

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PA 17120

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 DISC Charges; and Office of Consumer  
Advocate v. Philadelphia Gas Works

Public Meeting -- June 9, 2016  
2501500-OSA  
Docket No: P-2015-2501500  
C-2015-2504092

JOINT MOTION OF CHAIRMAN GLADYS M. BROWN  
AND COMMISSIONER ROBERT F. POWELSON

Before the Public Utility Commission (Commission) today for consideration is Philadelphia Gas Works' (PGW) Petition for Reconsideration (Petition) of the Commission's Order entered January 28, 2016 (January 2016 Order), in this matter. In the January 2016 Order, the Commission found that the record lacked evidence regarding the likelihood and magnitude of future undercollections sufficient to grant PGW an increase in the Distribution System Improvement Charge (DSIC) cap above the allowed 7.5% level.<sup>1</sup>

In its Petition for Reconsideration, PGW states that its annual DSIC reconciliation for the year ending December 31, 2015 showed an undercollection of approximately \$11.4 million. PGW asserts that this undercollection was the result of the transition to an annualized, leveled DSIC.<sup>2</sup>

PGW asks the Commission to reconsider its January 2016 Order to permit either an additional 2.5% increase in the DSIC cap, as originally requested, or in the alternative, a temporary increase above the DSIC cap for the limited purpose of recovering the transitional undercollection. Under the alternative scenario, PGW would recover the \$11.4 million shortfall over a two-year period. According to PGW, this would require a temporary increase in the DSIC of \$5.7 million a year (total DSIC of 8.84%), which would increase residential rates by an additional \$0.85 per month on average.<sup>3</sup>

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<sup>1</sup> See January 2016 Order at 54-56; See also Statement of Robert F. Powelson.

<sup>2</sup> Petition at 6. "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." Petition at 6-7 (footnote omitted).

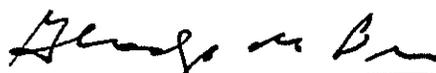
<sup>3</sup> *Id.* at 9.

We believe that PGW should be permitted to increase the DSIC above the 7.5% cap to allow the recovery of the \$11.4 million under recovery over a two-year period. We do so for several reasons:

- First, the Company has met the *Duick* standard in this proceeding by providing additional information concerning the amount of PGW's undercollection resulting from the transition to levelized DSIC. This new information persuades us to reconsider our decision. Moreover, the January 2016 Order did not permanently prohibit an increase above the 7.5% cap for under recoveries, but rather found that the record previously developed in the case did not support one.
- Second, while there is no good time to raise rates, PGW has established that the need to do so for a limited purpose is compelling. Moreover, PGW customers' overall rates have significantly decreased over the last few years as natural gas prices have deteriorated, making now a reasonable time for a temporary increase in PGW's DSIC.
- Third, the Commission fully supports the imperative need of PGW to maintain the accelerated pace of at risk pipeline replacement in order to protect public safety. Without action on PGW's Petition, the first-year replacement gains under PGW's DSIC will have been nullified.<sup>4</sup> As PGW points out, absent relief, it will be forced to reduce its future DSIC-financed construction or risk permanent loss of capital recovery, in order to address the large undercollection amount. The purpose of our January 2016 Order was to generate \$33 million per year of DSIC-funded pipeline replacement, and provisions must be made if this goal is to remain achievable.

THEREFORE, WE MOVE THAT:

1. The Petition for Reconsideration be approved in part and granted in part consistent with this Joint Motion.
2. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

  
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GLADYS M. BROWN  
CHAIRMAN

  
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ROBERT F. POWELSON  
COMMISSIONER

Date: June 9, 2016

<sup>4</sup> Prior to the January 2016 Order, PGW was spending, under its then-existing DSIC, approximately \$22 million annually. The changes in the January 2016 Order were designed to allow the Company to accelerate its then-current level of spending on the replacement of at-risk gas mains by \$11 million.