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May 18, 2016

**Via Electronic Filing**

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

Re: PA Public Utility Commission v. Philadelphia Gas Works – 1307(f)  
Docket No. R-2016-2526700

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works' Statement in Support of Joint Petition for Settlement with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww  
Enclosure

cc: 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 Statement in Support of Joint Petition for Settlement upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

**Via Email and First Class Mail**

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Dated: May 18, 2016

  
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Deanne O'Dell, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION, et al.**

**v.**

**PHILADELPHIA GAS WORKS**

Docket No. R-2016-2526700

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**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT  
ON PHILADELPHIA GAS WORKS' 2016-2017 GCR PROCEEDING**

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Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Settlement (“Settlement”) of its 2016-2017 Gas Cost Rate (“GCR”) Proceeding. The Settlement is offered as a full resolution of the issues in the above-captioned proceeding. PGW supports approval of the Settlement without modification and respectfully requests that Administrative Law Judge (“ALJ”) Marta Guhl and the Commission make the findings as required by Sections 1317 and 1318 of the Public Utility Code and approve this settlement as in the public interest.

**I. BACKGROUND**

On January 29, 2016, PGW submitted required data in advance of its annual GCR filing pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64 (“February 1, 2016 Pre-filing”) and filed a Petition for Special Permission to Depart from Certain Requirements of 52 Pa. Code Sections 53.45(b), 53.64(c), 53.68(a) and 53.64(i)(5)(i) (“Petition for Special Permission”). On March 1, 2016, pursuant to 66 Pa. C.S. § 1307(f), PGW submitted Supplement No. 91 to Gas Service Tariff - Pa. P.U.C. No. 2 and Supplement No. 65 to Gas Supplier Tariff - Pa. P.U.C. No. 1 to become effective for services rendered on or after September 1, 2016 (“March 1, 2016 Annual Filing”).

The Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene on February 11, 2016. The Bureau of Investigation and Enforcement (“I&E”) entered a Notice of Appearance on February 12, 2016. The Office of Small Business Advocate (“OSBA”) filed a Complaint (docketed at C-2016-2532678), Public Statement and Notice of Appearance on February 29, 2016. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint (docketed at C-2016-2532678) and Public Statement on March 7, 2016.

A Prehearing Conference Order was entered on March 7, 2016 which granted PGW’s Petition for Special Permission. As set forth in Prehearing Order #1 dated March 17, 2016, during the prehearing conference, the Petition to Intervene of PICGUG was granted. In addition, discovery modifications and a litigation schedule were adopted. Discovery, both formal and informal, was undertaken by I&E and OCA. Formal discovery consisted of 36 and 78 interrogatories propounded by these parties, respectively. Consistent with the litigation schedule, I&E served direct testimony on April 12, 2016. No other party elected to serve direct testimony. On April 15, 2016, a formal complaint from Shanna Anderson was served and was docketed at C-2016-2540049.

Based on the review of the testimony in this matter and settlement discussions open to all parties, a settlement was reached that resolves all issues pertaining to PGW’s 2016-2017 annual GCR Filing. All the facts necessary to approve the settlement are included in the record of the proceeding through the filing and supporting data, the testimony and the attachments to the Settlement which have been submitted to the ALJ through stipulation of the Parties.

## **II. THE SETTLEMENT SATISFIES PGW’S LEGAL OBLIGATIONS**

Approval of this Settlement will result in PGW pursuing a least cost fuel procurement policy consistent with PGW’s obligation to provide safe, adequate and reliable service. PGW accomplishes this by: (1) using a portfolio approach in contract structure and pricing; and, (2)

utilizing capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees as an additional cost saving strategy. Fully 75% of the margin/credit/fees are used as a reduction to purchased gas costs. The Settlement adopts two modifications to PGW's filing which enhance the reasonableness of its GCR.

First, adopting the E-Factor interest adjustment proposed by I&E ensures that the Company's overall GCR more accurately reflects the appropriate true-up of historic actual gas costs with the historic actual gas revenues billed in terms of the interest adjustment dollar allowance resulting from an overcollection from customers. Adjusting the weighting (or time) factor for a twelve-month period, as recommended, more accurately reflects the on-going changing balance resulting from each month's actual over or under collection dollar amount and the fact that the originally calculated interest amounts will be either repaid or recovered at the completion of the current GCR year.

Second, permitting PGW to utilize the same customer notice procedures and data for next year's GCR (which is consistent with past practice), is cost-efficient and streamlines PGW's filing process next year for the benefit of ratepayers.

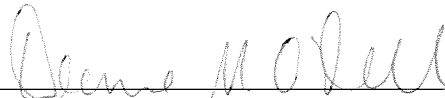
### **III. APPROVAL OF THE SETTLEMENT IS IN THE PUBLIC INTEREST**

Approving PGW's Petition with the changes as set forth in the Settlement is consistent with the Commission's goal of ensuring the least cost procurement policy and will result in rates and surcharges that are just, reasonable and compliant with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

**IV. CONCLUSION**

PGW requests that ALJ Guhl and the Commission approve this Settlement, without modification, because it supports PGW's least cost procurement policy, satisfies the Commission's requirements at Sections 1317 and 1318 of the Public Utility Code and is in the public interest.

Respectfully submitted,



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Dated: May 18, 2016