

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 18, 2016

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works
Docket No. R-2016-2526700

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of the Joint Petition for Settlement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Attachment

cc: Honorable Marta Guhl, ALJ
Certificate of Service

221191

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2016-2526700
	:	
Philadelphia Gas Works	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Philadelphia Gas Works’ 2016-2017 GCR Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. Introduction

On January 29, 2016, Philadelphia Gas Works (PGW or the Company) submitted its pre-filing information required for its annual gas cost rate (GCR) filing pursuant to Section 1307(f) of the Public Utility Code and Section 53.64 of the Commission’s regulations. 66 Pa. C.S. § 1307(f); 52 Pa. Code § 53.64. On the same date, PGW filed a Petition for Special Permission to Depart from the Requirements of 52 Pa. Code §§ 53.45(b), 53.64(c), 53.64(i)(5)(i), and 53.68(a). Further, PGW requested to provide estimated data for January 2016 and February 2016 in the March 1, 2016 quarterly 1307(f) filing instead of actual data.

On March 1, 2016, PGW filed its definitive 1307(f) filing. Relative to the March 1, 2016 rate of \$3.4946/Mcf, the Company’s definitive filing anticipated an increase of \$0.2913/Mcf, to a rate of \$3.7859/Mcf to be effective September 1, 2016.

The Company's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Marta Guhl for investigation and the scheduling of hearings to determine whether PGW's purchased gas costs comply with the standards set forth in the Public Utility Code.

On March 7, 2016, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 11, 2016, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Petition to Intervene. On February 12, 2016, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 29, 2016, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance. On April 15, 2016, a Formal Complaint from Shanna Anderson was served and docketed at C-2016-2540049.

On March 16, 2016, a Prehearing Conference was held, at which time a procedural schedule was established and other preliminary matters were addressed. On April 12, 2016, I&E submitted the Direct Testimony of Lisa A. Gumby (I&E St. No. 1). The OCA conducted extensive discovery in this proceeding. After a thorough review of PGW's filings and responses to discovery with the assistance of OCA witness Jerome D. Mierzwa, the OCA did not raise any issues through testimony

In accordance with the Commission's Rules and Regulations at 52 Pa. Code § 5.231, the parties undertook discussions in an attempt to reach a settlement. On April 29, 2016, the parties informed ALJ Guhl that a settlement in principle had been reached on all issues. On April 29, 2016, ALJ Guhl issued Prehearing Order # 2 which canceled the scheduled evidentiary hearings and required the parties to file a Stipulation of testimony, Settlement and Statements in Support by May 18, 2016.

The OCA submits that the terms and conditions of the Settlement are in the public interest and should be approved. The OCA addresses the key provisions of the Settlement as set forth below.

II. Settlement

A. GCR Rates

The OCA supports the GCR rates set forth in Appendix A. Settlement at ¶ 1, App. A. The OCA submits that the GCR rates in Appendix A accurately represent the implementation of the terms of the Settlement.

B. E-Factor Interest Adjustment

The Settlement provides that the Company will “revise its proposed weighting (or time) factor to utilize a time factor numerator value of twelve months less than proposed consistent with the recommendations of I&E.” Settlement at ¶ 4(a). With this time factor correction, PGW will reflect an interest dollar allowance of \$549,960 for the 2015 calendar year. *Id.* On a going-forward basis in future gas cost rate proceedings, PGW will utilize this time factor calculation. *Id.* at ¶ 4(b).

I&E witness Gumby testified that PGW over-collected from its customers “when comparing the net gas costs and net billed revenue for the twelve-month period of January 1 through December 31, 2015.” I&E St. 1 at 6-7. The Settlement adopts I&E’s recommendations. The OCA supports I&E’s proposed interest calculation adjustment because the change will more accurately reflect the interest adjustment calculations for over- and under-collections in the gas cost rate year and on a going-forward basis. The OCA submits that the Settlement language is in the public interest.

C. Notice of Future Annual GCRs and Use of Estimated Date for March Quarterly GCR.

On January 29, 2016, PGW filed a Petition for Special Permission to Depart from the Requirements of 52 Pa. Code §§ 53.45(b), 53.64(c), 53.64(i)(5)(i), and 53.68(a). Further, PGW requested to provide estimated data for January 2016 and February 2016 in the March 1, 2016 quarterly 1307(f) filing instead of actual data. In the Settlement, the Company requests that the Commission allow the Company to proceed as follows in its 2017-2018 gas cost rate proceeding:

- (1) provide written notice to customers by bill insert in the one-month billing cycle commencing on the date of the annual 1307(f) filing, on March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs and ending no later than thirty (30) days after the filing of such tariff addendum and tariff or tariff supplement, instead of beginning such notice with the one-month billing cycle commencing thirty (30) days prior to the filing of the tariff addendum and tariff or tariff supplement as required by 52 Pa. Code § 53.68(a);
- (2) in company offices in which payments are accepted, provide public notice on the date of the annual 1307(f) filing, March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs, instead of thirty (30) days prior to the filing of such tariff addendum and tariff or tariff supplement as required by 52 Pa. Code §§ 53.68(a) and 53.45(b); and
- (3) provide estimated data for both January and February in the March 1 quarterly 1307(f) filing instead of providing actual data for January alone as required by 52 Pa. Code § 53.64(i)(5)(i).

Settlement at ¶ 5(a). The Settlement also provides that the Settling parties, including the OCA, do not oppose the request to use the public notice process and estimated data for the March 1 quarterly filing for its 2017-2018 GCR proceeding. Id. at ¶ 5(b).

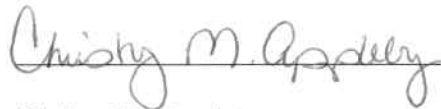
No party, including the OCA, opposed PGW's waiver request in this case. ALJ Guhl granted PGW's requested modification to the public notice process and the use of the estimated data for the March 1 quarterly filing in this case. Prehearing Conference Order at 2. The OCA does not oppose the Company's request that the Commission grant a similar process for the

2017-2018 1307(f) proceeding. The OCA supports, as in the public interest, the Settlement's limitation of this request to the 2017-2018 GCR proceeding.

III. Conclusion

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of PGW's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the proposed Settlement should be approved.

Respectfully Submitted,



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DATE: May 18, 2016

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2016-2526700
Philadelphia Gas Works :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Statement in Support of the Joint Petition for Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 18th day of May 2016.

SERVICE BY HAND DELIVERY and FIRST CLASS MAIL

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Bureau of Investigation & Enforcement
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Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

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