collected revenues are accounted for on an overall basis.

22. Even if PGW could track collections by individual tariff item, the proposed segregation of revenues in an escrow account would not be practical due to the timing issues related to late payments, and the effect of payments received from customers on budget billing or payment arrangements. Such a special process to track and separate out actual amounts collected for DSIC would be very complex and prohibitively expensive to implement.

Scope of Accounting Mechanism

23. As set forth below, PGW is willing to specially track DSIC revenues billed in excess of 5% until its LTIP is approved by the Commission and to account for those billings in a special account. PGW would comply with the ‘escrow provision’ in Ordering Paragraph 8(c) by establishing on its balance sheet an account entitled “Deferred Outflow of Resources,” recording billed DSIC revenues above 5% into that account, and segregating those billings from its general revenue account until the Modified LTIP is approved.

24. However, there is no justification for requiring this special accounting treatment to apply to the DSIC in its entirety and in perpetuity as Ordering Paragraph 8(d) appears to require. PGW accounts for its DSIC in the same manner in which it accounts for all of its automatic adjustment clauses. Just as it does with natural gas costs in its Gas Cost Rate, PGW projects its annual expenditures and bills customers based on those projections, subject to refund. Like all automatic adjustment clause mechanisms, the DSIC is subject to annual reconciliation of

the entire DSIC revenues and expenditures.²⁷ PGW's current tracking mechanism therefore is: a) consistent with the requirements of Act 11 and the PUC Implementation directives; and b) subject to annual audit and refund. Nothing in the Final Order or the record indicates that PGW's current tracking and accounting mechanism is inadequate.

25. Moreover, PGW already agreed on the record that its quarterly reconciliation update could include the amount actually billed to customers in the quarter as well as the amount of actual main replacement placed in service during the quarter.²⁸ The Commission also adopted another protection for ratepayers proposed by PGW: to adjust its DSIC percentage by October 1 of each year if projected total billings and expenditures for the remainder of the year indicate that a material over or undercollection of plus or minus 2% is likely to occur.²⁹ PGW would also be willing to review all quarterly results and propose an adjustment to its DSIC percentage when warranted, but expects that the October quarterly results will be the point at which it will be most likely to justify such an adjustment.

26. Accordingly, PGW submits that the current tracking and reconciliation process, as enhanced by more extensive quarterly reporting and adjustment requirements described above, ensures that: a) all DSIC dollars billed will be tracked and accounted for; b) amounts expended for applicable cast iron main replacement will be tracked and accounted for; c) PGW will take steps to minimize over or undercollections during the applicable year; and d) at year end, any amounts billed but which are not spent on cast iron main replacement for some reason, will be returned to ratepayers with interest.³⁰ No party suggested that any aspect of PGW's current

²⁷ See 66 Pa.C.S. § 1358(e).

²⁸ PGW MB at 42.

²⁹ Final Order at Ordering Paragraph 8(e).

³⁰ *Id.*

accounting methods were deficient or pointed to any instance of failure to properly report DSIC revenues billed and expenditures made.

27. Complying with Ordering Paragraph 8(d) by establishing a special tracking and accounting mechanism for the DSIC on a permanent basis will add costs, could be confusing to financial and other analysts and could raise questions by the financial community or PGW's external auditors. To the extent that a special accounting mechanism is necessary for the DSIC above the 5% level, the need for such an accounting mechanism should end when the Commission approves the amended LTIIIP.³¹

Requested Clarifications and/or Amendments

28. Clarification and/or amendment of the Order with respect to these issues is reasonable and in the public interest. Specifically, further action by the Commission on these issues will (hopefully) obviate confusion and concerns regarding PGW accounting for its DSIC.

29. The Commission should clarify and/or amend the escrow requirement in Paragraph 8(c) as follows

To take measures to ensure that the approved, additional distribution system improvement charge money is not comingled with any of Philadelphia Gas Work's other funds during the pendency of its amended Long Term Infrastructure Improvement Plan, including closely tracking and accounting for all incremental distribution system improvement charge ~~revenues collected~~ billings above the current 5% level and ~~placing~~ accounting for that money in an ~~eserow-separate~~ account until the Commission approves the amended Long Term Infrastructure Improvement Plan.

³¹ See Final Order at Ordering Paragraph 8(c).

30. The Commission should clarify and/or amend the accounting requirement in Ordering Paragraph 8(d) as follows:

To separately track and account for all distribution system improvement charge billings above the current 5% level proceeds and expenditures in a separate accounting mechanism and to specifically designate all billings above the current 5% level revenues collected through the distribution system improvement charge for future distribution system improvement charge-related spending or refunds to customers until the Commission approves the amended Long Term Infrastructure Improvement Plan. Upon Commission approval of its amended Long Term Infrastructure Improvement Plan, PGW shall account for and report its DSIC revenues, expenditures and reconciliation in accordance with Act 11, PGW's Tariff and this Order, and in addition:

(i) PGW's quarterly reconciliation updates shall include the amount actually billed to customers in the quarter as well as the amount of actual DSIC main replacement placed in service during the quarter;

(ii) In addition to the requirements set forth in Paragraph 8(e), below, PGW shall also review all quarterly results to monitor for projected year-end material over or undercollections and propose an adjustment to its Distribution System Improvement Charge percentage when warranted.

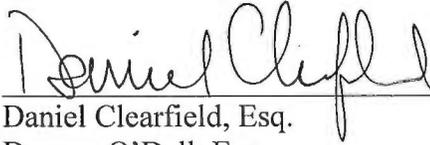
(iii) PGW shall file all quarterly reconciliation updates upon the Office of Consumer Advocate, the Office of Small Business Advocate and the PUC's Bureau of Investigation and Enforcement.

31. The Commission should also reconsider, clarify and/or amend the Final Order to either: a) increase PGW's DSIC cap from 7.5% to 10%; or b) increase PGW's DSIC cap from 7.5% to 10% until March 31, 2018 so as to permit the recovery of the undercollection amount from 2015. All DSIC billings above the 7.5% level will be used by PGW to recover undercollections only.

Conclusion

PGW respectfully requests that the Commission grant this Petition for Clarification and/or Amendment and issue an order consistent with the recommendations set forth herein.

Respectfully submitted,



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Deanne O'Dell, Esq.

Carl Shultz, Esq.

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Dated: February 12, 2016

Counsel for Philadelphia Gas Works

*Philadelphia Gas Works filed Distribution System Improvement
Charge Annual Reconciliation Under 1307(e) for the Year Ended
December 31, 2015, PUC Docket No. M-2016-2526959*

**ECKERT
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February 11, 2016

Via Hand Delivery

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

Re: Philadelphia Gas Works ("PGW") Distribution System Improvement Charge Annual
Reconciliation Under 1307(e) for the Year Ended December 31, 2015,
Docket No. M-2016-2526959

Dear Secretary Chiavetta:

On January 29, 2016, the Philadelphia Gas Works ("PGW") filed its Distribution System Improvement Charge Annual Reconciliation Under 1307(e) for the Year Ended December 31, 2015 ("DSIC Reconciliation"). Pursuant to the request of Bureau of Audits, enclosed please find a Revised DSIC Reconciliation filing. This revised schedule does not change the total 2015 Undercollection but restates the data so that 16 months of recoverable costs are displayed over 12 months.

If you have any questions please do not hesitate to contact me.

Sincerely,



Daniel Clearfield
DC/lww
Enclosure

cc: Hon. Christopher P. Pell w/enc.
Hon. Marta Guhl w/enc.
Cert. of Service w/enc.
Bhodan R. Pankiw, w/enc. via email only
Paul T. Diskin, w/enc. via email only
Lori A. Burger, w/enc. via email only
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PHILADELPHIA GAS WORKS
2015 DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) RECONCILIATION

Month	Total DSIC	DSIC Revenue Billed Allocated to		DSIC	DSIC Revenue Billed		Over/(Under) Collection	Interest Weighting	Interest Rate*	Interest**
	Revenue Billed	Over / (Under) Collection	Over / (Under) Collection Balance	Recoverable Costs	Allocated to Recoverable Costs	Over/(Under) Collection				
	(1)	(2)	(3)	(4)	(5 = 1 - 2)	(6 = 5 - 4)	(7)	(8)	(9)	
January 15	\$ 2,419,579	\$ -	\$ -	\$ 786,761 (a)	\$ 2,419,579	\$ 1,632,818	21	5.25%	\$ 150,015	
February	\$ 1,772,081	\$ -	\$ -	\$ 786,761 (a)	\$ 1,772,081	\$ 985,320	20	5.00%	\$ 82,110	
March	\$ 1,655,303	\$ -	\$ -	\$ 786,761 (a)	\$ 1,655,303	\$ 868,542	19	4.75%	\$ 65,322	
2014 Under Collection			\$ (1,339,069)							
April	\$ 983,528	\$ 145,274	\$ (1,193,795)	\$ 644,033 (b)	\$ 838,254	\$ 194,222	18	4.75%	\$ 13,838	
May	\$ 458,174	\$ 67,675	\$ (1,126,120)	\$ 644,033 (b)	\$ 390,499	\$ (253,534)	17	4.75%	\$ (17,061)	
June	\$ 325,740	\$ 48,114	\$ (1,078,006)	\$ 644,033 (b)	\$ 277,626	\$ (366,407)	16	4.75%	\$ (23,206)	
July	\$ 268,558	\$ 48,757	\$ (1,029,249)	\$ 503,955 (c)	\$ 219,801	\$ (284,154)	15	5.00%	\$ (17,760)	
August	\$ 226,885	\$ 41,191	\$ (988,057)	\$ 503,955 (c)	\$ 185,694	\$ (318,261)	14	5.14%	\$ (19,085)	
September	\$ 222,845	\$ 40,458	\$ (947,600)	\$ 503,955 (c)	\$ 182,387	\$ (321,568)	13	5.14%	\$ (17,906)	
October	\$ 584,249	\$ 35,528	\$ (912,071)	\$ 1,763,581 (d)	\$ 548,720	\$ (1,214,861)	12	5.00%	\$ (60,743)	
November	\$ 1,268,886	\$ 77,161	\$ (834,910)	\$ 11,440,057 (d&e)	\$ 1,191,725	\$ (10,248,332)	11	5.00%	\$ (469,715)	
December	\$ 1,830,267	\$ 111,299	\$ (723,611)	\$ 3,107,253 (d&f)	\$ 1,718,968	\$ (1,388,285)	10	5.00%	\$ (57,845)	
Totals	\$ 12,016,096	\$ 615,458		\$ 22,115,137	\$ 11,400,638	\$ (10,714,499)			\$ (372,036)	
2015 Under Collection			\$ (11,438,110)							

* Maximum Lawful Rate of Interest for Residential Mortgages for the month posted in the Pennsylvania Bulletin

** Interest is not recoverable in net under-collections

- (a) \$ 2,360,282 recoverable costs in 1-1-15 DSIC quarterly filing divided by 3 months
(b) \$ 1,932,098 recoverable costs in 4-1-15 DSIC quarterly filing divided by 3 months
(c) \$ 1,511,865 recoverable costs in 7-1-15 DSIC quarterly filing divided by 3 months
(d) \$ 5,290,744 recoverable costs in 10-1-15 DSIC quarterly filing divided by 3 months
(e) \$ 9,676,476 recoverable costs placed in service in November 2015 and 1/3 of these costs were included in the January, 2016 rate
(f) \$ 1,343,672 recoverable costs for December 2015 and not included in the 2016 rate

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Revised DSIC Annual Reconciliation Under 1307(e) upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

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The following are parties of record in
Docket No. P-2015-2501500

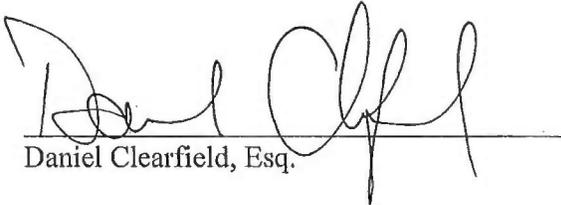
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Dated: February 11, 2016



Daniel Clearfield, Esq.

VERIFICATION

I, Kenneth S. Dybalski, hereby state that: (1) I am the Director – Gas Planning & Rates for Philadelphia Gas Works; (2) the facts above set forth in the foregoing document are true and correct (or are true and correct to the best of my knowledge, information and belief); and (3) 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).


Kenneth S. Dybalski
Director – Gas Planning & Rates
Philadelphia Gas Works