ECKERT SEAMANS
ATTORNEYS AT LAW

Eckert Seamans Cherin & Mellott, LLC
213 Market Street
8th Floor
Harrisburg, PA 17101

TEL 717 237 6000
FAX 717 237 6019
www.eckertseamans.com

Daniel Clearfield
717.237.7173
dclearfield@eckertseamans.com

July 21, 2017

<u>Via Electronic Filing</u>
Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission v. Philadelphia Gas Works
Docket No. R-2017-2586783

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works' ("PGW") Joint Petition for Partial Settlement with regard to the above-referenced matter. Attached to the Joint Petition are Statements in Support submitted by:

Philadelphia Gas Works
Bureau of Investigations and Enforcement
Office of Consumer Advocate
Office of Small Business Advocate
Philadelphia Industrial and Commercial Gas Users Group
Retail Energy Supply Association
Tenant Union Representatives Network and Action Alliance of Senior Citizens of Greater Philadelphia
Coalition for Affordable Utility Services and Energy Efficiency in PA

Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Daniel Clearfield

Daniel Clearfield
DC/jls

Enclosure
cc: Hon. Christopher Pell
Hon. Marta Guhl
Certificate of Service w/enc.

{L0694668.1}

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's foregoing Joint Petition for Partial 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/or First Class Mail

Carrie Wright, Esq.
Erika L. McLain, Esq.
Bureau of Investigation and Enforcement
PA Public Utility Commission
Commonwealth Keystone Building
PO Box 3265
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265
carwright@pa.gov
ermclain@pa.gov

Kristine Marsilio, Esq.
Harrison Breitman, Esq.
Darryl Lawrence, Esq.
Christy Appleby, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
Kmarsilio@paoca.org
hbreitman@paoca.org
dlawrence@paoca.org
cappleby@paoca.org

Sharon Webb, Esq.
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 202
Harrisburg, PA 17101
swebb@pa.gov

Todd S. Stewart, Esq.
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmslegal.com

Patrick M. Cicero, Esq.
Elizabeth R. Marx, Esq.
Joline Price, Esq.
The Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

Josie B. H. Pickens, Esq.
Robert W. Ballenger, Esq.
Jennifer Collins, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102
jpickens@clsphila.org
rballenger@clsphila.org
jcollins@clsphila.org

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Ave.
Cambridge, MA 02140
rdk@indecon.com

Charis Mincavage, Esq.
Adelou A. Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick, LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

William Dingfelder
645 W. Sedgwick Street
Philadelphia, PA 19119-3442
dingfelderGrants@gmail.com

Date: July 21, 2017

Daniel Clearfield, Esquire

{L0671382.1}

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
	:	
Office of Consumer Advocate	:	C-2017-2592092
	:	
Office of Small Business Advocate	:	C-2017-2593497
Philadelphia Industrial & Commercial	:	
Gas Users Group	:	C-2017-2595147
	:	
William Dingfelder	:	C-2017-2593903
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

JOINT PETITION FOR PARTIAL SETTLEMENT

July 21, 2017

{L0694613.1}

Table of Contents

I. BACKGROUND 1

II. TERMS AND CONDITIONS OF SETTLEMENT 4

III. LITIGATED ISSUES 13

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST 13

IV. ADDITIONAL TERMS AND CONDITIONS 14

Exhibits & Statements ii

Exhibits and Statements

Exhibit 1	Tariff Supplement – Settlement Rates
Exhibit 2	Proof of Revenue
Statement A	Statement in Support of Joint Petition for Settlement of PGW
Statement B	Statement in Support of Joint Petition for Settlement of the Bureau of Investigation and Enforcement
Statement C	Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate
Statement D	Statement in Support of Joint Petition for Settlement of the Office of Small Business Advocate
Statement E	Statement in Support of Joint Petition for Settlement of the Retail Energy Supply Association
Statement F	Statement in Support of Joint Petition for Settlement of the Philadelphia Industrial and Commercial Gas Users Group
Statement G	Statement in Support of Joint Petition for Settlement of the Coalition for Affordable Utility Service & Energy Efficiency in Pennsylvania
Statement H	Statement in Support of Joint Petition for Settlement of Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

{L0694613.1}

TO THE HONORABLE CHRISTOPHER P. PELL, DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE AND MARTA GUHL, ADMINISTRATIVE LAW JUDGE:

Philadelphia Gas Works ("PGW" or the "Company"), the Bureau of Investigation and Enforcement, ("BIE" or "I&E"), the Office of Consumer Advocate ("OCA"), Office of Small Business Advocate ("OSBA"), the Retail Energy Supply Association ("RESA"), the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), and Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("TURN, *et al.*") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Partial Settlement ("Settlement" or "Joint Petition"), between and among all of the active parties, in the above-captioned proceeding and request that Deputy Chief Administrative Law Judge Christopher P. Pell and Administrative Law Judge Marta Guhl (collectively, "ALJs") and the Pennsylvania Public Utility Commission ("Commission" or "PUC"): 1) approve the Settlement without modification; 2) resolve the issues reserved for litigation by the parties ("Litigation Issues"); and 3) permit PGW to file the tariff supplement annexed hereto as Exhibit 1 ("Settlement Rates"), or a modified version to the extent necessary to take account of the resolution of the Litigation Issues, to become effective pursuant to the terms set forth therein.[1] In support of this Settlement, the Joint Petitioners state as follows:

I. BACKGROUND

1. PGW is a city natural gas distribution operation as defined in the Public Utility Code, 66 Pa.C.S. § 102. PGW manages a distribution system of approximately 6,000 miles of

---

[1] Exhibit 2 contains a "Proof of Revenue" demonstrating that the Settlement Rates produce the Settlement Rate increase of $42 million.

gas mains and service lines supplying approximately 500,000 customers in the City and County of Philadelphia.

2. On February 27, 2017, PGW filed Supplement No. 100 to PGW's Gas Service Tariff – PA. P.U.C. No. 2 ("Supplement No. 100") to become effective April 28, 2017, seeking a general rate increase calculated to produce $70 million in additional annual revenues, or a 11.6% overall increase. By Order entered on March 16, 2017, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Accordingly, Supplement No. 100 was suspended by operation of law[2] until November 28, 2017, unless permitted by Commission Order to become effective at an earlier date. This proceeding was assigned to the ALJs for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

3. On March 30, 2017, the ALJs issued an order granting PGW's petition, filed with its initial filing, to permit it to use a fully projected future test year that begins on September 1, 2017.

4. On March 31, 2017, PGW filed a motion for protective order. There was no formal opposition to the request and the ALJs granted the Protective Order via Prehearing Order dated April 19, 2017.

5. Four Public Input Hearings were held on May 9 and May 10, 2017. A total of 24 PGW customers gave sworn testimony at the public input hearings.

6. Extensive investigation of PGW's proposed rate request was conducted by the Joint Petitioners. PGW responded to nearly 600 discovery requests (over 1,200 when including subparts). Testimony in response to the Company's filing and accompanying direct testimony

[2] 66 Pa.C.S. § 1308(d).

was submitted on May 16, 2017 by I&E, OCA, OSBA, RESA and PICGUG;[3] rebuttal testimony was submitted on June 22, 2017 by all parties with the exception of CAUSE-PA and RESA; surrebuttal testimony was submitted on June 22, 2017 by all parties except CAUSE-PA and rejoinder testimony was submitted by PGW on June 26, 2017.

7. Prior to hearings, negotiations were conducted by the Joint Petitioners in an effort to achieve a settlement of the issues in this proceeding. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein that resolves most all of the issues, with the exception of those reserved for litigation. The issues reserved for litigation are set forth in Section III, below. For all other portions of PGW's filing, and as described more fully herein and in the attached Statements of Support, the Joint Petitioners believe that this Settlement is in the public interest and support or do not oppose its adoption by the Commission.

8. The evidentiary hearing was held as scheduled on June 28, 2017. At the hearing, the active parties advised the ALJs that a partial settlement had been achieved among the Joint Petitioners. The active parties waived cross-examination, and all of their testimony and exhibits were admitted into the record. On June 30, 2017, the ALJs issued a Briefing Order which memorialized instructions on how to proceed with the filing of this Settlement and the briefs on the issues reserved for litigation. The record was closed on July 5, 2017.

9. Joint Petitioners have agreed to a base rate increase, an allocation of that revenue increase to the rate classes, and a rate design for all rate classes to recover the portion of the rate increase allocated to such classes. Additionally, all but two of the issues presented in the proceeding have been resolved by the Settlement. The Joint Petitioners agree that the Settlement is in the public interest and (except as otherwise indicated) support or do not oppose its adoption by the Commission.

---

3 TURN, et al., submitted its direct testimony on May 29, 2017.

10. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional $42 million in annual base rate operating revenues (assuming *pro forma* revenues at present rates calculated using 20-year average Heating Degree Days) instead of the Company's filed increase request of $70 million. Upon approval of the Settlement, PGW will receive an increase in existing base rate operating revenues of approximately 6.8%, instead of the 11.6% increase proposed in PGW's filing. A residential sales customer using 76 Mcfs of gas purchased from PGW per year will see an increase in their monthly bill from $94.06 to $99.94 or by 6.3%, instead of the percentage increase of 11.3%, that was originally proposed in the filing. The total bill for a commercial customer using 332 Mcfs of gas purchased from PGW per year will increase their monthly bill from $327.07 to $340.25, or by 4.0%, instead of the percentage increase of 4.6% that was originally proposed in the filing.

II. TERMS AND CONDITIONS OF SETTLEMENT

11. The Joint Petitioners hereby respectfully request that PGW's base rate increase filing of February 27, 2017 be approved as filed, except as follows:

A. REVENUE REQUIREMENT

12. PGW will be permitted to charge the Settlement Rates set forth in Exhibit 1 pursuant to the terms set forth therein for service rendered on and after the effective date. The Settlement Rates are designed to produce an increase in operating revenues of $42 million and Total Operating Revenue of $680.837 million for the Fully Projected Future Test Year ("FPFTY") (which is comprised of the period from September 1, 2017 through August 31, 2018), calculated using the 20-year average of heating degree days experienced in PGW's service territory.

Health Insurance Cost Tracking

13. Starting with Fiscal Year ("FY") 2018, PGW will track a health insurance cash expense schedule for each fiscal year which shows cash payments for health insurance, claims

and administrative expenses and cash received for employee contributions. PGW will present this tracking in its next base rate case filing. The tracking schedule will provide this information for both active and retired employees separately. The health insurance cash expense for the fully projected future test year, FY 2018, is $30.811 million for current employees and $34.448 million for retired employees.

Actual Results for FPFTY

14. In PGW's next base rate filing, PGW will prepare a comparison of its actual expenditures and financial results for FY 2018 compared to the FPFTY in this case.

Rate Case Filing

15. PGW shall not file a general rate increase pursuant to 66 Pa.C.S. § 1308(d) any sooner than December 1, 2019. This Paragraph does not apply to petitions for extraordinary rate relief under 66 Pa.C.S. § 1308(e) or to petitions for emergency rate relief.

Weather Normalization Adjustment Clause

16. PGW's Weather Normalization Adjustment ("WNA") shall continue as currently structured except that PGW will utilize normal weather as the 20-year average of heating degree days experienced in PGW's service territory. On January 10 of each year, PGW will provide an annual report to be submitted in this docket that details the actual charges or credits that resulted from application of the WNA and the actual number of heating degree days ("HDDs"). In its next base rate case, PGW will provide an analysis of the normalized HDDs that it selects.

B. REVENUE ALLOCATION AND RATE DESIGN

17. (a) The Joint Petitioners agree to the following revenue allocation:

Rate Class	Percent of Increase	Revenue Allocation
Residential	78.67%	$33,039,250
Commercial	11.13%	$4,575,560
Industrial	0.60%	$350,300
PHA GS	0.41%	$170,200
Municipal/PHA Rate 8	3.60%	$1,511,800
NGVS	0.00%	$0
Interruptible Sales	0.00%	$0
GTS/IT	5.60%	$2,352,800
TOTAL	**100.00%**	**$41,999,910**

The revenue allocation and rate design in this Settlement reflect a compromise and do not endorse any particular cost of service study.

(b) Exhibit 2 to this Petition sets forth a Proof of Revenue demonstrating that the proposed rates produce $42 Million in additional revenues, assuming *pro forma* revenue at present rate using 20-year heating average degree days.

Customer Charges

18. The Joint Petitioners agree to the following customer charges:

Rate Class	Customer Charge
Rate GS - Residential	$ 13.75
Rate GS - Commercial	$ 23.40
Rate GS- Industrial	$ 70.00
Rate GS- Philadelphia Housing Authority	$ 13.75
Rate MS – Municipal Service	$ 23.40
PHA (Rate 8)	$ 23.40
NGVS	$ 35.00
Rate IT-A	$152.16
Rate IT-B	$273.89
Rate IT-C	$273.89
Rate IT-D	$273.89
Rate IT-E	$426.06

Technology and Economic Development ("TED") Rider

19. The TED Rider is approved as a three-year pilot program. Six months before the end of the three-year pilot program, PGW will report on the economics of the TED Rider.

(a) PGW will maintain records of all TED Rider investments and TED Rider negotiated rates. In the event that PGW files a general base rate case during the three-year TED Rider pilot program following the effective date of rates established in this proceeding, PGW will provide information, as part of its initial filing, showing the *pro forma* rate of return on incremental investment for TED Rider customers as a sub-class in its filed cost of service study. Further, as part of its annual Gas Cost Rate ("GCR") filings, PGW agrees to provide data on all sales to and costs incurred for TED customers.

Micro-Combined Heat and Power ("Micro-CHP") Incentive Program

20. PGW's filed Micro-CHP Incentive Program is modified as follows: PGW agrees that the economic test that will determine eligibility for participation in the Pilot Micro-CHP Incentive Program will include the costs of the incentives.

Rate BUS: Back-Up Service

21. PGW's filed Rate BUS is modified as follows: As part of its annual GCR filings, PGW agrees to provide data on the number of customers, sales levels and costs incurred for BUS customers. In two years (or PGW's next base rate case, whichever is sooner) PGW will provide an analysis of the BUS rate and provide a recommendation as to whether it should continue.

Rate IT - Pricing

22. PGW will withdraw its "value based" rate proposal in this case without prejudice to any position that may be advanced in future proceedings.

23. Within 120 days of the entry of a PUC order approving this settlement PGW will file a proposed "Large Customer Transportation Service Tariff ("LT").

(a) Within 60 days of entry of a PUC order approving this settlement, PGW will meet with PICGUG and any other interested parties to discuss the components of the LT Tariff. All parties retain all rights to challenge the rates, terms and conditions proposed by PGW for the LT Tariff.

(b) The LT rates will be voluntary and available only to new IT load or existing IT customers.

    (i) At its discretion, PGW will be able to require that a customer subscribing to LT rates have some limited ability to reduce load when requested by PGW after notice.

    (ii) The LT rates will be an increment of the IT rates established in this case.

24. The IT rate class has been allocated 5.6% of the rate increase agreed to or found to be reasonable by the Commission in this case. The rate increase for the IT customer subclasses are set forth in Exhibits 1 and 2, attached.

25. PGW shall add a provision to its existing IT Rules that permits PGW and IT customers to negotiate long-term contracts of up to five years. The rates may be higher than, but no lower than, the approved tariffed rates and may contain additional minimum take requirements. Any such long-term contract would have to be mutually agreed to by PGW and the customer.

(a) Within 60 days of the entry of a PUC order approving this Settlement, PGW will meet with PICGUG to determine whether a negotiated contract applicable to all interested PICGUG members can be achieved.

C. CUSTOMER ISSUES

Hazardous Heating Remediation Pilot

26. PGW will implement a hazardous heating remediation pilot ("HH Pilot") for at least two years, that will address heating system hazards and weatherize the homes of customers who meet the following criteria: (1) customers must, in the current or prior PGW fiscal year, have been on CRP, received a Low Income Home Energy Assistance Program ("LIHEAP") grant, or been on a Level 1 (150% Federal Poverty Level ("FPL") and below) or Level 2 (151%-200% FPL) payment arrangement (and sign an affidavit confirming their income as part of the HH Pilot); and, (2) customers must have received a hazard tag from a PGW service representative indicating a heating system component is not operating safely or at all.

(a) Consumers whose gas service is off would be eligible for this HH Pilot provided that the consumer first reinstates gas service in accordance with otherwise applicable requirements, including but not limited to payment of arrears. To assist this group of consumers with reinstatement of service, PGW will consider more flexible reinstatement terms including but not limited to enrollment in CRP if the household would otherwise be eligible for CRP enrollment.

27. Customers would be selected for this pilot on a monthly basis based on PGW hazard tags issued in the prior month, prioritized for treatment by highest usage and lowest arrearages, from November through April or until funds are exhausted. Customers who are selected would be notified by letter, and called on two separate occasions (one call during the day and one in the evening) to be invited to participate in the program.

28. The HH Pilot budget will be $250,000 per year for the first two years of the pilot, incremental to the LIURP budget. Amounts not expended in the first two years of the Pilot would be rolled over into a third year. All program costs would be recovered through the Universal Services and Energy Conservation surcharge. At the end of the HH Pilot, PGW will evaluate the pilot and make a recommendation to the Commission regarding any future hazardous heating remediation pilot program in its next Universal Service and Energy Conservation Plan (i.e. the 2021-2023 plan) proceeding. PGW will provide the results of its evaluation and underlying data to the parties to this proceeding 30 days prior to the filing of its 2021-2023 plan filing. The parties agree that: a) this HH Pilot budget is a settlement amount; b) has not been set pursuant to any need based determination; and c) no party shall argue that the HH Pilot budget amount is a legally required floor for a future HH program (if any).

(a) If the project can be treated cost-effectively, the service provider will complete the treatment as usual and include all costs in the cost effective analysis. If the heating system repair or replacement is cost ineffective, the measure costs can be excluded from the LIURP cost effectiveness analysis up to the maximums detailed in Table 1 below (average costs for such measures in CY16), adjusted annually; provided however, if the measure remains cost ineffective after applying the cost exclusions, the measure will not be installed.

(b) To the extent feasible, PGW will coordinate its activities with the City of Philadelphia's Basic Systems Repair Program. PGW agrees to inform the PA Department of Community and Economic Development, the PA Department of Human Services' LIHEAP administrators, PECO Energy Company, and the City's Heater Hotline of its new PGW program.

Table 1. Maximum Measure Cost TRC Exclusions	
Measure	**Maximum Exclusion**
Boiler Replacement	$6,001
Boiler Repair	$306
Furnace Replacement	$4,038
Furnace Repairs	$363
Flue and Chimney Related Repairs	$413

Credit and Collection Collaborative

29. PGW will hold a credit and collection collaborative with interested stakeholders to obtain stakeholder input on bill management efforts for customers and applicants seeking to restore service previously shut off for non-payment, including customers and applicants with $10,000 or more of arrearages.

Cost/Benefit Analysis of Crisis Acceptance Policy

30. PGW will conduct a cost/benefit analysis of the impact of modifying its Crisis acceptance policy to permit customers to maintain or restore service when the grant amount is less than the amount needed to maintain or restore service. This cost/benefit analysis will be completed within 60 days from the date of the final order approving this Settlement and will be provided to the parties. PGW agrees to discuss the analysis at the collaborative identified in paragraphs 32 and 33, below.

PGW Section 1521 Policies

31. PGW will document its 66 Pa. C.S. § 1521 *et seq.* policies in a written training document, which will be provided to all of PGW's customer service representatives. PGW will provide a copy of this document to the parties in this proceeding.

Low Income Issue Collaborative

32. PGW agrees to hold a collaborative with the parties to this proceeding within 120 days from the date of the final order in this proceeding to:

(a) Discuss the results from its cost/benefit analysis of the impact of modifying its Crisis acceptance policy;

(b) Discuss ways to improve its outreach to households who are unable to reconnect to PGW service because of high balances; and,

(c) Discuss ways to address improving CRP enrollment.

33. PGW agrees to consider in good faith the issues and suggestions raised in the collaborative provided in Paragraph 32 above, in determining whether it wishes to revise any of its existing policies. The parties to the collaborative agree that they will participate in the collaborative in good faith.

Tracking of Certain Unauthorized Use Determinations

34. PGW will track the number of instances in which it reverses a previous determination of unauthorized use, as defined in PUC regulations, due to:

(a) A customer or applicant prevailing in an informal or formal complaint with the PUC; and/or

(b) Its own determination without the customer filing an informal or formal complaint with the PUC in instances in which the customer is suspected, or has, diverted the gas away from the meter physically by bypassing the meter or taking some other action such that the customer's meter does not get gas through it to record gas consumption.

Budget Billing Modifications

35. PGW will put customers entering into a new payment arrangement ("PAR") into budget billing at the time they enter the PAR, unless the customer requests or the PUC requires that the customer not be entered into budget billing. PGW will not remove customers from Budget Billing upon completion of their PAR without an explicit request from the customer (or a directive from the PUC) to be removed from Budget Billing.

36. PGW will modify its year-end Budget Billing processes in two ways. First, if year-end balances are greater than $100 but less than $300, PGW will spread that balance over the next six months. Second, underpayments of $300 or more will be spread over 24 months.

CRP Offset

37. PGW shall implement a 7.5 % Bad Debt Offset which will offset CAP credit amounts (i.e. reported as "CRP Discount" in PGW's quarterly filings) related to average annual CAP participants exceeding 60,000 customers. The offset will be calculated as follows: (1) average annual CAP credit amount; multiplied by (2) average annual number of CAP participants exceeding 60,000 customers; multiplied by (3) 7.5%. The offset will only be effective during the effective period of the distribution base rates established in this proceeding.

D. Natural Gas Supplier Issues[4]

38. PGW will reduce the Purchase of Receivables ("POR") Administrative adder to 0.5% from its current 2%.

39. PGW will retain the Gas Procurement Charge ("GPC") at the current level of $0.04/mcf.

40. PGW will eliminate its $10 switching fee.

41. PGW will adopt a new price structure for monthly cash out imbalances in excess of 3.5% (the current methodology will continue to be used for imbalances up to 3.5%).

(a) Shortages in that range would be priced at the higher of: (i) 125% of the average of the five (5) highest Daily Market Index Prices for the monthly period beginning on the first day of the month; or (ii) 150% of the Company's highest incremental supply cost for the month.

(b) Overages would be purchased at the lower of: (i) 75% of the average of the five (5) lowest Daily Market Index Price for the monthly period beginning on the first day of the month; or (ii) 75% of the Company's lowest incremental supply cost for the month.

4 OSBA does not join in the Settlement of this Section, "Natural Gas Supplier Issues."

42. PGW will convene a stakeholder collaborative to address competition and billing issues.

III. LITIGATED ISSUES

43. The parties agree that the following issues shall be the subject of litigation:

(a) Cost Responsibility for USC: Whether the cost responsibility for Universal Service Charge ("USC") charges should be shifted 100% to Residential Customers;

(b) Method of Payment Postings: Whether PGW's present method of posting partial payments to arrearages is consistent with Commission regulations and is otherwise reasonable.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

44. The Joint Petitioners have each prepared, and attached hereto, as Statements A through H, their Statements in Support setting forth the bases upon which they believe that the Settlement, including the Settlement Rates, is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

45. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

(a) The Settlement Provides A Reasonable Resolution. The Settlement represents a balanced compromise of all of the active parties in this proceeding and is a reasonable resolution of PGW's claims for increased rates while balancing the interests of ratepayers and the public. The Settlement provides for a general rate increase of $42 million (a 6.8% overall increase), in lieu of the $70 million (11.6%) in additional annual revenues originally requested by PGW. The Settlement Rates will establish customer charges and allocate the agreed upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure and/or cost of service positions of all Joint Petitioners.

(b) Substantial Litigation And Associated Costs Will Be Avoided. The Settlement amicably and expeditiously resolves most of the important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.

(c) The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements. The Joint Petitioners arrived at the Settlement, including the Settlement Rates, after conducting extensive discovery, submitting testimony into the record, and having in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa.Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

IV. ADDITIONAL TERMS AND CONDITIONS

46. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement the Settlement.

47. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.

48. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

49. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw from the Settlement as provided above, each of the Joint Petitioners reserves their respective rights to fully litigate this case, including, but not limited to,

presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

50. All Joint Petitioners shall support the Settlement, and (except with respect to provisions in which they do not join) will make reasonable and good faith efforts to obtain approval of the Settlement by the ALJs and the Commission without modification. The Parties agree that such good faith efforts do not include opposing or responding to comments or oppositions to the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings resulting in the establishment of rates that are Commission-made, just and reasonable rates.

51. If the ALJs, in their Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) the Litigated Issues; (b) any modifications to the terms and conditions of this Settlement; or (c) any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed. The Joint Petitioners further reserve the right to file Exceptions to the compliance filing in the event that any of the exhibits therein are inconsistent with the Settlement and the exhibits attached thereto, the Commission's Final Order, or pertain to issues upon which there was no settlement.

52. This Settlement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the ALJs approve the Settlement as set forth herein, including all terms and conditions, without modification;

2. With respect to the Settlement issues that the Commission's investigation at Docket No. R-2017-2586783 and the complaints of the OCA, OSBA, and PICGUG at Docket Nos. C-2017-2592092, C-2017-2593497 and C-2017-2595147, respectfully be marked closed.

3. With respect to the Litigated Issues, the ALJs issue a Recommended Decision recommending a resolution of those issues.

4. The customer complaint of William Dingfelder (Docket No. C-2017-2593903) associated with this proceeding be marked closed.

5. That the Commission, consistent with the Settlement, find the Settlement Rates to be just, reasonable, non-discriminatory, lawful and in the public interest.

6. That the Commission enter an Order approving the Settlement, including the Settlement Rates, without modification (except to the extent necessary to implement its determinations on the Litigated Issues), and permit PGW to file the tariff supplement annexed hereto as Exhibit 1 to become effective pursuant to the terms set forth therein for service rendered on and after November 28, 2017.

Respectfully submitted,

Daniel Clearfield, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000
717.237.6019 (fax)
dclearfield@eckertseamans.com

Counsel for Philadelphia Gas Works

Of Counsel:
Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122

Carrie B. Wright, Esq.
Erika L. McLain, Esq.
Bureau Of Investigation & Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg PA 17105-3265

Counsel for I&E

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Kristine E. Marsilio, Esq.
Harrison W. Breitman, Esq.
Office Of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Counsel for OCA

Sharon Webb, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Counsel for OSBA

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166

Counsel for Philadelphia Industrial and Commercial Gas Users Group

Respectfully submitted,

Daniel Clearfield, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000
717.237.6019 (fax)
dclearfield@eckertseamans.com

Of Counsel:
Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122

Counsel for Philadelphia Gas Works

Carrie B. Wright, Esq.
Erika L. McLain, Esq.
Bureau Of Investigation & Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg PA 17105-3265

Counsel for I&E

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Kristine E. Marsilio, Esq.
Harrison W. Breitman, Esq.
Office Of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Counsel for OCA

Sharon Webb, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Counsel for OSBA

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166

Counsel for Philadelphia Industrial and Commercial Gas Users Group

Respectfully submitted,

Daniel Clearfield, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000
717.237.6019 (fax)
dclearfield@eckertseamans.com

Of Counsel:
Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122

Counsel for Philadelphia Gas Works

Carrie B. Wright, Esq.
Erika L. McLain, Esq.
Bureau Of Investigation & Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg PA 17105-3265

Counsel for I&E

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Kristine E. Marsilio, Esq.
Harrison W. Breitman, Esq.
Office Of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Counsel for OCA

Sharon Webb, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Counsel for OSBA

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166

Counsel for Philadelphia Industrial and Commercial Gas Users Group

Respectfully submitted,

Daniel Clearfield, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000
717.237.6019 (fax)
dclearfield@eckertseamans.com

Counsel for Philadelphia Gas Works

Of Counsel:
Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122

Christy M. Appleby

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Kristine E. Marsilio, Esq.
Harrison W. Breitman, Esq.
Office Of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Counsel for OCA

Carrie B. Wright, Esq.
Erika L. McLain, Esq.
Bureau Of Investigation & Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg PA 17105-3265

Counsel for I&E

Sharon Webb, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Counsel for OSBA

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166

Counsel for Philadelphia Industrial and Commercial Gas Users Group

Respectfully submitted,

Daniel Clearfield, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000
717.237.6019 (fax)
dclearfield@eckertseamans.com

Of Counsel:
Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122

Counsel for Philadelphia Gas Works

Carrie B. Wright, Esq.
Erika L. McLain, Esq.
Bureau Of Investigation & Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg PA 17105-3265

Counsel for I&E

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Kristine E. Marsilio, Esq.
Harrison W. Breitman, Esq.
Office Of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921

Counsel for OCA

Sharon Webb, Esq.
Elizabeth Rose Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North 2nd Street
Harrisburg, PA 17101

Counsel for OSBA

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
Alessandra L. Hylander, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166

Counsel for Philadelphia Industrial and Commercial Gas Users Group

Todd S. Stewart, Esq.
Hawke Mckeon & Sniscak LLP
100 North Tenth Street
Harrisburg PA 17101

Counsel for the Retail Energy Supply Association

Robert W. Ballenger, Esq.
Josie B. H. Pickens, Esq.
Jennifer Collins, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102

Counsel for Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

Patrick M. Cicero, Esq.
Elizabeth R. Marx, Esq.
Joline Price, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg PA 17101

Counsel for Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

Todd S. Stewart, Esq.
Hawke Mckeon & Sniscak LLP
100 North Tenth Street
Harrisburg PA 17101

Counsel for the Retail Energy Supply Association

Robert W. Ballenger, Esq.
Josie B. H. Pickens, Esq.
Jennifer Collins, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102

Counsel for Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

Patrick M. Cicero, Esq.
Elizabeth R. Marx, Esq.
Joline Price, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg PA 17101

Counsel for Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

Todd S. Stewart, Esq.
Hawke Mckeon & Sniscak LLP
100 North Tenth Street
Harrisburg PA 17101

Counsel for the Retail Energy Supply Association

Robert W. Ballenger, Esq.
Josie B. H. Pickens, Esq.
Jennifer Collins, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102

Counsel for Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

Patrick M. Cicero, Esq.
Elizabeth R. Marx, Esq.
Joline Price, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg PA 17101

Counsel for Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

EXHIBIT 1

PHILADELPHIA GAS WORKS

GAS SUPPLIER TARIFF

Issued by: Craig White
President and CEO
PHILADELPHIA GAS WORKS
800 West Montgomery Avenue
Philadelphia, PA 19122

List of Changes Made by this Tariff

6.1.E. SUPPLIER SELECTION PROCEDURES (Page No. 24)
Deleted $10.00 fee per customer for customers who switch suppliers after their initial enrollment.

12.9.C.5 POR PAYMENTS (Page No. 49)
Updated reference to docket number R-2017-2586783 to determine POR payments.

6. Supplier Selection Procedures.

6.1. Customers shall have the opportunity to select a Supplier in accordance with PUC Orders and the procedures contained in this Supplier Tariff and the Gas Service Tariff.

6.1.A. If a Customer or person authorized to act on the Customer's behalf contacts the Company via telephone to select a Supplier, the Company will advise the Customer to contact that Supplier.

6.1.B. A Supplier enrolling a Customer for its Natural Gas Supply service must first obtain appropriate authorization from the Customer, or from the person authorized to act on the Customer's behalf, indicating the Customer's choice of a Supplier. This authorization may be obtained through written or direct oral confirmation. The Supplier must maintain recorded or written evidence of the Customer's authorization to provide documented evidence of authorization to the PUC in the event of a dispute.

6.1.C. The Supplier shall provide an electronic file to the Company which shall comply with the Company's electronic data interchange requirements. The Company will confirm receipt of the file and within three (3) business days of receipt will provide Supplier an electronic validation of the records contained therein. ~~(c)~~

6.1.D. For enrollments received on or before the 15th of any calendar month, the Customer will be switched, on the date of the Customer's regularly scheduled meter reading in the calendar month immediately following the month the enrollment information was received. For enrollments received after the 15th of any calendar month, the Customer will be switched on the date of the Customer's regularly scheduled meter reading in the second (2nd) calendar month following the month the enrollment information was received.

6.1.E. If, in any month, a Customer selects more than one (1) Supplier, the Supplier that submitted to the Company the latest valid Supplier contract, before the end of the applicable Supplier selection period, will become the Customer's Supplier of record beginning on the Customers switch date. No fee will be charged for the initial enrollment~~, however, Suppliers will be charged ten dollars ($10.00) per Customer for Customers who switch Suppliers after their initial enrollment~~. (c)

6.1.F. The Company will send a confirmation notice to all Customers who have made a Supplier selection by the next business day after receiving the request from the Supplier. Included in this notice will be notification of a waiting period in compliance with Applicable Law which the Customer may cancel its selection of a Supplier. The confirmation notice will include the Customer's name, address, the Company account number, selected Supplier, service effective date and Billing Date. The waiting period will begin on the day the notice is mailed to the Customer. The Company will notify the Customer's prior Supplier of the intended discontinuance of service to the Customer from that prior Supplier. ~~(c)~~

6.1.G. If the waiting period expires, and the Customer has not contacted the Company to dispute the Supplier selection, the Supplier will become the Customer's Supplier of record. ~~(c)~~

6.1.H. If the Customer elects to rescind its Supplier selection, the Company will notify the rejected Supplier and the reinstated Supplier electronically. In the event the Customer rescinds its ~~(c)~~

12.9.C.2. Customer Eligibility. GS Residential customers and GS Commercial and Industrial customers with annual usage of 5,000 Mcf or less will be eligible for inclusion into a POR program. Eligible GS Customer accounts will be reviewed on an annual basis to determine if they are eligible to be included in the next 12 month period. The review will be based on the previous 12 months actual usage. ~~(c)~~

12.9.C.3. NGS Participation. All of the NGS' customer accounts within the elected Rate Classes must be POR eligible accounts. To be eligible for the POR program, an NGS must choose consolidated billing for all of their eligible customer accounts and must sell all associated customer accounts receivable to PGW. ~~(c)~~

12.9.C.4. Billing Options. PGW shall support rate-ready billing, and all NGS rates must conform to supported rate designs. ~~(c)~~

12.9.C.5. POR Payments. The Company will purchase each POR Customer's accounts receivable, provided, however, that PGW shall discount payments consistent with the settlement agreement and the PUC's Final Order in Docket No~~s~~. R-2017-2586783~~2008-2073938 and R-2009-2139884~~, or as otherwise ordered by the Commission. (c)

12.9.C.5.a. PGW will owe the Supplier all legitimate Supplier charges for basic gas supply services and applicable taxes subject to the discount, regardless of whether the customer has paid the Company. The ownership of each POR Customer's accounts receivable will transfer from the Supplier to the Company upon Customer billing. ~~(c)~~

12.9.C.5.b. The Company will pay the Supplier in accordance with the following schedule: ~~(c)~~

1. The Company will remit payment for the receivable on the 25th day of the month following the billing month. ~~(c)~~
2. Payment will not be made to the Supplier when Supplier Charges are not received by the Company within the required time period, as explained in paragraph 12.9.B.2.(e) above. Payment for these charges will be made according to the applicable schedule in the following month, if they are received within the appropriate time period along with the current month charges. ~~(c)~~

12.9.C.5.c. The Company may purchase accounts receivable based upon an estimated bill. The Company shall add or deduct from any future payments due to the Supplier amounts that may result from reconciliations, adjustments, or recalculations, estimated readings, cancel and rebills, or any applicable billing adjustment. ~~(c)~~

12.9.C.5.d. Upon request, a Supplier shall provide a written certification to the Company that the Supplier is providing only basic gas supply to POR Customers billed under Consolidated NGDC Billing. Basic gas supply does not include a non-gas supply product (e.g., service contract for appliances, or payment for usage reductions, early contract cancellation fees or late fees, or other similar charges). ~~(c)~~

12.9.C.5.e. Supplier acknowledges and agrees that the Company is (a) entitled to receive and retain all payments from Supplier's customers for Purchased Receivables, and (b) authorized to conduct collection activities and, if necessary, terminate its delivery service and Supplier's supply services to customers whose accounts receivables were purchased and who fail to make payment of amounts due on the Consolidated NGDC Bill, including the purchased Supplier receivables or other authorized reasons. Any customer whose service is terminated shall be reconnected to SOLR service upon compliance with PGW requirements. ~~(c)~~

PHILADELPHIA GAS WORKS

GAS SERVICE TARIFF

Issued by: Craig White
President and CEO

PHILADELPHIA GAS WORKS
800 West Montgomery Avenue
Philadelphia, PA 19122

List of Changes Made by this Tariff Supplement

TABLE OF CONTENTS (Page Nos. 6-7)
Updated to reflect revised page numbers for each of the changes listed below on this page.

GENERAL SERVICE – RATE GS (PAGE No. 83)
Changed the customer charges and delivery charges effective XXXX as follows. For Residential Customers, the customer charge increases from $12.00 to $13.75 and delivery charge increases from $0.60067 to $0.66967. For Public Housing customers, the customer charge increases from $12.00 to $13.75 and the delivery charge increases from $0.49441 to $0.57105. For commercial customers, the customer charge increases from $18.00 to $23.40 and the delivery charge increases from $0.45984 to $0.48651. For Industrial Customers, the customer charge increases from $50.00 to $70.00 and the delivery charge increases from $0.45332 to $0.47698.

MUNICIPAL SERVICE – RATE MS (PAGE No. 87)
Effective XXXX, the customer charge increases from $18.00 to $23.40 and the delivery charge increases from $0.33661 to $0.42723.

PHILADELPHIA HOUSING AUTHORITY SERVICE – RATE PHA (PAGE No. 90)
Effective XXXX, the customer charge increases from $18.00 to $23.40 and the delivery charge increases from $0.41101 to $0.50163.

BOILER AND POWER PLANT SERVICE – RATE BPS (PAGE Nos. 93-95)
Pages cancelled – rate being discontinued

LOAD BALANCING SERVICE – RATE LBS (PAGE Nos. 97-99)
Pages cancelled – rate being discontinued

BALANCING LIMITS AND CHARGES – (PAGE No. 104)
Section (f) Monthly Imbalance Reconciliation Threshold changed from 2.5% to 3.5%. Subsection (2)(a) purchase amount changed from 150% to 125%.

INTERRUPTIBLE TRANSPORTATION – RATE IT (PAGE No. 115)
Increased customer charge and ~~Changed the rates for~~ distribution charges for ~~existing customers~~ as follows. For existing IT-A customers, the customer charge changed from $125 to $152.16 and the rate per Mcf per Dth delivered changes from $1.88/1.81 to $2.2885/$2.2068. For existing IT-B customers, the customer charge changed from $225 to $273.89 and the rate per Mcf per Dth delivered changes from $0.91/$0.87 to $1.1077/$1.0682. For existing IT-C customers, the customer charge changed from $225 to $273.89 and the rate per Mcf per Dth delivered changes from $0.71/0.68 to $0.8643/$0.8335. For existing IT-D customers, the customer charge changed from $225 to $273.89 and the rate per Mcf per Dth delivered changes from $0.63/0.61 to $0.7669/$0.7395. For existing IT-E customers, the customer charge changed from $350 to $426.06 and the rate per Mcf per Dth delivered changes from $0.61/0.58 to $0.7426/$0.7161. The distribution charge may be the product of a negotiated rate and may include long-term contracts of up to five years as mutually agreed to by the Company and the Customer. This negotiated rate may be higher than, but not lower than, the distribution charges set forth above and may include additional minimum take requirements.

COGENERATION SERVICE – RATE CG (PAGE No. 131)
Rate being discontinued. Existing contracts will continue until end of the term of the service agreement at which time customers shall then migrate to most appropriate rate schedule.

WEATHER NORMALIZATION ADJUSTMENT CLAUSE (PAGE Nos. 149 -150)
Calculation for normal heating degree days changed from current thirty year average to calculation based on number of years used in the Company's most recent rate case, currently twenty years as approved at Docket No. R-2017-2586783. Adds an annual reporting regarding actual charges or credits and actual number of heating degree days.

BACK-UP SERVICE – RATE BUS (PAGE No. 154)
Establishes the availability, rates and terms of service for new rate for customers with operable back-up or emergency generation equipment who will require gas from the company. Rates to be negotiated.

TECHNOLOGY AND ECONOMIC DEVELOPMENT RIDER / MICRO-COMBINED HEAT AND POWER INCENTIVES (PAGE No. 155)
Establishes the availability, rates and terms of service for new rider available on a pilot basis to support the expansion of new technologies. Rates to be negotiated. Also makes available the following incentives for qualifying Micro-CHP projects: (1) up to $750 per kW for units between 20 kW and 50 kW; and, (2) up to $1,000 per kW for any units below 20 kW. Availability of the rider and the incentives dependent on the economics of the proposed project meeting the requirements of Section 10 of this Tariff.

GENERAL SERVICE - RATE GS

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after ~~June 1, 2017~~XXXX.

AVAILABILITY

Available for any purpose where the Company's distribution mains adjacent to the proposed Gas Service location are, or can economically be made, suitable to supply the quantities of Gas or Transportation Services required.

RATES

CUSTOMER CHARGE (per Meter (except parallel meters)):

$ 13~~2.00~~75	per month for Residential and Public Housing Authority Customers.	(I)
$ ~~18~~23.~~0~~40	per month for Commercial Customers	(I)
$ 7~~5~~0.00	per month for Industrial Customers	(I)

Surcharge: Distribution System Improvement Charge.

Plus,

GCR (not applicable to GS Customers who transport gas through a qualified NGS):

$0.45986	per Ccf for Residential and Public Housing	~~(D)~~
$0.45986	per Ccf for Commercial Customers	~~(D)~~
$0.45986	per Ccf for Industrial Customers	~~(D)~~

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge ~~(Updated in Supplement No. 65 – Issued: July 10, 2013; Effective: October 1, 2013)~~:

$0.66967~~0067~~	per Ccf for Residential	(I)
$0.57105~~49441~~	per Ccf for Public Housing	(I)
$0.48651~~5984~~	per Ccf for Commercial and Municipal Customers	(I)
$0.~~45332~~47698	per Ccf for Industrial Customers	(I)

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; Restructuring and Consumer Education Surcharge; Efficiency Cost Recovery Surcharge; Other Post Employment Benefit Surcharge; and Distribution System Improvement Charge.

(D) – Decrease (I) - Increase

Note: The Commodity Charge includes the Sales Service Charge, the Merchant Function Charge and the Gas Procurement Charge.

MUNICIPAL SERVICE - RATE MS

Rate: Applicable to all Retail Sales Service or Transportation Service rendered pursuant to this Rate Schedule on or after XXXX~~June 1, 2017~~.

AVAILABILITY

Available to properties owned or occupied by the City of Philadelphia or the Board of Education, or any of their respective agencies or instrumentalities, for any type of Gas Service, unless purchased for resale to others, and where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required; provided, however, that the rate shall not be available to Commercial Tenants of any such property.

RATES

CUSTOMER CHARGE (per Meter (except parallel meters):

$ 23~~18~~.4~~0~~0 per month **(I~~D~~)**

Surcharge: Distribution System Improvement Charge.

Plus,

GCR (not applicable to MS Customers who transport Gas through a qualified NGS):

$0.45986 per Ccf

Plus,

DISTRIBUTION CHARGE (consisting of items (A) and (B), below):

(A) Delivery Charge ~~(Updated in Supplement No. 65 – Issued: July 10, 2013; Effective: October 1, 2013)~~:

$0.~~33661~~ 42723 per Ccf (I)

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and The Restructuring and Consumer Education Surcharge; the Efficiency Cost Recovery Surcharge; Other Post Employment Benefit Surcharge; and Distribution System Improvement Charge.

(D) – Decrease (I) - Increase

Note: The Commodity Charge includes the Sales Service Charge, the Merchant Function Charge and the Gas Procurement Charge.

PHILADELPHIA HOUSING AUTHORITY SERVICE - RATE PHA

Rate: Applicable to all Retail Sales Service or Transportation Services rendered pursuant to this Rate Schedule on or after XXXX~~June 1, 2017~~.

AVAILABILITY

Available for all Gas usage in multiple dwelling Residential buildings containing 10 or more dwelling units, owned and operated by the Philadelphia Housing Authority, where cooking shall be performed exclusively with Gas and where Gas Service shall be supplied through one or more single point metering arrangements at locations where the Company's distribution mains adjacent to the proposed Gas Service locations are, or can economically be made, suitable to supply the quantities of Gas required.

This rate is also available for all Gas usage in single and multiple dwelling Residential buildings, containing less than 10 dwelling units, provided, and only so long as, Gas is used exclusively for cooking, water heating and space heating for all such Residential buildings owned and operated by the Philadelphia Housing Authority, except (a) buildings operated by the Philadelphia Housing Authority, prior to the original effective date of this rate (January 1, 1969), and (b) buildings for which, in the judgment of the Company, such Gas Service cannot be provided economically.

RATES

CUSTOMER CHARGE (per Meter (except parallel meters);

$23~~18~~.4~~0~~0 per month **(I~~D~~)**

Surcharge: Distribution System Improvement Charge.

Plus,

GCR (not applicable to PHA customers who transport gas through a qualified NGS):

$0.45986 per Ccf

Plus

DISTRIBUTION CHARGE (consisting of item (A) and (B), below):

(A) Delivery Charge ~~(Updated in Supplement No. 65 – Issued: July 10, 2013; Effective: October 1, 2013)~~:

$0.~~41101~~ 50163 per Ccf (I)

(B) Surcharges:

Universal Service and Energy Conservation Surcharge; and The Restructuring and Consumer Education Surcharge; the Efficiency Cost Recovery Surcharge; Other Post Employment Benefit Surcharge; and Distribution System Improvement Charge.

(D) – Decrease (I) - Increase

Note: The Commodity Charge includes the Sales Service Charge, the Merchant Function Charge and the Gas Procurement Charge.

(This page intentionally left blank for future use.)

~~BOILER AND POWER PLANT SERVICE - RATE BPS~~

~~Rate: Applicable to all Retail Sales Service rendered pursuant to this Rate Schedule on or after September 1, 2003~~

~~AVAILABILITY~~

~~This rate is available for Customers with Alternate Fuel Capability, where the Company's distribution system is, or can economically be made available to supply the service. Gas Service under this rate shall not be available as a replacement of firm Retail Sales Service or firm Transportation Service, unless the Customer can demonstrate to the Company's satisfaction that it has the capacity and plans to continue to take Gas Service on an interruptible basis for at least one year. The Company's determination as to whether the service would amount to such replacement shall be final. Service under this rate shall be available to (a) any facility which was served pursuant to Rate BPS as of September 1, 1994, and (b) any applicant for service under this rate executing a Service Agreement, contracting for not less than 2,500 Mcf of Gas per year under the terms of this Tariff, in which shall be defined minimum quantities of gas to be delivered. The number of Customers to receive service under this rate may be limited by the Company in order to maintain adequate and efficient Gas Service generally. When, in the judgment of the Company, it is not economically feasible to separately meter small incidental pilot usage, it may be billed under this rate. The BPS rate class has three components: BPS-S, BPS-L and BPS-H.~~

~~MINIMUM QUANTITY REQUIREMENTS:~~
~~New BPS-S Customers must contract for not less than 2,500 Mcf of Gas per year.~~
~~BPS-L Customers must contract for not less than 5,000 Mcf of Gas per year.~~
~~BPS-H Customers must contract for not less than 5,000 Mcf of Gas per year.~~

~~RATE~~

~~CUSTOMER CHARGE:~~

~~$51.00 per month for Customers with annual consumption of less than 10,000 Mcf.~~

~~$108.00 per month for Customers with annual consumption of between 10,000 Mcf and 100,000 Mcf, inclusive.~~

~~$150.00 per month for Customers with annual consumption greater than 100,000 Mcf.~~

~~Plus~~

~~VARIABLE DISTRIBUTION AND COMMODITY CHARGE:~~

~~**BPS-S**: The charge per Mcf shall be calculated by Company within a range computed to be from 20% above to 20% below the numerical average of the high and the low posted reseller tank car price for No.2 oil, at Philadelphia.~~ ~~(C)~~

~~**BPS-L**: The charge per Mcf shall be calculated by Company within a range computed to be from 20% above to 20% below the numerical average of the high and the low posted reseller tank car price for No.2 oil, at Philadelphia.~~

~~**BPS-H**: The charge per Mcf calculated by Company shall be set at a level not greater than the rate charged to Customers under BPS-L nor less than the rate charged to Customers under rate LBS-S.~~

~~**(C) = Change**~~

(This page intentionally left blank for future use.)

~~All BPS pricing information is as published by the Journal of Commerce, or a successor publication, or where none exists, a publication selected by the Company pending final approval of the Commission, as posted in the first 12 issues of the calendar month in which the calculation is made. The price is adjusted for Btu equivalence. In no event, however, shall such charges be less than 110% of the incremental Gas costs for Gas sold under this rate schedule plus an adjustment for all applicable taxes, as determined by the Company.~~

~~The Commodity Charge for Rate BPS Customers, as calculated above, will be available by the last working day of each month, and will be applicable for the subsequent calendar month, to the extent that service under this rate can be made available. The company reserves the right to adjust the price during the month and make such information available in the event that, in the company's sole opinion, the prices warrant such adjustment.~~

~~The following Riders may apply:~~ ~~(C)~~

~~SPECIAL PROVISION – Air Conditioning Rider~~
~~SPECIAL PROVISION – Emergency/ Unauthorized Use Gas Rider~~

~~MINIMUM CHARGE~~

~~The monthly Minimum Charge is the Customer Charge set forth above.~~

~~GAS COST RATE~~

~~The Gas Cost Rate does not apply to this service.~~

~~CONTRACT~~

~~Standard service agreements are for not less than a one-year period. The Company reserves the right to limit the amount of Gas supplied under this rate to the annual contract quantity specified in the Service Agreement with the Customer.~~

~~GAS MEASUREMENT~~

~~The quantity of Gas consumed will be corrected for billing purposes to conditions of 14.73 pounds per square inch absolute pressure and 60 degrees Fahrenheit.~~

~~**(C) – Change**~~

(This page intentionally left blank for future use.)

~~CONDITIONS OF USE~~

~~Service under this rate is interruptible. Customers electing service under this rate shall have and maintain complete and adequate standby non-Natural Gas energy (e.g., oil, propane, electric, steam, BPS-H Customers must have #4 oil as a back-up fuel) and equipment for alternate operation in the event of interruption of Gas Service. Such Customers shall also install and maintain a control device which allows the Customer to transfer the supply requirements hereunder between Gas and the alternate energy equipment upon notice from the Company that such transfer is required. The Company will notify the Customer of the requirement to transfer to the alternate energy as determined by the Company. All volumes of Gas consumed by the Customer after such notification by the Company will be billed at the Emergency Gas or Unauthorized Use Charge. However, if the Company determines that Emergency Gas Service is not available at the time of notification, the Company will notify the Customer of this condition, and the Customer shall be given a minimum of eight hours to transfer to the alternate energy. Under emergency conditions on the system, notice to the Customer may be less than eight hours. The Company may, in addition, at its discretion, shut off Customer to ensure compliance.~~

~~As long as operating conditions permit, service will be restored as determined by the Company. The Customer shall be notified by the Company of the restoration of service. At the time of the turn-on notification the Customer shall transfer from the alternate energy back to Gas. All volumes consumed by the Customer, after such notification by the Company shall be billed at the effective BPS rate.~~

~~Company utilizes telemetering equipment to measure the usage of Gas for Customers under this rate. Customer is responsible for installing and maintaining a phone line and power supply, if applicable, within reasonable access to the Gas meter location at Customer's cost. The phone line must be set up so that an outside line can be obtained without manual intervention. The phone line may be a shared line, provided, however that other equipment does not interfere with Company telemetering. If the other equipment does interfere with the Company's telemetering equipment, the Company reserves the right to require the customer, at the Customer's cost, to install a dedicated phone line.~~

~~COMPANY RULES~~

~~The provisions of this Tariff shall govern service under this Rate Schedule. PGW reserves the right to require Customers served under this Rate Schedule to provide forecasted usage data.~~

(This page intentionally left blank for future use.)

~~LOAD BALANCING SERVICE - RATE LBS~~

~~Rate: Applicable to all Retail Services rendered pursuant to this Rate Schedule on or after September 1, 2003~~

~~AVAILABILITY~~

~~This rate is available for use in industrial and commercial establishments and multi-family residential buildings for seasonal Gas uses, where the Company's facilities are, or can economically be made, available to supply the service. Gas Service under this rate shall not be a replacement of firm Retail Sales Service or firm Transportation Service. The Company's determination as to whether the service would amount to such a replacement shall be final. An applicant for service under this rate shall be required to execute a Service Agreement, contracting for an Annual Contract Quantity of not less than 5,000 Mcf of Gas under the terms of this Tariff, in which shall be defined minimum daily quantities of Gas to be delivered. The number of Customers to receive service under this rate, at any single time, may be limited by the Company in order to maintain adequate and efficient Gas Service generally. When, in the judgment of the Company, it is not economically feasible to separately meter small incidental pilot usage, it may be billed under this rate. The LBS rate class has three components: LBS-S, LBS-L and LBS-XL.~~

~~MINIMUM QUANTITY REQUIREMENTS:~~
~~LBS-S Customers must contract for not less than 5,000 Mcf of Gas per year.~~
~~LBS-L Customers must contract for not less than 80,000 Mcf of Gas per year.~~
~~LBS-XL Customers must contract for not less than 350,000 Mcf of Gas per year.~~

~~RATES~~

~~CUSTOMER CHARGE:~~

~~$145.00 per month for Customers with annual consumption of less than 80,000 Mcf.~~

~~$254.00 per month for Customers with annual consumption of between 80,000 Mcf and 350,000 Mcf, inclusive.~~

~~$362.00 per month for Customers with annual consumption greater than 350,000 Mcf.~~

~~Plus~~

~~VARIABLE DISTRIBUTION AND COMMODITY CHARGE:~~

~~The charge per Mcf shall be calculated by Company within a range computed to be from 20% above to 20% below the numerical average of the high and the low posted reseller tank car price for No. 2 oil at Philadelphia.~~ **~~(C)~~**

~~All pricing information is as published by the Journal of Commerce, or a successor publication, or where none exists, a publication selected by the Company pending final approval of the Commission, as posted in the first 12 issues of the calendar month in which the calculation is made. This price is adjusted for Btu equivalence. Provided further that the rate per Mcf is not less than one hundred and ten percent (110%) of the incremental Gas costs for Gas sold under this rate schedule plus an adjustment for all applicable taxes, as determined by the Company.~~

~~(C) = Change~~

(This page intentionally left blank for future use.)

~~The rate so calculated will be available by the last working day of each month, and will be applicable for the subsequent calendar month, to the extent that service under this rate can be made available. The company reserves the right to adjust the price during the month and make such information available in the event that, in the company's sole opinion, the prices warrant such adjustment.~~

~~The following Riders may apply:~~ ~~(C)~~

~~SPECIAL PROVISION – Emergency/Unauthorized Use Gas Rider~~

~~MINIMUM CHARGE~~

~~The monthly Minimum Charge is the Customer Charge.~~

~~GAS COST RATE~~

~~The Gas Cost Rate does not apply to this service.~~

~~CONTRACT~~

~~Standard contracts are for not less than a one year period. The Company reserves the right to limit the amount of Gas supplied under this rate to the Annual Contract Quantity specified in the Service Agreement with the Customer. The minimum charge shall be on a monthly service period basis and shall not be less than the Customer Charge.~~

~~GAS MEASUREMENT~~

~~The quantity of Gas consumed will be corrected for billing purposes to conditions of 14.73 pounds per square inch absolute pressure and sixty degrees Fahrenheit.~~

~~**(C) – Change**~~

(This page intentionally left blank for future use.)

~~CONDITIONS OF USE~~

~~Service under this rate is interruptible, and Company reserves the right to interrupt service at Company's discretion. All Customers electing service under this rate shall have and maintain complete and adequate standby non Natural Gas energy (e.g., oil, propane, electric, steam, #5 or #6 oil as a back-up fuel) and equipment for alternate operation in the event of interruption of Gas Service. All Customers shall also install and maintain a control device which allows the Customer to transfer the supply requirements hereunder between Gas and the alternate energy equipment upon notice from the Company that such transfer is required. The Company will notify the Customer of the requirement to transfer to the alternate energy. All volumes of Gas consumed by the Customer after such notification by the Company will be billed at the Emergency Gas Charge, if Emergency Gas Service is available. However, if the Company determines that Emergency Gas Service is not available at the time of interruption, the Company will notify the Customer of this condition, and the Customer shall be given a minimum of eight hours to transfer to the alternate energy. Under emergency conditions on the system, notice to the Customer may be less than eight hours. If the Customer fails to transfer within this specified time period, all volumes consumed thereafter shall be billed as Unauthorized Use. The Company may, in addition, at its discretion, shut off service to the Customer to ensure compliance. The Customer shall be notified by the Company of the restoration of service under this Rate. At the time of the turn-on notification the Customer shall transfer from the alternate energy back to Gas. All volumes consumed by the Customer after such notification by the Company shall be billed at the appropriate LBS rate.~~

~~The Company utilizes telemetering equipment to measure the usage of Gas for Customers under this rate. The Customer, at Customer's cost, is responsible for installing and maintaining a dedicated phone line and appropriate power supply within reasonable access to the Gas meter location for use by the telemetering equipment.~~

~~COMPANY RULES~~

~~The provisions of this Tariff shall govern the supply of Gas under this classification except where noted herein. The Company reserves the right to require the Customers served under this rate to provide forecasted usage data.~~

6. BALANCING LIMITS AND CHARGES

Daily balancing, and the reconciliation of end-of-month imbalances, shall be governed by the definitions, limits and charges set forth below:
(a) Daily Receipt Quantity. The supplier's confirmed pipeline nomination quantity, adjusted for unaccounted for Gas, for the Gas day.

(b) Daily Usage Quantity. Gas used by the Rate IT Customer(s) in a supply pool during the 24-hour Gas day as recorded by the Company's meter(s) at the Rate IT Customer location(s).

(c) Allowable Daily Variation. The daily usage quantity must be within plus or minus ten percent (+/-10%) of the daily receipt quantity.

(d) Daily Imbalance Surcharge. Supplier shall be charged $0.50 for each Dth outside the applicable allowable daily variation

(e) Daily Market Index Price. The prices published each day in Gas Daily (or successor publication or where none exists a publication selected by the Company) under the heading "Citygate Prices" for deliveries at "Texas Eastern M-3" and "Transco Z6 [non-NY]" (or applicable headings of a successor publication.) Whenever a price is published as a range, the value used for that day would be the midpoint of the range.

(f) Monthly Imbalance Reconciliation. Imbalances remaining at the end of a month in each supply pool shall be reconciled to zero in accordance with the following schedule. All cost calculations shall reflect the appropriate adjustment for unaccounted for Gas, and for average heating value where applicable.

1. Monthly usage quantities that exceed monthly receipts by up to ~~2~~3.5% shall be purchased by the Supplier at the monthly average of the Daily Market Index Price; provided, however, that if Supplier shall cease to be a Supplier pursuant to this Rate Schedule, then, usage quantities that exceed monthly receipts by up to ~~2~~3.5% during the Supplier's last month on PGW's system shall be purchased by the Supplier at the higher of: (a) 100% of the average of the two highest Daily Market Index Prices for the monthly period beginning on the first day of the month; or (b) 100% of the Company's highest incremental supply cost for the month. (C) (C)

2. Monthly usage quantities that exceed monthly receipts by more than 3~~2~~.5% shall be purchased by the supplier at the higher of: (a) 125~~0~~% of the average of the five(5) highest Daily Market Index Prices for the monthly period beginning on the first day of the month; or (b) 150% of the Company's highest incremental supply cost for the month. (C) (C)

3. Monthly receipt quantities that exceed monthly usage by up to 3~~2~~.5% shall be purchased by the Company at the monthly average of the Daily Market Index Price; provided, however, that if Supplier shall cease to be a Supplier pursuant to this Rate Schedule, then, receipt quantities that exceed monthly usage by up to 3~~2~~.5% during the Supplier's last month on PGW's system shall be purchased by Company at the lower of: (a) 100% of the average of the two (2) lowest Daily Market Index Price for the monthly period beginning on the first day of the month; or (b) 100% of the Company's lowest incremental supply cost for the month.. (C) (C)

4. Monthly receipt quantities that exceed monthly usage by more than 3~~2~~.5% shall be purchased by the Company at the lower of: (a) 75% of the average of the five(5) lowest Daily Market Index Price for the monthly period beginning on the first day of the month; or (b) 75% of the Company's lowest incremental supply cost for the month. (C)

(C) - Change

CHARGES

1. MONTHLY BILL
The monthly bill shall consist of the sum of the monthly Customer charge and the Distribution Charge as detailed below:

CUSTOMER CHARGE	($) Per Meter Per Month (Parallel Meters are considered one meter)	
IT-A:	152.16~~125~~	(I)
IT-B:	273.89~~225~~	(I)
IT-C:	273.89~~225~~	(I)
IT-D:	273.89~~225~~	(I)
IT-E:	426.06~~350~~	(I)

DISTRIBUTION CHARGE	Rate ($) Per Mcf / Dth Delivered*	
IT-A:	~~1.88~~ 2.2885/ 2.2068~~1.81~~	(I)
IT-B:	1.1077~~0.91~~ / 1.0682~~0.87~~	(I)
IT-C:	0.8643~~0.71~~ / 0.8335~~0.68~~	(I)
IT-D:	0.7669~~0.63~~ / 0.7395~~0.61~~	(I)
IT-E:	0.7426~~0.61~~ / 0.7161~~0.58~~	(I)

*The distribution charge may be the product of a negotiated rate and may include long-term contracts of up to five years as mutually agreed to by the Company and the Customer. This negotiated rate may be higher than, but not lower than, the distribution charges set forth above and may include additional minimum take requirements. **(C)**

(I) – Increase (C) - Change

COGENERATION SERVICE – RATE CG*

Rate: Applicable to all Retail Sales Service rendered pursuant to this Rate Schedule on or after September 1, 2003

AVAILABILITY

This service is available to any new or existing Commercial or Industrial Customer for Gas use in any form of combined cooling, heating and power production where there is a sequential production of energy and useful thermal energy from the same fuel source or in the sequential production of electrical energy and useful thermal energy from the same fuel source by a qualifying facility as defined in Section 201 of the Public Utility Regulatory Policies Act of 1978, regularly meeting the efficiency standards set forth in Chapter 18 of the Federal Regulations, Sections 292.205 (a) and (b). The Customer must certify that qualifying status has been granted by the Federal Energy Regulatory Commission or must demonstrate to the Company its ability to utilize waste heat created from one process by using Natural Gas in a second process. The waste heat may be generated from any form, such as power production, heating, cooling, or process applications. The waste heat recovered may be used for any domestic, Commercial or Industrial applications. The determination by the Company as to the Customer's ability to co-generate will be final. This service will be available where the Company's facilities are, or can economically be made, available to supply the service; but Gas Service under this rate shall not be a replacement of Gas Service under any rate providing for uninterruptible Gas Service. The Company's determination as to whether the service would amount to such a replacement shall be final. An Applicant for service under this rate shall be required to execute a service agreement in which shall be defined maximum and minimum quantities of Gas to be delivered. The number of Customers to receive service under this rate, at any single time, may be limited by the Company in order to maintain adequate and efficient Gas Service generally.

CHARACTER OF SERVICE

Service under this rate schedule is interruptible, and shall be subordinate to all firm services. Customer is advised of their responsibility to maintain capability of satisfying their requirements during any period when service is interrupted. Interruptions may occur for economic or operational considerations at any time. ~~(C)~~

RATES

CUSTOMER CHARGE:

$362.00 per month.

Plus

COMMODITY And DISTRIBUTION CHARGE:

The monthly Commodity Charge for each one hundred cubic feet of Gas used shall be set equal to the average commodity cost of Gas purchased and delivered to PGW's gate stations, including an allowance for Unaccounted for losses where applicable, plus a fixed Distribution Charge of 7.5 cents per Ccf.

(C) = Change

***As of the effective date of this tariff supplement, enrollment in Rate CG will be closed. Customers that are properly receiving service under this rate shall continue to do so under their current service agreement(s) until the end of the current term of the service agreement(s). Customers shall then migrate to the most appropriate rate schedule given their size and load profile.** (C)

WEATHER NORMALIZATION ADJUSTMENT CLAUSE

Provision For Adjustment

The Weather Normalization Adjustment shall be applied to each Mcf (1,000 cubic feet) used for heating purposes under Rate Schedules GS, MS, and PHA ("heating" and "heating only" customers), except for Gas usage under the Special Provisions – Air Conditioning of those rates. The Weather Normalization Adjustment will be applied to customer usage during the period of October 1 through May 31 of each year for each billing cycle (except for the 2002-2003 heating season when the Weather Normalization Adjustment will be applied to customer invoices rendered during the period of December 1 through May 31 of each year for each billing cycle).

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment surcharge or credit shall be computed to the nearest one-hundredth cent (0.01cent) in accordance with the formulas set forth below:

$$HL = TU - (BL * BC)$$

$$WNA = DC * \left[\left(HL * \frac{NHDD +/- (NHDD * 1\%)}{AHDD} \right) - HL \right]$$

Definitions

TU – Total Usage for the billing cycle. TU measured in Mcf.

BL – base load Mcf per billing day is the number of Mcf per Customer used per day for non-heating purposes based on usage by Customers to which this adjustment applies. It is determined separately for each individual customer and will be revised annually to reflect the non-temperature sensitive usage of Customers to which the adjustment applies reflected in the prior heating season's sales. If an individual customer base load is not available, the base load for the related customer class will be applied.

BC – billing cycle is the actual number of days shown on the bill that the Customer receives for service.

DC – Delivery Charge.

NHDD – normal heating degree days for any given calendar day within a month are based on the normal weather determination ~~thirty year average for the given calendar day based on the thirty year period~~ applied in the Company's most recent base rate case, currently twenty years as approved at Docket No. R-2017-2586783. The NHDD provided for in the formula are the total number of NHDD for the billing cycle. The degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport. **(C)**

AHDD – actual experienced heating degree days for the billing cycle. The degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport.

Operation of Weather Normalization Adjustment

The Weather Normalization Adjustment will be applied to a Customer's bill on a cents per Mcf basis when actual heating degree days vary from normal heating degree days during the period for which the Customer is billed. The Weather Normalization Adjustment will be applied to the Customer's space

(C) - Change

heating consumption except for air conditioning usage billed under the air conditioning rate. The Weather Normalization Adjustment for a billing cycle will apply only if the actual heating degree days (AHDD) for the billing cycle are lower than 99 percent or higher than 101 percent of the normal heating degree days (NHDD) for the billing cycle and will only apply to the extent that the variation is lower than 99 percent or higher than 101 percent of the normal heating degree days for that billing cycle. A new weather adjustment will be calculated for each billing cycle.

Under the formulas, the Weather Normalization Adjustment surcharge or credit is calculated by:

1) Normal HDD are calculated for each day of the fiscal year based upon the normal weather determination ~~thirty year average for the thirty year period~~ applied in the Company's most recent base rate case, currently twenty years as approved at Docket No. R-2017-2586783. **(C)**
2) At the start of the fiscal year, an average daily base load (non-heating) usage is calculated for each individual customer based upon actual base load usage.
3) The average daily base load (non-heating) amount is multiplied by the number of days in the billing cycle.
4) The total billing cycle base load amount is subtracted from the actual cycle usage of the customer in order to derive the usage applicable to heating.
5) The WNA factor is multiplied times the heating usage in order to derive the normalized heating usage.
   a) The WNA factor is calculated by first adjusting the Normal HDD (NHDD) for the billing cycle by the deadband percentage (1 %). The deadband percentage is multiplied by the NHDD and then added to NHDD for the billing period when the weather is colder than normal (i.e., AHDD > NHDD) or subtracted from NHDD for the billing period when the weather is warmer than normal (i.e., AHDD < NHDD).
   b) The adjusted NHDD are then divided by the AHDD.
6) The actual heating usage is subtracted from the normalized heating usage and then multiplied by the delivery charge. The result is a surcharge or credit.

Reporting Requirements

The Company will file all Weather Normalization Adjustments with the Commission on an annual basis. On or around January 10 of each year beginning in 2018, the Company shall submit an annual report for the most recent fiscal year ending August 31 detailing the actual charges or credits that resulted from the application of this clause and the actual number of heating degree days (HDDs). **(C)**

(C) - Change

BACK-UP SERVICE - RATE BUS

Rate: Applicable to Back-Up Service as described below.

AVAILABILITY
Available at the Company's sole discretion where the Customer has installed any type of operable back-up or emergency generation equipment and who from, time to time, will require Gas from the Company for the Customer's operation of that equipment.

RATES and TERMS OF SERVICE
Contracts stipulating the negotiated rate and negotiated terms of Back-up Service may be entered into between the Company and Customer when the Company, in its sole discretion, deems such offering to be economically advantageous to the Company. Service under this rate is firm.

Back-up service for use by back-up or emergency equipment shall be separately metered subject to the Company's technical determination that more than one meter is required to correctly measure the total gas service rendered. Should the Company determine that this service be separately metered, the Company will issue a separate bill pursuant to a rate schedule applicable for the usage on the separate meter. Otherwise, if so determined by the Company to be technically feasible, the Company shall allow gas usage for such equipment to be measured by the customer's existing meter.

As part of its annual Gas Cost Rate (GCR) filings, PGW will provide the number of customers, sales levels and costs incurred for these customers. In two years (or in the Company's next base rate case, whichever is sooner), the Company will provide an analysis of the rate and provide a recommendation about whether the rate should continue.

TECHNOLOGY AND ECONOMIC DEVELOPMENT RIDER
MICRO-COMBINED HEAT AND POWER INCENTIVES

AVAILABILITY

TECHNOLOGY AND ECONOMIC DEVELOPMENT RIDER: The Technology and Economic Development (TED) Rider is a negotiated rider available on a pilot basis for a three-year period beginning on the effective date of this tariff supplement that will be utilized to support the expansion of new technologies such as, but not limited to, combined heat and power (CHP), natural gas vehicles, and fuels cells, to develop brownfields, and support economic development in Pennsylvania by facilitating business retention and attraction, as well as other gas distribution system expansion activities. The TED Rider is available to those Customers served by the Company that the Company determines, in its sole discretion, have prospective additional gas usage applicable to service for firm service non-residential customers on Tariff Rate Schedules for General Service (Rate GS), Municipal Service (Rate MS), Philadelphia Housing Authority Service (Rate PHA) and Developmental Natural Gas Vehicle Service (Rate NGVS) at the time of execution or renewal of a service agreement. The TED Rider is established for the purpose of adjusting the customer's overall distribution charge to address project-specific or competitive issues to gain access to and expand use of natural gas within the Commonwealth of Pennsylvania. The negotiated TED Rider may be either a surcharge or credit depending on project-specific customer and Company economic requirements, such that the overall economics must meet the requirements of Section 10 of this Tariff. As part of its Gas Cost Rate (GCR) filings, PGW will provide data on sales and costs for TED customers.

GENERAL TERMS

The Customer must execute a TED Rider service agreement.

RATES

Customer Charge: Negotiable
Plus
Delivery Charge (per ccf): Negotiable

AVAILABILITY

MICRO-COMBINED HEAT AND POWER INCENTIVES: For projects involving micro-CHP units no larger than 50 kW, the following Micro-CHP Incentives may be available for qualifying projects: (1) up to $750 per kW for units between 20 kW and 50 kW; and, (2) up to $1,000 per kW for any units below 20 kW. The Incentive is available to those Customers served by the Company that the Company determines, in its sole discretion, have prospective additional gas usage applicable to service for Rate GS Commercial/Industrial customers, Rate MS customers and Rate PHA customers on a pilot basis for a three-year period beginning on the effective date of this tariff supplement. The economic test that will be utilized by the Company to determine eligibility for participation will include the costs of the incentives.

EXHIBIT 2

PGW Pro Forma Present and Proposed Rates Summary

Rate Class	Pro Forma at Present Rates	Pro Forma at Proposed Rates	Increase
Residential	$ 288,996,042	$ 322,033,228	$ 33,037,187
Commercial	$ 54,919,504	$ 59,495,334	$ 4,575,831
Industrial	$ 4,174,258	$ 4,524,593	$ 350,336
PHA GS	$ 1,120,665	$ 1,290,860	$ 170,195
Municipal/PHA Rate 8	$ 5,977,730	$ 7,489,500	$ 1,511,770
GTS / IT	$ 12,190,416	$ 14,543,216	$ 2,352,800
Total			**$ 41,998,117**

Philadelphia Gas Works
Rate Case 2017
Pro Forma at Present Rates*

	FY 2017-2018			Current PUC Approved Tariff Rates				Amounts in $000s				
	Number of Customers	No. of Annual Bills	Annual Deliveries (Mcf)	Monthly Customer Charge	Delivery Charge	Merchant Function Charge (MFC)	Gas Procurement Charge (GPC)	Customer Charge Revenue	Delivery Charge Revenue	Merchant Function Charge (MFC) Revenue	Gas Procurement Charge (GPC) Revenue	Total Full Base Rate Revenue
1 **Non-Heating:**												
2 Residential c	19,006	228,066	417,441	$12.00	$6.0067	$0.1946	$0.0400	2,737	2,507	81	17	5,342
3 Residential-Senior	506	6,066	10,186	$12.00	$6.0067	$0.1946	$0.0400	73	61	2	0	136
4 Commercial	3,983	47,800	970,869	$18.00	$4.5984	$0.0116	$0.0400	860	4,464	11	39	5,375
5 Industrial	136	1,632	103,126	$50.00	$4.5332	$0.0125	$0.0400	82	467	1	4	555
6 Municipal/MS	102	1,224	129,712	$18.00	$3.3661	$ -	$0.0400	22	437	0	5	464
7 NGV	3	36	1,766	$35.00	$1.2833	$ -	$0.0400	1	2	0	0	4
8 *Total Non-Heat Firm*	23,735	284,824	1,633,099					3,775	7,939	96	65	11,875
9												
10 **Heating:**												
11 Residential	441,721	5,300,652	33,967,977	$12.00	$6.0067	$0.1946	$0.0400	63,608	204,035	6,610	1,359	275,612
12 Residential-Senior	11,362	136,348	1,004,468	$12.00	$6.0067	$0.1946	$0.0400	1,636	6,034	195	40	7,905
13 Commercial	17,395	208,741	6,099,165	$18.00	$4.5984	$0.0116	$0.0400	3,757	28,046	71	244	32,118
14 Industrial	388	4,656	284,945	$50.00	$4.5332	$0.0125	$0.0400	233	1,292	4	11	1,539
15 Municipal/MS	379	4,548	468,527	$18.00	$3.3661	$ -	$0.0400	82	1,577	0	19	1,678
16 PHA Rate 8	147	1,769	44,181	$18.00	$4.1101	$ -	$0.0400	32	182	0	2	215
17 PHA/GS	1,835	22,020	168,088	$12.00	$4.9441	$ -	$0.0400	264	831	0	7	1,102
18 PHA/GS- Senior	28	336	2,934	$12.00	$4.9441	$ -	$0.0400	4	15	0	0	19
19 *Total Heat Firm*	473,256	5,679,070	42,040,285					69,616	242,011	6,880	1,682	320,189
20 **Total Heat & Non-Heat Firm**	496,991	5,963,893	43,673,384					73,391	249,951	6,976	1,747	332,064
21												
22 **Firm Transport**												
23 **Non-Heating:**												
24 Residential	0	0	0	$12.00	$6.0067	$ -	$ -	0	0	0	0	0
25 Commercial	779	9,343	505,731	$18.00	$4.5984	$ -	$ -	168	2,326	0	0	2,494
26 Industrial	41	492	174,285	$50.00	$4.5332	$ -	$ -	25	790	0	0	815
27 Municipal/MS	196	2,352	60,159	$18.00	$3.3661	$ -	$ -	42	203	0	0	245
28 NGV	1	12	4,343	$35.00	$1.2833	$ -	$ -	0	6	0		6
29 *Total Non Heat FT*	1,017	12,199	744,518					235,534	3,323,696	0	0	3,559
30												
31 **Heating:**												
32 Residential	0	0	0	$12.00	$6.0067	$ -	$ -	0	0	0	0	0
33 Commercial	2,889	34,672	3,111,581	$18.00	$4.5984	$ -	$ -	624	14,308	0	0	14,932
34 Industrial	68	816	270,187	$50.00	$4.5332	$ -	$ -	41	1,225	0	0	1,266
35 Municipal/MS	189	2,268	371,420	$18.00	$3.3661	$ -	$ -	41	1,250	0	0	1,291
36 PHA	764	9,168	467,156	$18.00	$4.1101	$ -	$ -	165	1,920	0	0	2,085
37 *Total Heat FT*	3,910	46,924	4,220,343					871	18,703	0	0	19,574
38 *Total FT*	4,927	59,123	4,964,861					1,106	22,027	0	0	23,133
39												
40 **Total Interruptible Sales**	4	48	16,714					17				17
41 **Total PGW (Sales & FT)**	501,922	6,023,064	48,654,959					74,515	271,978	6,976	1,747	355,215
42 GTS / IT Revenue												12,190
43 WNA Revenue												0
44 LNG Sales			1,000,000									3,680
45 **Total Full Tariff Revenue**			49,654,959									371,086

*** Sales calculated using 20 year average HDDs of 4011**

Philadelphia Gas Works
Rate Case 2017
Pro Forma at Proposed Rates*

	FY 2017-2018			Proposed Rates				Amounts in $000s				
	Number of Customers	No. of Annual Bills	Annual Deliveries (Mcf)	Monthly Customer Charge	Delivery Charge	Merchant Function Charge (MFC)	Gas Procurement Charge (GPC)	Customer Charge Revenue	Delivery Charge Revenue	Merchant Function Charge (MFC) Revenue	Gas Procurement Charge (GPC) Revenue	Total Full Base Rate Revenue
1 **Non-Heating:**												
2 Residential	19,006	228,066	417,441	$13.75	$6.6967	$0.1575	$0.0400	3,136	2,795	66	17	6,014
3 Residential-Senior	506	6,066	10,186	$13.75	$6.6967	$0.1575	$0.0400	83	68	2	0	154
4 Commercial	3,983	47,800	970,869	$23.40	$4.8651	$0.0261	$0.0400	1,119	4,723	25	39	5,906
5 Industrial	136	1,632	103,126	$70.00	$4.7698	$0.0162	$0.0400	114	492	2	4	612
6 Municipal/MS	102	1,224	129,712	$23.40	$4.2723	$ -	$0.0400	29	554	0	5	588
7 NGV	3	36	1,766	$35.00	$1.2833	$ -	$0.0400	1	2	0	0	4
8 *Total Non-Heat Firm*	23,735	284,824	1,633,099					4,482	8,635	94	65	13,277
9												
10 **Heating:**												
11 Residential	441,721	5,300,652	33,967,977	$13.75	$6.6967	$0.1575	$0.0400	72,884	227,473	5,350	1,359	307,066
12 Residential-Senior	11,362	136,348	1,004,468	$13.75	$6.6967	$0.1575	$0.0400	1,875	6,727	158	40	8,800
13 Commercial	17,395	208,741	6,099,165	$23.40	$4.8651	$0.0261	$0.0400	4,885	29,673	159	244	34,961
14 Industrial	388	4,656	284,945	$70.00	$4.7698	$0.0162	$0.0400	326	1,359	5	11	1,701
15 Municipal/MS	379	4,548	468,527	$23.40	$4.2723	$ -	$0.0400	106	2,002	0	19	2,127
16 PHA Rate 8	147	1,769	44,181	$23.40	$5.0163	$ -	$0.0400	41	222	0	2	265
17 PHA/GS	1,835	22,020	168,088	$13.75	$5.7105	$ -	$0.0400	303	960	0	7	1,269
18 PHA/GS- Senior	28	336	2,934	$13.75	$5.7105	$ -	$0.0400	5	17	0	0	21
19 *Total Heat Firm*	473,256	5,679,070	42,040,285					80,424	268,432	5,672	1,682	356,210
20 **Total Heat & Non-Heat Firm**	**496,991**	**5,963,893**	**43,673,384**					**84,906**	**277,067**	**5,766**	**1,747**	**369,487**
21												
22 **Firm Transport**												
23 **Non-Heating:**												
24 Residential	0	0	0	$13.75	$6.6967	$ -	$ -	0	0	0	0	0
25 Commercial	779	9,343	505,731	$23.40	$4.8651	$ -	$ -	219	2,460	0	0	2,679
26 Industrial	41	492	174,285	$70.00	$4.7698	$ -	$ -	34	831	0	0	866
27 Municipal/MS	196	2,352	60,159	$23.40	$4.2723	$ -	$ -	55	257	0	0	312
28 NGV	1	12	4,343	$35.00	$1.2833	$ -	$ -	0	6	0		6
29 ***Total Non Heat FT***	1,017	12,199	744,518					308,528	3,554,326	0	0	3,863
30												
31 **Heating:**												
32 Residential	0	0	0	$13.75	$6.6967	$ -	$ -	0	0	0	0	0
33 Commercial	2,889	34,672	3,111,581	$23.40	$4.8651	$ -	$ -	811	15,138	0	0	15,949
34 Industrial	68	816	270,187	$70.00	$4.7698	$ -	$ -	57	1,289	0	0	1,346
35 Municipal/MS	189	2,268	371,420	$23.40	$4.2723	$ -	$ -	53	1,587	0	0	1,640
36 PHA	764	9,168	467,156	$23.40	$5.0163	$ -	$ -	215	2,343	0	0	2,558
37 ***Total Heat FT***	3,910	46,924	4,220,343					1,136	20,357	0	0	21,493
38 ***Total FT***	4,927	59,123	4,964,861					1,445	23,911	0	0	25,356
39												
40 **Total Interruptible Sales**	4	48	16,714					17				17
41 **Total PGW (Sales & FT)**	501,922	6,023,064	48,654,959					86,368	300,979	5,766	1,747	394,860
42 GTS / IT Revenue												14,543
43 WNA Revenue												0
44 LNG Sales			1,000,000									3,680
45 **Total Full Tariff Revenue**			49,654,959									413,084

*** Sales calculated using 20 year average HDDs of 4011**

PGW IT TARIFF RATES

Total IT Revenue	$ 10,825,802
IT Rate Increase	$ 2,352,800
Total IT Total Revenue	**$ 13,178,602**
% Increase	21.73%
Proposed Total IT Revenue	**$ 13,178,586**
Difference	$ 16

IT RATE Class	Customer Counts	Monthly Customer Charge	Present Customer Charge Revenue	Proposed Customer Charge (21.73% Increase)	Proposed Customer Charge Revenue	Usage (Mcf)	Distribution Charge (Mcf)	Present Distribution Charge Revenue	Proposed Distribution Charge (Mcf) (21.73% Increase)	Proposed Distribution Charge Revenue	Proposed Total IT Revenue
ITA	105	$ 125	$ 157,500	152.16	$ 191,725	367,048	$ 1.88	$ 690,051	$ 2.2885	$ 839,990	$ 1,031,715
ITB	107	$ 225	$ 288,900	273.89	$ 351,678	759,259	$ 0.91	$ 690,926	$ 1.1077	$ 841,031	$ 1,192,709
ITC	97	$ 225	$ 261,900	273.89	$ 318,811	1,389,877	$ 0.71	$ 986,812	$ 0.8643	$ 1,201,270	$ 1,520,081
ITD	78	$ 225	$ 210,600	273.89	$ 256,363	2,785,675	$ 0.63	$ 1,754,976	$ 0.7669	$ 2,136,334	$ 2,392,698
ITE	25	$ 350	$ 105,000	426.06	$ 127,817	6,668,794	$ 0.61	$ 4,067,964	$ 0.7426	$ 4,952,246	$ 5,080,063
Incremental Load						2,269,259	$ 0.71	$ 1,611,174	$ 0.8643	$ 1,961,321	$ 1,961,321
Total			$ 1,023,900		$ 1,246,393	14,239,912		$ 9,801,902		$ 11,932,193	**$ 13,178,586**

STATEMENT A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
	:	
Office of Consumer Advocate	:	C-2017-2592092
	:	
Office of Small Business Advocate	:	C-2017-2593497
Philadelphia Industrial & Commercial	:	
Gas Users Group	:	C-2017-2595147
	:	
William Dingfelder	:	C-2017-2593903
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

PHILADELPHIA GAS WORKS'
STATEMENT IN SUPPORT
OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT

Philadelphia Gas Works ("PGW" or the "Company") hereby submits this Statement in Support of the Joint Petition for Partial Settlement ("Settlement" or "Joint Petition") filed in the above-captioned proceeding.

This Partial Settlement[1] is joined in by the Bureau of Investigation and Enforcement ("BIE" or "I&E"), the Office of Consumer Advocate ("OCA"), the Retail Energy Supply Association ("RESA"), Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"),

---

1 Two issues have been reserved for litigation: (a) whether the cost responsibility for USC charges should be shifted 100% to residential customers; and (b) whether PGW's present method of posting partial payments to arrearages is consistent with Commission regulations and is otherwise reasonable. *See* Joint Petition at ¶ 9, 44.

the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("TURN, *et al*") (collectively, the "Joint Petitioners"); the Office of Small Business Advocate ("OSBA") joins in the Settlement except for the issues related to natural gas suppliers.[2]

PGW believes that the Settlement is in the best interests of PGW and its customers, and provides customer service enhancements that will benefit low-income and residential customers. The Settlement is therefore in the public interest and should be approved expeditiously and without modification.[3] The Settlement was reached after considerable review of PGW's operations and the submission of extensive testimony by the active parties, and after a series of negotiations and discussions concerning all of the issues raised by PGW's filing, including the appropriate level and allocation of the proposed rate increase, rate design and new or enhanced programs to benefit low-income and other customers. It therefore represents a reasonable resolution of the rate case.

PGW's key goals in filing its request for an increase of $70 million in annual operating revenues was to ensure that it could maintain its financial health while continuing to make the infrastructure modernization and other improvements in its distribution network to which it has committed in order to enhance the safety, reliability and efficiency of its system. As explained further below, PGW believes the Settlement achieves this result while properly considering the interests of ratepayers and other stakeholders.

I. BACKGROUND

As more fully set forth in the Joint Petition, on February 27, 2017, PGW filed Supplement No. 100 to PGW's Gas Service Tariff – Pa. P.U.C. No. 2 ("Supplement No. 100") to

---

2 *See* Joint Petition Section II. D.

3 *See* Joint Petition at ¶ 45-53.

become effective April 28, 2017, seeking a general rate increase calculated to produce $70 million in additional annual revenues, or a 11.6% overall increase.[4] By Order entered on March 16, 2017, the Commission instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase, as well as PGW's existing tariff. Accordingly, Supplement No. 100 was suspended by operation of law[5] until November 28, 2017, unless permitted by Commission Order to become effective at an earlier date. This proceeding was assigned to Deputy Chief Administrative Law Judge Christopher P. Pell and Administrative Law Judge Marta Guhl for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

Extensive formal and informal discovery was conducted throughout the proceeding.[6] The active parties submitted direct, rebuttal and surrebuttal testimony and PGW submitted written rejoinder.

The active parties also engaged in extensive discussions to try to achieve a settlement of some or all of the issues in this case.[7] As a result of those negotiations, the Joint Petitioners were able to reach the Settlement set forth in the Joint Petition for Partial Settlement. The Parties were able to come to agreement on nearly all issues, as more fully set forth in the Joint Petition.

---

4 See Joint Petition at ¶ 1-4.

5 66 Pa.C.S. § 1308(d).

6 *See* Joint Petition at ¶ 6.

7 Joint Petition at ¶ 6-8.

II. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED EXPEDITIOUSLY AND WITHOUT MODIFICATION

A. Standard of Review of Settlements

The Commission encourages parties in contested on-the-record proceedings to settle cases.[8] Settlements eliminate the time, effort and expense the parties must expend litigating a case and at the same time conserve administrative resources. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.[9]

The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a "burden of proof" standard, as is utilized for contested matters.[10] Instead, the benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.[11]

By definition, a "settlement" reflects a compromise of the positions that the parties of interest have held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether

---

8 *See* 52 Pa. Code § 5.231.

9 52 Pa. Code § 69.401.

10 *See, e.g., PUC v. Borough of Schuylkill Haven Water Department*, Docket No. R-2015-2470184, et al., Opinion and Order entered October 22, 2015 adopting the Recommended Decision dated September 1, 2015 at 9-10, 2015 Pa. PUC LEXIS 422; *PUC v. City of Lancaster - Bureau of Water*, Docket Nos. R-2010-2179103, et al., Opinion and Order entered July 14, 2011, at 11; *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996, 1996 Pa. PUC LEXIS 78.

11 *Id.; See also PUC v. Allied Utility Services, Inc.*, Docket No. R-2015-2479955, et al., Opinion and Order entered April 7, 2016 adopting the Recommended Decision dated February 26, 2016 at 8, 2016 Pa. PUC LEXIS 73.

the agreement reached suits the public interest.[12] In their supporting statements, the Joint Petitioners conclude, after extensive discovery and discussion, that this Settlement resolves all but two of the contested issues in this case, fairly balances the interests of the Company and its ratepayers, is in the public interest, and is consistent with the requirements of the Public Utility Code.

The Joint Petitioners note that the Settlement revenue requirement is a "black box" amount. Under a "black box" settlement, parties generally do not specifically identify revenues and expenses that are allowed or disallowed. The Joint Petitioners believe that "black box" settlements facilitate agreements as parties are not required to identify specific determinations of each matter at issue.

Not every issue was of equal concern to every Joint Petitioner. Accordingly, each of the Joint Petitioners' statements in support does not necessarily address each and every aspect of the Settlement.

B. Revenue Requirement

In its rate filing, PGW requested that it be permitted to increase its revenues by $70 million, based upon the Fully Projected Future Test Year ("FPFTY") of September 1, 2017 – August 31, 2018.[13] PGW's claim for increased rates calculated *pro forma* revenues at present rates using 10 year average of heating degree days ("HDDs").

PGW calculated its need for increased revenues using the "Cash Flow" method.[14] In summary,[15] in accordance with both the Public Utility Code and a PUC Policy Statement, rather

---

12 *See, e.g., PUC v. York Water Co.*, Docket No. R-00049165, Opinion and Order entered October 4, 2004 adopting the Recommended Decision dated August 30, 2004.

13 See Joint Petition at ¶ 1-3.

14 PGW St. 1 at 2.

than having its revenue requirement determined on the basis of a fair rate of return on a used and useful rate base, PGW's Cash Flow method establishes rates by determining the appropriate levels of cash, debt service coverage and other financial metrics necessary to enable PGW to pay its bills, meet minimum debt service coverage requirements and maintain or improve a bond rating sufficient to access the capital markets at reasonable rates. As noted, in 2010, the PUC issued a policy statement more fully setting forth these criteria and the financial and other considerations that are to be looked to in setting PGW's base rates at just and reasonable levels.[16]

In its direct testimony, PGW explained that PGW's last base rate increase was filed in 2009 and settled in 2010 and, by the time that the PUC is expected to rule on this request, over seven years will have passed without additional base rate relief. In the 2008 period PGW was in financial crisis. The Commission's decision to award PGW a $60 million "extraordinary rate increase" at that time, and to then subsequently make that emergency rate increase permanent (along with an additional $16 million permitting PGW to begin to fund its OPEB obligations), stabilized the Company and put it on the path back to financial solvency. Since that time, PGW has improved its financial health and, in turn, this has given PGW the ability to concentrate on modernizing its distribution system, improving safety, increasing efficiency and trying to enhance customer service.[17]

A combination of increasing costs over time and decreasing revenues, caused chiefly by progressively warmer temperatures in PGW's service territory, resulting in less use of natural gas for heating, made additional revenues imperative.[18] Since PGW's last base rate case in

---

15 A more detailed description of the Cash Flow method is contained in PGW's Main Brief, Section II.A.

16 52 Pa. Code § 69.2702, 2703.

17 PGW St. 1 at 2-3.

18 PGW St. 1 at 2-3.

2009/2010, the Company has undertaken a number of initiatives to modernize its infrastructure, make its system safer and more efficient, and improve customer service. While some of those efforts have been financed through surcharges (i.e., the acceleration of PGW's main replacement program), PGW has undertaken numerous other efforts that have been financed through base rates or additional borrowing. At the same time, PGW has experienced material increases in operating costs while seeing weather normalized levels of sales and associated revenues dramatically decrease. While, during this period, PGW's financial health has continued to improve compared to 2008 levels, PGW's *pro forma* results clearly demonstrated that a rate increase was needed if the Company was going to maintain its financial status and current favorable bond ratings and be able to continue with its significant efforts to improve the safety, efficiency and reliability of its system and continue to work to improve customer service.

PGW's requested $70 million rate increase was calculated to improve its *pro* forma year end cash and debt service coverage to acceptable levels compared to the FPFTY as well as for the next several years:

PGW Financial Metrics

Total Operating Revenues	**Year-End Cash on Hand**	**Debt Service Coverage (1998 Bond)**	**Debt-to-Equity Ratio**[19]
FPFTY[20] @ Present Rates	$46.637M	1.53x	96.35%
FY2022[21] @ Present Rates	($255.461M)	1.43x	88.42%
FPFTY[22] @ Proposed Rates	$114.922M	2.2x	90.88%
FY2022[23] @ Proposed Rates	$83.630M	2.06x	68.50%

[19] Since PGW has no "equity" in the conventional sense, this comparison is between debt and total capitalization (total debt plus City Equity). See, e.g., Exh. JFG-1, pg. 4.

[20] Exh. JFG-1-A.

[21] Exh. JFG-1-A.

[22] Exh. JFG-2-A.

{L0693366.1}

PGW explained that, without rate relief, debt service coverage at or just below 1.5x – projected to be realized in the FPFTY without rate relief - would very likely lead to bond downgrades:

> While PGW's financial metrics have improved materially in the last five years, they are not at levels that allow much margin of error. One key metric is the debt service coverage ratio, which is net revenues of PGW divided by debt service, a measure of protection that bondholders have to changes in net revenues. PGW's debt service coverage over the last five years has risen to slightly over 2.0x coverage in FY 2016 from 1.75x in FY 2012 (and above the minimum 1.50x legal requirement in PGW's bond ordinance), pushing up PGW's bond ratings and outlook along the way. However, the apparent strength of this credit metric is masked by PGW's financial commitment to transfer $18 million of net revenue to the City of Philadelphia General Fund, the obligation to fund PGW's OPEB required annual contribution of $18.5 million, and the $33 million of cash funded annual capital improvement from the dedicated DSIC. These obligations, all of which have been approved by the Commission, effectively usurp much of the current financial margin in the 2.0x coverage ratio, let alone the minimum 1.50x in the legal covenants that the Commission methodology explicitly allows. That is, much of the apparent cushion between the minimum 1.50x coverage and the 2.0x coverage ratio is absorbed by the three continuing obligations listed above. When looking at the core debt coverage and the rating agencies' adjusted coverage metrics, PGW is well below that of its peers at the "A" level and more in line with poorly rated and financially challenged utilities in the lower "BBB" rating levels. PGW's financial forecast now requires at least $70 million to maintain the debt coverage levels that exist today at or just above the 2.0x coverage level. Without that rate support from the Commission, PGW's debt service coverage metric falls rapidly to bare minimum levels of 1.50x and exposes PGW to significant financial difficulties in funding ongoing operations and its capital program, particularly the Commission-supported main replacement program. If a substantial portion of the amount of the requested levels cannot be obtained, it clearly has negative implications for maintaining the same protections for investors moving forward and allowing PGW's bond rating to stay in the same rating category.[24]

---

23 Exh. JFG-2-A.

24 PGW St. 3 at 6-8.

A bond downgrade would increase costs to ratepayers and reduce PGW's ability to issue long term debt at reasonable rates.[25]

In addition, at existing rates, PGW cash balances were projected to plunge. In FY 2017-2018, PGW is projecting that it will end the year with just $47.4 million in cash; this projection dramatically decreases in the Forecast Period. This equates to just 35.7 days of cash on hand[26] with the cash balance quickly turning negative in the Forecast Period. As more fully explained by PGW witness Hartman, a cash balance of only 36 days would not only be extremely concerning to the rating agencies, it would also pose real challenges to the Company's ability to meet all of its obligations when they come due.[27]

PGW's testimony, therefore clearly justified the awarding of substantial rate relief, as attested by the positions of the parties investigating PGW's request. In response to PGW's testimony, the OCA, I&E and OSBA recommended that PGW be permitted to increase its rates. OCA recommended that PGW be permitted to increase its rates by $32.101 million using 20 year average HDDs to calculate normal revenues at present rates.[28] I&E's final recommendation was for a $39.645 million increase, using 10 year average HDDs.[29] OSBA witness Knecht recommended that PGW be permitted to increase rates in the range of $30-35 million.[30]

---

25 PGW St. 2 at 17-19.

26 PGW St. 2 at 12. Days of cash on hand calculation: Total Operating Expenses, less non-cash items, depreciation and amortized pensions, divided by 365, divided into cash balance.

27 PGW St. 2 at 17-19.

28 OCA St. 1-S at 2.

29 I&E St. 1-SR at 10.

30 OSBA St. 1 at 9.

The Settlement permits PGW to file rates designed to produce an increase in operating revenues of $42 million and Total Operating Revenue of $680.837 million for the FPFTY calculated using the 20-year average of degree days experienced in PGW's service territory.[31]

Under the Settlement rates, PGW calculates that it will experience $94.2 million Year-End Cash on Hand. Its debt service coverage (on 1998 Bonds) will be just under two – 1.97x – and its FPFTY debt to equity (or total capitalization) ratio will be 92.5%, dropping to 72.66% in FY 2022.

As can be seen, the Settlement rates permit PGW to materially but reasonably improve its key metrics in the FPFTY and, for the most part, sustain its operations for the next several years (barring unforeseen events). With the Settlement rate increase, the year-end cash on hand and Debt Service Coverage should be within acceptable ranges to permit PGW to maintain its existing improved bond rating. Moreover, the Settlement financial metrics are within the ranges recommended by the Parties:

PGW Settlement Rates Comparison

	PGW	**OCA**	**I&E**	**Settlement**
Debt Service Coverage (1998 Bonds)	2.20x[32]	1.85x[33]	1.87x[34]	1.97x
Year End Cash	$114.9M[35]	$82.5M[36]	$110.4M[37]	$94.2M
Debt to Equity	90.88%[38]	N/A	93.13%[39]	92.53%

31 Joint Petition at ¶ 10, 12.

32 PGW Exh. JFG-2A, p. 3.

33 OCA Exh. AEE-2.

34 I&E Exh. 1-SR, Sch. 1.

35 PGW Exh. JFG-2A, p. 2.

36 OCA Exh. AEE-2.

37 I&E Exh. 1-SR, Sch. 1.

38 PGW Exh. JFG-2A, p. 4.

39 I&E Exh. 1-SR, Sch. 1.

Notably, as part of the Settlement, PGW has agreed that it will not file a general rate increase pursuant to 66 Pa.C.S. § 1308(d) any sooner than December 1, 2019.[40]

Weather Normalization Adjustment Clause

The Settlement provides that PGW's Weather Normalization Adjustment ("WNA") shall continue as currently structured except that PGW will utilize normal weather as the 20-year average of degree days experienced in PGW's service territory.[41] On January 10 of each year, PGW will provide an annual report to be submitted in this docket that details the actual charges or credits that resulted from application of the WNA and the actual number of heating degree days ("HDDs"). In its next base rate case, PGW will provide an analysis of the normalized HDDs that it selects.

As noted above, PGW had advocated for the use of 10 year normal HDDs for both the calculation of *pro forma* revenues as well as for the WNA.[42] This would be instead of the 30-year normal HDDs that PGW has used traditionally. No party in the case opposed the end of the use of 30-year normal HDDs, but the OCA suggested that a move to 20 year normal HDDs would be more reasonable.[43] The Settlement adoption of 20-year normals by which to establish *pro forma* revenues and to determine adjustments necessary in PGW's WNA was a reasonable compromise moving PGW's base rate closer to a level of "normal" revenues that is reflective of the current weather reality in PGW's service territory.

In addition, the Parties agreed to several other terms associated with the revenue requirement portion of the Settlement.

---

40 Joint Petition at ¶ 15. This Paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa.C.S. § 1308(e) or upon petition to the PUC. *Id.*

41 Joint Petition at ¶ 16.

42 *See* PGW St. 5 at 27-29.

43 OCA St. 1 at 10.

Health Insurance Cost Tracking

Starting with Fiscal Year ("FY") 2018, PGW will track health insurance cash expenses for each fiscal year which shows cash payments for health insurance, claims and administrative expenses and cash received for employee contributions.[44] PGW will present this tracking in its next base rate case filing. The tracking schedule will provide this information for both active and retired employees separately.

Actual Results for FPFTY

In PGW's next base rate filing, PGW will prepare a comparison of its actual expenditures and financial results for FY 2018 compared to the FPFTY in this case.[45] This is a requirement of Act 11, which, among other things, authorized the use of a FPFTY.[46]

C. Revenue Allocation and Rate Design

The Joint Petitioners agreed to the following revenue allocation:[47]

Rate Class	Percent of Increase	Revenue Allocation
Residential	78.67%	$33,039,250
Commercial	10.89%	$4,575,560
Industrial	0.83%	$350,300
PHA GS	0.41%	$170,200
Municipal/PHA Rate 8	3.60%	$1,511,800
NGVS	0.00%	$0
Interruptible Sales	0.00%	$0
GTS/IT	5.60%	$2,352,800
TOTAL	**100.00%**	**$41,999,910**

44 Joint Petition at ¶13.

45 Joint Petition at ¶ 14.

46 66 Pa.C.S. § 315(e).

47 Joint Petition at ¶ 17(a).

The revenue allocation and rate design in this Settlement reflect a compromise and do not endorse any particular cost of service study.[48] Cost of Service Studies were presented by the witnesses for OCA, I&E, and OSBA in addition to PGW witness Hanser. PICGUG witness Baudino also made a recommendation with respect to allocation of any proposed rate increase. The following chart shows the allocations as originally requested by PGW and as proposed in the Settlement:

	PGW[49]	BI&E[50]	OCA[51]	OSBA[52]	PICGUG[53]	Settlement[54]
RATE CLASS	**Share of Proposed**	**Share of Proposed**	**Share of Proposed**	**Share of Proposed**	**Share of Proposed**	**Share of Proposed**
Residential	84.29%	76.52%	75.96%	85.37%	90.00%	**78.67%**
Commercial	7.14%	14.51%	14.29%	5.37%	7.14%	**10.89%**
Industrial	-0.57%	1.32%	1.30%	0.41%	-0.57%	**0.83%**
PHA GS	0.57%	0.38%	0.38%	0.53%	0.57%	**0.41%**
Municipal / PHA (Rate 8)	0.71%	3.60%	3.14%	3.50%	0.71%	**3.60%**
NGVS	0.00%	0.01%	0.00%	0.00%	0.00%	**0.00%**
Interruptible	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**
GTS/IT	7.86%	3.67%	4.93%	4.63%	2.14%	**5.6%**
TOTAL:	**100%**	**100%**	**100%**	**99.81**	**100%**	**100%**

Exhibit 2 to the Joint Petition sets forth a Proof of Revenue demonstrating that the proposed rates produce $42 Million in additional revenues, assuming *pro forma* revenue at present rate using 20-year average degree days.[55]

48 Joint Petition at ¶ 17(a).

49 PGW St. 6 at 7.

50 I&E St. 3 at 42-43.

51 OCA St. 3 at 25-26.

52 OSBA St. 1-SR at Table IEc-S4.

53 PICGUG St. 1 at Exhibit RAB-2.

54 Joint Petition at ¶ 17(a).

55 Joint Petition at ¶ 17(b).

D. Customer Charge

PGW's fixed customer charges per customer month are lower than the majority of its Pennsylvania peers.[56] PGW proposed to move the charge closer to the full cost of service.[57] Others recommended lower increases,[58] for example, the OCA recommended that PGW's current monthly Residential customer charge be increased to $13.75.[59] The Joint Petitioners agree to the following customer charges:[60]

Rate Class	**Customer Charge (Per Settlement)**	**% Increase (Calculated)**
Rate GS - Residential	$ 13.75	14.6%
Rate GS – Commercial	$ 23.40	30.0%
Rate GS- Industrial	$ 70.00	40.0%
Rate GS – Philadelphia Housing Authority	$ 13.75	14.6%
Rate MS – Municipal Service	$ 23.40	30.0%
PHA (Rate 8)	$ 23.40	30.0%
NGVS	$ 35.00	0.0%
Rate IT-A	$152.16	21.7%
Rate IT-B	$273.89	21.7%
Rate IT-C	$273.89	21.7%
Rate IT-D	$273.89	21.7%
Rate IT-E	$426.06	21.7%

56 PGW St. 4 at 23-24. See also PGW St. 1 at 11; PGW St. 5 at 23-27; PGW St. 6 at 5-7.

57 PGW St. 6 at 6.

58 I&E St. 3 at 28-31; TURN St. 1 at 17-18.

59 I&E St. 3 at 28-31.

60 Joint Petition at ¶ 18.

{L0693366.1}

E. New Rate Proposals

The Settlement proposes the adoption of several new rates that PGW proposed in an effort to provide customers with attractive rates to meet their needs and to promote the efficient use of natural gas.

Technology and Economic Development ("TED") Rider

The TED Rider would permit PGW to negotiate the delivery charges, as well as the customer contribution to the development and service of the infrastructure, for firm service non-residential customers on Tariff Rate Schedules for General Service ("Rate GS"), Municipal Service Rate ("Rate MS"), Philadelphia Housing Authority Service ("Rate PHA") and Developmental Natural Gas Vehicle Service ("Rate NGVS-Firm").[61] The intent of the TED Rider is to increase access and expand the use of natural gas by giving commercial customers more options to obtain natural gas services, including combined heat and power ("CHP") projects, natural gas vehicles ("NGVs") and fuel cells.[62]

The Settlement proposes that the TED Rider be approved as a three-year pilot program.[63] Six months before the end of the three-year pilot program, PGW will report on the economics of the TED Rider. In addition, PGW will maintain records of all TED Rider investments and TED Rider negotiated rates. In the event that PGW files a general base rate case during the three-year TED Rider pilot program following the effective date of rates established in this proceeding, PGW will provide information, as part of its initial filing, showing the *pro forma* rate of return on incremental investment for TED Rider customers as a sub-class in its filed cost of service

61 PGW St. 8 at 2.

62 *Id.*

63 Joint Petition at ¶ 11, 19.

study. Further, as part of its annual Gas Cost Rate ("GCR") filings, PGW agrees to provide data on all sales to and costs incurred for TED customers.

Micro-Combined Heat and Power ("Micro-CHP") Incentive Program

PGW proposed a Micro-CHP Incentive Program for small and medium sized commercial properties to incent market development and market acceptance of small targeted fuel-switching projects to increase the ability of these customers to expand natural gas usage. Proposed projects will be required to satisfy an economic test (consistent with PGW's line extension provisions set forth in Section 10.1.B of its Gas Service Tariff) that require the anticipated incremental revenue to justify the incentive to be provided to the customer to undertake the project. For projects that qualify, PGW would offer up to $750 per kW for units between 20 kW and 50 kW and up to $1,000 per kW for any units below 20 kW.

The Settlement adopts the Pilot Micro-CHP Incentive Program as filed except that PGW agreed that the economic test that will determine eligibility for participation in the Program will include the costs of the incentives.[64]

Rate BUS: Back-Up Service

In its initial filing, PGW proposed a tariff provision that would permit PGW to negotiate a rate with a customer installing any type of operable back-up or emergency equipment and that, from time to time, will require natural gas from the Company for the customer's operation of that equipment. This service differs from existing services because the customer will not be required to take any amount of gas from PGW. Customers can select the back-up level of service that is needed, and will pay a negotiated standby (or reservation) charge that would collect only those costs that stand ready to serve the generation equipment imposes on the system. If – during the

---

64 Joint Petition at ¶ 11, 20.

term of the customer's contract with the Company – the customer requires gas to run its generator, the customer would pay the previously negotiated delivery and commodity charges. PGW proposed that the determination of whether the customer's usage is for back-up or emergency purposes would be within the Company's sole discretion. The use of such gas for any other purpose would be prohibited. All gas volumes received under this rate schedule would be separately metered. Service under this rate schedule would be firm.[65]

The Settlement agrees to accept PGW's filed Rate BUS but with the following modification:[66] As part of its annual GCR filings, PGW agreed to provide data on the number of customers, sales levels and costs incurred for BUS customers. In two years (or PGW's next base rate case, whichever is sooner) PGW will provide an analysis of the BUS rate and provide a recommendation as to whether it should continue.

Rate IT - Pricing

PGW's initial filing included a proposal to transition from a solely cost-based rate for Interruptible Transportation ("IT") Service to a negotiated rate based on both the customer's share of system costs and the value of service that the customer is receiving from the interruptible service. Under its original proposal, the Company would establish stated price ranges for the distribution charge classes under Rate IT. One end of the range was proposed to be the actual cost of service-based rate, with the other bound of the range being the equivalent firm transportation rate (since the customer would typically have the option of taking firm service). The range so established was to provide a reasonable framework for negotiations between the interruptible customer and the Company.

---

65 PGW St. 7 at 42.

66 Joint Petition at ¶ 11, 21.

The rationale for PGW's value-based IT Rate proposal was to recognize that because of the current relationship between alternative fuel prices and natural gas, more and more of PGW's customers have elected to take natural gas service and those that can install operable alternative fuel capability capable of permitting them to be interrupted have migrated to IT service. The charges for IT service are materially lower than the charges for firm transportation service. At the same time however, PGW's incidence of interruption of these customers have dropped dramatically; PGW has not had to interrupt its IT customers for many years.[67]

PICGUG strongly opposed PGW's "value based" IT rate proposal pointing to the significant potential rate increases that might befall IT customers once they were subject to the negotiated rate proposal.[68]

Accordingly, PGW and PICGUG agreed on an alternative approach (which was joined in by all parties):[69] Within 120 days of the entry of a PUC order approving this settlement PGW will file a proposed "Large Customer Transportation Service Tariff ("LT"). The newly proposed LT service will be available only to new IT load or existing IT customers and will be set at an increment higher than the existing IT rates to recognize that an LT customer will not be subject to potential interruption except in highly unusual circumstances and only with significant notice (the exact rate and the terms and conditions will be determined after meeting with PICGUG and other interested parties). Current IT customers who still are comfortable satisfying the requirements of the IT tariff and the potential for interruption will be free to stay on the existing IT rate.

---

67 PGW St. 7 at 30.

68 PICGUG St. 1 at 19-25.

69 Joint Petition at ¶ 21-24.

In addition, the parties agreed that PGW will add a provision to its existing IT Rules that permits PGW and IT customers to negotiate long-term contracts of up to five years.[70] The rates may be higher than, but no lower than, the approved cost-based tariffed rates and may contain additional minimum take requirements. Any such long-term contract would have to be mutually agreed to by PGW and the customer.[71]

At the same time, PGW and PICGUG agreed to an allocation of rate increase[72] to the IT customer class that reflected in part that interruptible customers have not experienced an interruption for a long period of time and that PGW expects, in the future, the number and length of interruptions will be extremely low. In PGW's view, the provisions reflected in the Settlement reasonably balance the interests of IT customers and firm customers and take reasonable steps toward a more equitable rate structure for firm and IT customers.

F. CUSTOMER ISSUES

The Settlement contains several terms intended to address residential consumer issues raised by the OCA and the low income policy advocacy organizations, CAUSE-PA and TURN. These concerns were focused on universal service and affordability issues for residential customers, including (but not limited to) low-income customers.

The "Customer Issues" section of the Settlement (Section II.C) represents the results of the Joint Petitioners' extensive settlement discussions and good faith compromises. As a whole, this section of the Settlement constitutes a reasonable compromise of the competing positions that balances the interests of the Joint Petitioners and resolves all but one issue related to

---

70 Joint Petition at ¶ 25.

71 The Parties also agreed that, within 60 days of the entry of a PUC order approving this Settlement, PGW will meet with PICGUG to determine whether a negotiated contract applicable to all interested PICGUG members can be achieved. Joint Petition at ¶ 25(a).

72 Joint Petition at ¶ 17, 24.

residential customer rules and programs. In addition, the Settlement terms provide clarifications and enhancements to PGW's programs and policies.

- Hazardous Heating Remediation Pilot: The Joint Petitioners agreed that the Company will adopt and fund (at a level of $200,000 for each of two years) a de facto and hazardous heating pilot program.[73] According to the OCA, there are customers in the Company's service territory with broken gas furnaces that are using less efficient electric and other types of heat in lieu of gas.[74] Both the OCA and TURN assert that such customers would benefit from a targeted program aimed at repairing those furnaces.[75]

- PGW Section 1521 Policies: The Public Utility Code at 66 Pa.C.S. §§ 1521-1533 sets forth the Commission's authority with regard to utility service to leased premises. PGW agreed to document its 66 Pa.C.S. § 1521 *et seq.* policies in a written training document, which will be provided to all of PGW's customer service representatives and to the parties in this proceeding.[76] TURN recommended that clear written policies would help ensure that PGW provides required notices to each dwelling unit.[77]

- Budget Billing: PGW will modify its budget billing program in specific ways.[78] Generally speaking, PGW will: (1) put customers entering into a new payment arrangement ("PAR") into budget billing; and (2) modify its year-end Budget Billing processes. The OCA asserts that such customers would benefit from these modifications.[79]

- Customer Responsibility Program ("CRP") Offset: PGW will implement a bad debt offset to Customer Assistance Program ("CAP")[80] Credit amounts.[81] According to the OCA and TURN, an offset alleviates the possibility of the double-recovery of costs when participation exceeds projections in CRP.[82] PGW strongly disputes that there is any double recovery but has agreed to the offset in the interests of settlement.

---

73 Joint Petition at ¶ 26-28.

74 OCA St. 4 at 44-50.

75 OCA St. 4 at 44-50; TURN St. 1-SR at 17-23.

76 Joint Petition at ¶ 31.

77 TURN St. 1 at 37-41. TURN St. 1-SR at 14-17.

78 Joint Petition at ¶ 35-36.

79 OCA St. 4 at 51-64.

80 PGW's CAP is also called its "Customer Responsibility Program" or "CRP." PGW St. 7 at 17.

81 Joint Petition at ¶ 37.

82 OCA St. 4 at 2-35; TURN St. 1-SR at 3-4.

- Tracking of Unauthorized Use Determinations. PGW will track the number of instances in which it reverses a previous determination of unauthorized use.[83] According to TURN, PGW's unauthorized use determinations may be contributing to low- income customers' inability to access, maintain, and restore PGW service.[84] TURN asserted that such determinations should be tracked by PGW.

The Settlement further provides for continued efforts towards bill management and other low-income issues:

- Analysis of CRISIS Acceptance Policy: Crisis Assistance is a federal grant that is awarded to income-eligible customers who are either without utility service or have received a 10-day shut-off notice. Customers can apply for both Crisis Assistance and Low Income Home Energy Assistance Program benefits at the same time. The application deadline for Crisis Assistance is until funds run out. TURN asserted that PGW is not maximizing the receipt of Crisis grants for those PGW customers who may need them most.[85] PGW agreed to conduct a cost/benefit analysis of the impact of modifying its Crisis acceptance policy.[86] This analysis will be discussed in the Low-Income Collaborative (described below).

- Low-Income Issue Collaborative: PGW has a sizable low-income residential population.[87] To help address issues related to low-income customers, PGW agreed to hold a Low-Income Collaborative, which will discuss ways to improve its outreach to households who are unable to reconnect to PGW service because of high balances; and, ways to address improving CRP enrollment.[88]

- Credit and Collection Collaborative: Residential customers who owe PGW $10,000 or more in arrearages cost the utility, and other ratepayers, money.[89] OCA recommended a collaborative to address such customers.[90] In response, PGW agreed to hold a Credit and Collection Collaborative. which will obtain stakeholder input on bill management efforts for customers and applicants seeking

---

83 Joint Petition at ¶ 34.

84 TURN St. 1 at 41-43.

85 TURN St. 1 at 29-36.

86 Joint Petition at ¶ 30.

87 PGW St. 4 at 19.

88 Joint Petition at ¶ 32-33.

89 OCA St. 4 at 67.

90 OCA St. 4 at 64-69.

to restore service previously shut off for non-payment, including customers and applicants with $10,000 or more of arrearages.[91]

G. Natural Gas Supplier Issues

The Settlement contains terms intended to address natural gas supplier concerns raised by RESA. Competitive supplier issues were focused on PGW's Purchase of Receivables ("POR") program, monthly cash out imbalances, and the customers' ability to change suppliers.

The "Natural Gas Supplier Issues" section of the Settlement (Section II.D) represents the results of the Joint Petitioners' extensive settlement discussions and good faith compromises.[92] As a whole, this section of the Settlement constitutes a reasonable compromise of the competing positions that balances the interests of the Joint Petitioners and resolves all issues related to natural gas suppliers.[93] In addition, the Settlement terms provide clarifications and enhancements to PGW's programs and policies.

- Purchase of Receivables ("POR") Program. PGW has a discount rate when a supplier participates in the Company's POR program.[94] The current discount rate includes an "Administrative Adder" designed to recover certain costs incurred by PGW to implement POR. According to RESA, a high discount rate deters suppliers from participating in the PGW Choice program.[95] In response, PGW agreed to reduce the POR Administrative adder to 0.5% from its current 2%.[96] In part, this reduction reflected a determination that POR implementation costs projections were coming in lower than originally expected.

- Switching Fee. Beyond the first switch, PGW charges a $10 switching fee to switch to competitive suppliers.[97] According to RESA, that fee discourages customers from shopping. PGW agreed to eliminate the $10 switching fee.[98]

---

91 Joint Petition at ¶ 29.

92 OSBA did not join in this section of the Settlement.

93 Please note that the Settlement did not modify the Gas Procurement Charge ("GPC"), which is a component of PGW's Price-to-Compare or the Operational Flow Order ("OFO") penalty. Joint Petition at ¶ 39, 43.

94 RESA St. 1 at 3.

95 RESA St. 1 at 3, 5-8.

96 Joint Petition at ¶ 38.

97 RESA St. 1 at 3, 12-13.

- Monthly Imbalances. RESA raised issues regarding the monthly cash out threshold.[99] In response, PGW agreed to create a new price structure for monthly cash out imbalances.[100]

- Supplier Collaborative. RESA recommended a supplier collaborative.[101] PGW agreed to hold a stakeholder collaborative to address competition and billing issues.[102]

III. CONCLUSION

The Settlement provides a reasonable means of resolving all of the issues raised by the active parties in this proceeding. It also reduces the administrative burden on the Commission and the litigation costs of all of the active parties. Accordingly, for the reasons set forth above and in the Joint Petition, PGW submits that the Settlement is in the public interest and should be approved without modification.

PGW respectfully requests the ALJs and the Commission:

a) Expeditiously review and approve the Settlement, without modification, in order that the rates can be implemented as soon as possible;

b) Mark the complaints of the Parties to this Settlement closed;

c) After providing appropriate notice and an opportunity to be heard, dismiss or mark closed the complaints filed by consumers filed in response to PGW's proposed rate increase;

d) Take any other action deemed to be in the public interest.

---

98 Joint Petition at ¶ 40.

99 RESA St. 2 at 3-5.

100 Joint Petition at ¶ 41.

101 RESA St. 2 at 3, 4.

102 Joint Petition at ¶ 42.

Respectfully submitted,

Daniel Clearfield, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
717.237.6000

Of Counsel:

Brandon J. Pierce, Esq.
Senior Attorney
Philadelphia Gas Works
800 W. Montgomery Avenue, 4th Floor
Philadelphia, PA 19122

Attorneys for Philadelphia Gas Works

Dated: July 21, 2017

{L0693366.1}

STATEMENT B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	**R-2017-2586783**
v.	:	
Philadelphia Gas Works	:	

BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION

TO THE HONORABLE CHRISTOPHER P. PELL, DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE AND MARTA GUHL, ADMINISTRATIVE LAW JUDGE:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission"), by and through its Prosecutors Carrie B. Wright and Erika L. McLain, hereby submits that the terms and conditions of the foregoing *Joint Petition For Settlement* ("Joint Petition" or "Settlement") are in the public interest and represent a reasonable and equitable balance of the interests of Philadelphia Gas Works ("PGW" or "Company"), PGW's customers, and the parties to the Settlement Agreement.

The parties have conducted extensive formal and informal discovery and have participated in numerous settlement conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of the Joint Petition based on I&E's determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."[1] The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[2] As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from PGW's original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape on Public Utilities

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.[3] As duplicating the vast and costly fixed physical infrastructure (e.g., substations, poles, lines, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural

1 *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).
2 *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).
3 James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961), at 3-14; 66 Pa. C.S. § 102.

monopoly as the sole service provider in the extended geographic service territory.[4] In order to protect consumers, the public utility's rates and services are regulated.[5] Price regulation strives to replicate the results of effective competition.[6]

As a public utility, a natural gas distribution company ("NGDC") shall provide just and reasonable rates to customers receiving service in the Commonwealth of Pennsylvania.[7] A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.[8] A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereof.[9]

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.[10] The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters, and to enforce compliance with the Public Utility Code.[11] By representing the public interest in rate proceedings before the Commission, I&E works to

---

4 *See id.*; 66 Pa. C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

5 *See id.*; 66 Pa. C.S §§ 1301, 1501.

6 *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

7 66 Pa. C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944).

8 *City of Lancaster v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see Hope*, 320 U.S. at 602-603.

9 66 Pa. C.S. § 1501.

10 Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(11); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

11 *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.[12]

C. History of the Proceeding

On February 28, 2017, PGW filed Supplement No. 100 to PGW's Gas Service Tariff – Pa. PUC No. 2, containing proposed changes in rates, rules, and regulations calculated to produce approximately $70 million in additional annual revenues based upon data for a fully projected future test year beginning on September 1, 2017.[13] This proposed rate change represents an average increase in the Company's distribution rates of approximately 11.6%. Supplement No. 100 was proposed to take effect on April 28, 2017. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by Commission Order entered March 16, 2017 and assigned to the Office of Administrative Law Judge ("OALJ") for the development of an evidentiary record and Recommended Decision.

Deputy Chief Administrative Law Judge Christopher P. Pell and Administrative Law Judge Marta Guhl were assigned to preside over the proceeding.

A call-in telephonic prehearing conference was held as scheduled on March 29, 2017. At the conference, a schedule was memorialized, identifying filing dates for the parties' testimony, setting dates for public input hearings, and scheduling dates for evidentiary hearings in Philadelphia, Pennsylvania.

---

12 *See* 66 Pa. C.S. §§ 1301, 1304.

13 PGW's Petition for Waiver seeking to use a FPFTY beginning on September 1, 2017 was granted in the March 30, 2017 Prehearing Order.

Four public input hearings were held in PGW's service territory in Philadelphia, Pa. On May 9, 2017 at 10:00 a.m. and 6:00 p.m. and on May 10, 2017, at 10:00 a.m. and 6:00 p.m.

Pursuant to the procedural schedule agreed to at the prehearing conference, the parties submitted direct and rebuttal testimony on May 16, 2017 and June 9, 2017 respectively. Surrebuttal testimony was served on June 22, 2017.

On June 28, 2017, the evidentiary hearing was held as scheduled. At the hearing, the parties informed the ALJ that a partial Settlement had been reached. The active parties waived cross-examination, and all of their testimony and exhibits were admitted into the record.

II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.[14] Here, the Joint Petitioners successfully achieved a Settlement Agreement of most of the issues.

The Settlement Agreement is a "Black Box" agreement, which does not specifically identify the resolution of certain disputed issues.[15] Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent proceedings. A "Black Box" settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.[16]

---

[14] *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.
[15] *See id.* at *11.
[16] *See id.*

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, three days of litigious hearings, briefing, and further involvement of both ALJs would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.[17] The request for approval of the *Joint Petition for Settlement* is based on the I&E conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."[18] The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."[19] The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

REVENUE REQUIREMENT (Joint Petition, ¶¶A.12-A.16)

Revenue Number

The Settlement Agreement provides for an increase of $42 million to the Company's annual overall revenue. This increase is $28 million less than the $70 million initially requested by PGW, or a reduction of approximately 40% of the amount requested. I&E agreed to settlement in the amount of $42 million only after I&E conducted an extensive

---

17 *See id.*

18 *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

19 *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

investigation of PGW's filing and related information obtained through the discovery process to determine the amount of revenue PGW needs to provide safe, effective, and reliable service to its customers. The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement with limited exceptions. The prior Chairman of the Commission has explained that black box settlements are beneficial in this context because of the difficulties in reaching an agreement on each component of a company's revenue requirement calculation, when he stated, the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation."[20]

This increased level of "Black Box" revenue adequately balances the interests of ratepayers and PGW. PGW will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in "just and reasonable rates" in accordance with the Public Utility Code, regulatory standards, and governing case law.[21]

---

[20] *See*, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. *See also*, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

[21] 66 Pa. C.S. § 1301.

Health Insurance Tracking

PGW has recently implemented a self-funded health insurance plan. As noted by I&E Witness Keller, "[a] self-insured employer takes on the risk of paying health-related claims for its employees; therefore, it must have adequate funding to pay for claims made that can be unpredictable in nature."[22] Accordingly, I&E expressed concern in testimony that ratepayers may be harmed if very large claims were submitted by PGW for major injuries or illnesses and the funds to pay for these claims were unavailable. Therefore, I&E recommended that PGW establish a Health Insurance Escrow Fund in which any employee or Company paid contributions would be deposited in order to ensure that PGW had the funds available to cover large claims.[23]

As part of the Settlement, PGW has agreed that beginning with fiscal year 2018, PGW will track cash payments for health insurance, claims and administrative expenses, and cash received for employee contributions and provide this information to the Parties in the next base rate case. Having this information in PGW's next base rate case will be instrumental in assessing whether PGW's self-funded health insurance is beneficial to the Company and its ratepayers. PGW has indicated that it has reduced its health insurance costs by a total of $77.2 million,[24] which is significant. However, if one or more extraordinarily large claims causes PGW to need to file a case for emergency rate relief, that benefit could be wiped out. By providing this information to the Parties, I&E is in a better position to analyze and assess how well PGW's self-funded health insurance is

22 I&E St. No. 2, p. 28.
23 *Id.* at 28-29.
24 PGW St. No. 7, p. 12.

working and whether a restricted account needs to be established in which all employee paid and Company paid contributions are deposited to ensure PGW has the requisite funds available to pay out claims.

Actual Results for Fully-Projected Future Test Year

PGW has agreed that in its next base rate proceeding, it will prepare a comparison of its actual expenses and financial results for the FY 2018 compared to the FPFTY in this proceeding. I&E fully supports this term because it achieves I&E's goal of timely receiving data sufficient to allow for the evaluation and confirmation of the accuracy of PGW's projections in advance of its next base rate case filing.

Rate Case Filing

PGW has agreed that it will not file a general rate increase any sooner than December 1, 2019. This provision affords a level of rate stability that would not be available should the case be fully litigated.

Weather Normalization Adjustment ("WNA") Clause

Weather normalization measures the impact of weather on energy consumption and is expressed in heating degree days ("HDD"). In Settlement, PGW has agreed that its WNA will continue as it is currently structured except that PGW will use normal weather as the 20 year average of degree days experienced in its service territory. I&E agrees that a 20 year average can be utilized in this situation because the Company does have a WNA to adjust monthly revenue based on actual HDDs rather than normal HDDs. While the standard has typically been the 30 year average calculated and published by the National Oceanic and Atmospheric Administration ("NOAA"), in this particular case the

30 year average would overstate the experienced level of degree days in the Philadelphia area. Therefore, the 20 year average represents a level of compromise that I&E believes is reasonable.

REVENUE ALLOCATION AND RATE DESIGN (Joint Petition, ¶¶23-25)

Allocation

A public utility shall not establish or maintain unreasonable differences in rates among rate classes.[25] While there may exist sound justification for some discrepancies in rates under the principle of gradualism, this principle alone does not "justifying allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time."[26] The revenue allocation set forth in this settlement not only reflects a compromise of the Joint Petitioners, but it also produces an allocation that moves each class closer to its actual cost of service. This movement is consistent with the principles of *Lloyd*. Accordingly, this revenue allocation is in the public interest because it is designed to limit customer class subsidies, and to place costs upon the classes responsible for causing those costs.

Rate Design

The Joint Petition provides that the residential customer charge will be increased and will be set at $13.75 per month. Nearly all parties in this proceeding opposed PGW's proposal to raise this charge from $12.00 per month to $18 per month. Therefore, this resolution represents a significant compromise by PGW. I&E recommended that the current residential charge of $12.00 per month be increased to $15.00 per month in

[25] 66 Pa. C.S. § 1304.

[26] *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1019-20 (Pa. Cmwlth. 2006).

accordance with Witness Apetoh's customer cost analysis.[27] The record of the four public input hearings held in this proceeding contains fervent testimony from PGW residential customers asserting that the increased customer charge would cause them financial hardship. The ultimate resolution is in the public interest because it protects ratepayers while still providing PGW with adequate revenue.

The remaining customer charges in the Company's proposed tariff will be modified to reflect the mitigated level of the overall increase. A utility must be allowed to recover the fixed portion of providing service through the implementation of the proper customer charge.[28] This fixed charge provides PGW with a steady, predictable level of income which will allow PGW to recover certain fixed costs such as metering, billing, and payment processing.[29] Limiting the requested increase benefits ratepayers by allowing them to save more money through conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage.[30] Designing rates to allow customers to have greater control of their gas bills is in the public interest. Preventing such a large increase in the customer charge demonstrates a compromise of the interests of the Joint Petitioners. Therefore, this provision is in the public interest.

Technology and Economic Development ("TED") Rider

I&E took no specific position on PGW's TED Rider in testimony. In settlement, PGW has agreed to implement it as a three year pilot program. Six months before the

[27] I&E Statement No. 3, p. 30.
[28] Jim Lazar. "Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs." Regulatory Assistance Project (Nov. 2014).
[29] *Id.*
[30] I&E Statement No. 3, pp. 31-32.

end of the pilot, PGW will report on the economics of the TED Rider. This will provide the parties with sufficient information to review and analyze the TED Rider and determine if this pilot program should be continued or not.

Micro-Combined Heat and Power ("Micro-CHP") Incentive Program

I&E took no position on the Micro-CHP Incentive Program in testimony.

Rate BUS: Back-Up Service

I&E took no specific position on Rate BUS: Back-Up Service. PGW has agreed to provide, either in the next two years or in PGW's next rate case, whichever is sooner, the analysis of the BUS rate and a recommendation as to whether to continue. I&E believes that PGW's agreement will give the Parties sufficient information to analyze Rate BUS and form a conclusion as to whether the continuance of Rate BUS is necessary and in the public interest.

Rate IT – Pricing

In this Settlement, PGW has allocated 5.6% of the rate increase agreed to or found to be reasonable by the Commission to the IT rate class. The principle of cost causation dictates that proposed rates be established so that the revenue received from a particular class equals the corresponding cost of providing service to that class. I&E believes that this increase is in the public interest as it furthers the goal of moving the Rate IT class towards covering its cost of service.

CUSTOMER ISSUES (Joint Petition, ¶¶C.25-36)

While I&E reviewed the customer issues in this proceeding, I&E took no specific positions on the provisions outlined in this portion of the Settlement. I&E supports the ultimate outcome of these provisions because these matters were essential elements of OCA, CAUSE-PA and TURN, *et al.* and PGW's agreement to resolve this proceeding. Additionally, these issues are particularly important in PGW's service territory which is composed of a large low-income population. Easing the burden on these customers and providing them with the opportunity to be able to afford their utility bills is in the public interest.

NATURAL GAS SUPPLIER ISSUES (Joint Petition, ¶¶D.37-42)

While I&E took no position regarding the NGS issues contained in the Settlement, RESA addressed these issues and PGW addressed these issues in response. Although I&E did not advocate or oppose any particular position, I&E supports the ultimate outcome because these matters were essential elements of RESA and PGW's agreement to resolve this proceeding.

III. CONCLUSION

Based on I&E's analysis of the base rate revenue increase requested by Philadelphia Gas Works, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main

Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of PGW and its customers.

The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a "Black Box" agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJs recommend that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officers in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition For Settlement Of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judges Christopher Pell and Marta Guhl recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,

Erika L. McLain

Carrie B. Wright
Prosecutor
Attorney ID #208185

Erika L. McLain
Prosecutor
Attorney ID # 320526

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: July 21, 2017

STATEMENT C

Statement C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
Office of Consumer Advocate	:	C-2017-2592092
Office of Small Business Advocate	:	C-2017-2593497
v.	:	
	:	
Philadelphia Gas Works	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT
PETITION FOR PARTIAL SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory party to the Joint Petition for Partial Settlement (Joint Petition or Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by Administrative Law Christopher P. Pell and Marta Guhl and the Pennsylvania Public Utility Commission (Commission). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the customers of Philadelphia Gas Works (PGW).

I. INTRODUCTION

PGW is a municipal public utility company, owned by the City of Philadelphia and managed and operated by the Philadelphia Facilities Management Corporation. The Company is engaged in the business of furnishing natural gas to approximately 500,000 residential, commercial, and industrial natural gas customers in Philadelphia, Pennsylvania. The natural gas service being furnished or rendered by PGW became subject to the regulation and control of the Pennsylvania Public Utility Commission on July 1, 2000, pursuant to the Natural Gas Choice and Competition Act, 66 Pa. C.S. § 2212.

On February 27, 2017, PGW filed Supplement No. 100 to PGW's Gas Service Tariff- Pa. P.U.C. No. 2 (Supplement No. 100). In Supplement No. 100, the Company sought an increase in annual distribution revenues of $70 million, to become effective April 28, 2017. The Company proposed to increase the residential monthly customer charge from $12.00 per month to $18.00 per month, or by 50%. Additionally, for a residential customer, the delivery charge would increase from $6.0067/Mcf to $6.7275/Mcf, or by 12% under the Company's filing. According to PGW's filing, the bill for a typical PGW residential heating customer who uses 76 Mcf per year would increase from $94.06 to $104.65 per month, or by 11.3%. The Company also proposed the following Tariff revisions: add a rate schedule for back-up service; add a Pilot Technology and Economic Development Rider for certain firm-service, non-residential customers; update its Interruptible Transmission rate; and eliminate existing rate schedules that are no longer necessary or appropriate.

The Company served Direct Testimonies along with and in support of its filing (Direct Testimonies of Gregory Stunder, PGW St. No. 1; Joseph F. Golden, Jr., PGW St. No. 2; Daniel J. Hartman, PGW St. No. 3; Frank C. Graves, PGW St. No. 4; Philip Q. Hanser, PGW St. No. 5; Kenneth S. Dybalski, PGW St. No. 6; Douglas A. Moser, PGW St. No. 7; and Florian Teme, PGW St. No. 8).

On March 6, 2017, the OCA filed a Formal Complaint in this proceeding. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance also on March 6, 2017. On March 13, 2017, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. PGW customer, William Dingfelder, filed a Formal Complaint on March 16, 2017. The Retail Energy Supply Association (RESA) and the Coalition for Affordable Utility

Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed Petitions to Intervene in this proceeding on March 17, 2017 and March 22, 2017, respectively. On March 23, 2017, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Formal Complaint. The Tenant Union Representative Network and Action Alliance of Senior Citizens of Great Philadelphia (TURN et al.) filed a Petition to Intervene in this proceeding on March 24, 2017.

By Order entered March 16, 2017, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rates, suspended Supplement No. 100 by operation of law until November 28, 2017, and assigned the matter to the Office of Administrative Law Judge. This filing was further assigned to Administrative Law Judges Christopher P. Pell and Marta Guhl (ALJs) for the scheduling of hearings. On March 27, 2017, PGW filed Supplement No. 103 to PGW's Gas Service Tariff- Pa. P.U.C. No. 2, suspending the effectiveness of rates proposed in Supplement No. 100 until November 28, 2017, consistent with the Commission's March 16, 2017 Order. On March 29, 2017, the ALJs convened a telephonic Prehearing Conference, at which time a litigation schedule was established.

On March 31, 2017, PGW filed a Motion for Protective order. Also on March 31, 2017, PGW filed an Answer opposing the Petitions to Intervene of both CAUSE-PA and TURN et. al. On April 5, 2017, CAUSE-PA and TURN et. al. filed responses to PGW's Answer opposing their respective Petitions to Intervene. The OCA and I&E also filed responses on April 5, 2017 to PGW's Answers. The ALJs granted the Petitions to Intervene of CAUSE-PA and TURN et. al. on April 7, 2017. On April 19, 2017, the ALJs granted PGW's Motion for Protective Order.

Pursuant to the litigation schedule, Public Input Hearings were held on May 9-10, 2017.

On May 16, 2017, the following parties served Direct Testimony: the OCA (Direct Testimonies of Ashley E. Everette, OCA Statement No. 1; David S. Habr, OCA Statement No. 2; Jerome D. Mierzwa, OCA Statement No. 3; and Roger D. Colton, OCA Statement No. 4);[1] I&E (Direct Testimonies of Rachel Maurer, I&E St. No. 1; Christopher Keller, I&E St. No. 2; and Kokou M. Apetoh, I&E St. No. 3); OSBA (Direct Testimony of Robert D. Knecht, OSBA St. No. 1); RESA (Direct Testimonies of Anthony Cusati, RESA St. No. 1 and Orlando (Randy) Magnani, RESA St. No. 2); and PICGUG (Direct Testimonies of Richard A. Baudino, PICGUG St. No. 1 and Kurt Bresser, PICGUG St. No. 2). On May 19, 2017, TURN et. al. submitted its Direct Testimony (Direct Testimony of Harry S. Geller, Turn et. al. St. No. 1).[2]

On May 22, 2017, PGW filed a Motion in Limine seeking to exclude certain portions of the testimony of Roger D. Colton submitted by the OCA. The OCA filed its

---

1 Ashley Everette is a regulatory analyst employed by the Pennsylvania Office of Consumer Advocate. Ms. Everette received her Bachelor's degree in Economics and her Master's degree in Business Administration from the University of Illinois. Ms. Everette's educational background and qualifications are described in OCA St. 1, Appendix A.

Dr. David Habr is the owner of Habr Economics, a consulting firm founded in January 2009 that focuses on cost of capital and mergers and acquisitions. Dr. Habr received a Bachelor of Arts and a Master of Arts degree in economics from the University of Nebraska- Lincoln and a Ph.D. degree in Economics from Washington State University. Dr. Habr's professional background and qualifications are described in OCA St. 2, Exh. DSH-1.

Mr. Jerome D. Mierzwa is a Principal and Vice President of Exeter Associates, Inc., which specializes in providing public utility-related consulting services. Mr. Mierzwa received a Bachelor of Science Degree in Marketing and a Master's degree in Business Administration with a concentration in finance from Carnisius College. Mr. Mierzwa's professional background and qualifications are described in OCA St. 3, Appendix A.

Mr. Roger D. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics of Belmont, where he provides technical assistance to a variety of federal and state agencies, consumer organizations, and public utilities on rate and customer service public utility issues. Mr. Colton received his Bachelor's degree from Iowa State University, his J.D. from the University of Florida, and his Master's degree in regulatory economics from MacGregor School. Mr. Colton's professional experience and qualifications are described in OCA St. 4, Appendix A.

2 The ALJs granted a request by PGW and TURN et. al. for an extension on the Direct Testimony deadline of TURN et. al. due to missing discovery responses.

Response to PGW's Motion on May 25, 2017. The ALJs denied PGW's Motion in Limine on May 26, 2017.

On May 31, 2017, I&E served the Amended Direct Testimony of Rachel Maurer, I&E St. 1 (Amended). On June 2, 2017, the OCA served the Revised Direct Testimony of Roger D. Colton, OCA St. No. 4 (Revised). On June 7, 2017, TURN et. al. served the Revised Direct Testimony of Harry S. Geller, TURN et. al. St. No. 1 (Revised).

On June 9, 2017, the following parties served Rebuttal Testimony: PGW (Rebuttal Testimonies of Gregory Stunder, PGW St. No. 1-R; Joseph F. Golden, Jr., PGW St. No. 2-R; Daniel J. Hartman, PGW St. No. 3-R; Frank C. Graves, PGW St. No. 4-R; Philip Q. Hanser, PGW St. No. 5-R; Kenneth S. Dybalski, PGW St. No. 6-R; Douglas A. Moser, PGW St. No. 7-R; Florian Teme, PGW St. No. 8-R; Denise Adamucci, PGW St. No. 9-R; Bernard L. Cummings, PGW St. No. 10-R; and H. Gil Peach, PGW St. No. 11-R); the OCA (Rebuttal Testimony of Jerome D. Mierzwa, OCA St. No. 3-R; Roger D. Colton, OCA St. No. 4-R; and Barbara R. Alexander, [3] OCA St. No. 5-R), I&E (Rebuttal Testimonies of Rachel Maurer, I&E St. No. 1-R and Kokou M. Apetoh, I&E St. No. 3-R), OSBA (Rebuttal Testimony of Robert D. Knecht), PICGUG (Rebuttal Testimonies of Richard A. Baudino (PICGUG St. No. 1-R and Kurt Bresser, PICGUG St. No. 2-R), and TURN et. al. (Rebuttal Testimony of Harry S. Geller, TURN et. al. Statement No. 1-R).

On June 22, 2017, the following parties served Surrebuttal Testimony: PGW (Surrebuttal Testimonies of Philip Q. Hanser, PGW St. No. 5-SR and Douglas A. Moser, PGW St. No. 7-SR); the OCA (Surrebuttal Testimonies of Ashley E. Everette, OCA Statement No. 1-S; David S. Habr, OCA Statement No. 2-S; Jerome D. Mierzwa, OCA Statement No. 3-S; and

[3] Ms. Barbara R. Alexander is a Consumer Affairs Consultant who runs her own consulting practice, Barbara Alexander Consulting LLC. She received her Bachelor of Arts degree from the University of Michigan and her J.D. from the University of Maine School of Law. Ms. Alexander's professional experiences and qualifications are identified in OCA St. 5-R, Exhibit BA-1.

Roger D. Colton, OCA Statement No. 4-S); I&E (Surrebuttal Testimonies of Rachel Maurer, I&E St. No. 1-SR; Christopher Keller, I&E St. No. 2-SR and Kokou M. Apetoh, I&E St. No. 3-SR); OSBA (Surrebuttal Testimony of Richard D. Knecht, OSBA St. No 1-S), RESA (Surrebuttal Testimonies of Anthony Cusati, RESA St. No. 1-SR and Orlando (Randy) Magnani, RESA St. No. 2-SR), PICGUG (Surrebuttal Testimony of Michael Ferman, PICGUG St. No. 3), Turn et. al. (Surrebuttal Testimony of Harry S. Geller, TURN et. al. Statement No. 1-SR).

On June 23, 2017, PGW filed a Motion to Strike Certain Portions of the Testimony of Harry S. Geller submitted by TURN et. al. On June 26, 2017, TURN et. al. filed its Answer to PGW's Motion to Strike, I&E filed a letter supporting PGW's Motion to Strike, and CAUSE-PA filed a letter opposing PGW's Motion to Strike. On June 27, 2017, the ALJs denied PGW's Motion to Strike Certain Portions of the Testimony of Harry S. Geller.

On June 26, 2017, PGW served Rejoinder (Rejoinder Testimonies of Gregory Stunder, PGW St. No. 1-RJ; Bernard L. Cummings, PGW St. No. 10-RJ; and H. Gil Peach, PGW St. No. 11-RJ).

An evidentiary hearing was held on June 28, 2017. At the hearing, the parties agreed to waive cross-examination of all other party witnesses, and the pre-served, written testimony was admitted into the record.

The parties engaged in a number of settlement discussions during the course of this proceeding. As a result of these settlement discussions, the Company, the OCA, I&E, OSBA, RESA, PICGUG, CAUSE-PA, and TURN et. al. (collectively, Joint Petitioners) were able to agree to resolve certain contested issues in this proceeding, resulting in the partial Settlement terms and conditions that were filed in this proceeding on July 21, 2017.[4] As

[4] The parties have reserved for litigation issues related to the allocation of universal service costs and payment posting.

discussed below, the OCA submits that the Settlement is in the public interest and the interest of PGW's customers and should be adopted.

II. SETTLEMENT TERMS AND CONDITIONS

A. REVENUE REQUIREMENT

In its filing, the Company sought an increase in annual distribution revenues of $70 million using the 10 year average of heating degree days experienced in PGW's service territory. PGW's proposed use of the 10 year average of heating degree days was a shift from the 30 year average of degree days that PGW had used historically. The 10 year average of heating degree days was used to establish the pro forma sales forecast and was used in the Weather Normalization Adjustment (WNA) that adjusts revenue between base rate cases.

After reviewing the Company's filing, the OCA recommended a distribution revenue increase of no more than $32,101,000. OCA St. 1-S at 2. The OCA, however, also recommended that a 20-year average of heating degree days should be used to establish the pro forma sales forecast and in the WNA. OCA St. 1 at 10-11. OCA witness Ashley Everette explained her concern with PGW's proposed use of the 10 year average of heating degree days, as follows:

> [PGW witness Philip Q. Hanser] and other PGW witnesses do not specifically explain why a 10-year methodology is more appropriate than some other period or, more importantly, is indicative of future weather-related sales for PGW.
>
> [...]
>
> The goal of the weather normalization period is that it be representative of future weather-related sales. In my opinion, ten years is too short a period of time to use for this purpose, especially when one considers actual weather fluctuations within the last decade.
>
> [...]
>
> The actual number of HDDs over the last ten years indicates that even very recent weather is volatile and may not represent the weather that can be expected in the

> future. For these reasons, I recommend that, in this case, a longer period of time be used for the weather normalization period.

OCA St. 1 at 7-8.

The proposed Settlement provides for an overall annual revenue increase of $42 million using the 20 year average of heating degree days experienced in PGW's service territory to establish pro forma sales forecasts and revenues. Settlement ¶ 12. As discussed in Section E, below, the Settlement also provides that PGW will utilize the 20 year average heating degree days in its WNA. Settlement at ¶ 16. As noted by Ms. Everette in her Direct Testimony, the use of the 20-year average heating degree days in the Settlement may help to smooth out the volatility that could be experienced with the proposed use of the 10-year average heating degree days. See OCA St. 1 at 10. Additionally, based on the OCA's analysis of the Company's filing, the proposed revenue increase under the Settlement represents an amount which, in the OCA's view, would be within the range of likely outcomes in the event of full litigation of the case.

B. REVENUE ALLOCATION

PGW proposed to allocate $59 million of the requested $70 million increase to the residential class, which is an increase of 84.2%. Under PGW's original proposal, this would have been a 15.3% increase for residential customers compared to present rates. The Settlement provides for a $33,039,250 increase to the residential class, an increase of 78.6%. Settlement at ¶ 17. Under PGW's proposal, the bill for a typical PGW residential heating customer who uses 76 Mcf per year would increase from $94.06 to $104.65 per month, or by 11.3%. Under the Settlement, the bill for a typical PGW residential heating customer who uses 76 Mcf per year would increase from $94.06 to $99.94 per month, or by 6.3%. Settlement at ¶ 17. Based on the OCA's analysis of the Company's filing, the discovery responses received, and the testimony in this proceeding, the OCA submits that this increase to the residential class is well within the result that might have been expected had the case been fully litigated. Several parties, including the OCA, OSBA, and the Company, provided testimony supporting different costs of service studies and various revenue allocations. The allocation agreed upon represents a compromise of all parties of a contentious issue. For example, the OCA recommended that the 76% of any allowed increase go to the residential class based on the OCA's peak and average cost of service study. The Company had proposed an 84.2% increase while the Settlement limits the increase to 78.6%. Pursuant to the Settlement, the residential class will receive a 6.3% increase in rates rather than the 11.3% increase proposed by the Company. Settlement ¶ 10. As such, the OCA submits that the revenue allocation yields a result that is just and reasonable under the circumstances of this case.

C. RATE DESIGN

PGW proposed to increase the monthly customer charge for the Residential Class from $12.00 to $18.00, a 50% increase. The OCA opposed the increase in the customer charge because it did not comport with the regulatory principle of gradualism and would disproportionally impact low volume customers that use small amounts of gas throughout the year and for virtually every residential customer during the non-heating months. The OCA recommended that if PGW's request for an increase of $70 million in total operating revenues were granted in full then the customer charge should be increased to no more than $13.75. OCA St. 3 at 31. The Bureau of Investigation and Enforcement recommended a residential customer charge of $15. I&E St. 3 at 30.

Under the terms of the Settlement, the customer charge will be lower than that originally requested by the Company, which will allow PGW's customers a better opportunity to control the overall charges on their bills. OCA St. 3 at 29-31. The Settlement provides for a residential customer charge of $13.75. Settlement ¶ 18. The OCA submits that the increase in the customer charge is a reasonable product of compromise, is well within the result that might have been expected had the case been fully litigated, and addresses the concerns raised by the OCA in its testimony.

D. STAY-OUT PROVISION

Under the proposed Settlement, the Company cannot file for another general rate increase prior to December 1, 2019. Settlement at ¶ 15. This means that at the very earliest time, new rates could not go into effect for almost three years. This stay-out provision will provide for some level of rate stability for the Company's customers. As such, the OCA submits that the stay-out provision of the Settlement is in the public interest and the interests of PGW's customers.

E. WEATHER NORMALIZATION ADJUSTMENT

As noted above, consistent with PGW's proposal to use the 10-year weather normalization period for calculating sales forecasts, PGW proposed to use the 10-year weather normalization period for calculating its WNA. As explained by OCA witness Ms. Everette, "[t]he purpose of the WNA is to reduce fluctuations that occur due to abnormal weather during the heating season." OCA St. 1 at 11.

After reviewing the Company's filing, OCA witness Ms. Everette agreed that "[t]he normalization period for calculating the [WNA] should be the same as the normalization period used to determine the sales forecast." OCA St. 1 at 11. As discussed above, Ms. Evette testified that there could be volatility experienced with the use of the 10-year average heating degree days and recommended the use of the 20-year period for weather normalization to help smooth out that volatility. See OCA St. 1 at 6-11. Ms. Everette further recommended that PGW provide an annual report to the OCA and the Commission stating the actual number of HDDs, the total sales, and the weather normalized sales. OCA St. 1 at 15.

The Settlement provides that PGW's WNA "shall continue as currently structured except that PGW will utilize normal weather as the 20-year average of [heating] degree days experienced in PGW's service territory." Settlement at ¶ 16. The Settlement further requires PGW to provide an annual report on January 10 of each year, detailing the actual charges or credits that resulted from application of the WNA and the actual number of heating degree days (HDDs). Settlement at ¶ 16. In the next base rate case, PGW will provide an analysis of the normalized HDDs that it selects. Settlement at ¶ 16.

The OCA submits that these settlement provisions are in the public interest and the interests of PGW's customers. As noted by Ms. Everette, the goal of the weather normalization period is to be representative of future weather-related sales. OCA St. 1 at 7. The use of the 20-year average of heating degree days represents movement from the 30-year weather normalization period that PGW has used historically, and which PGW no longer finds supportable, but provides a longer period of time from the 10-year average proposed by PGW, which the OCA witness Ms. Everette found to be more susceptible to volatility. See OCA St. 1 at 10. The OCA submits that the use of the 20-year average heating degree days may help to smooth out the volatility that could be experienced with the use of 10-year average heating degree days. Furthermore, the settlement provisions requiring PGW to report on and analyze the WNA will help the Company, the intervening parties, and the Commission to better understand the impact that the weather normalization period has on customers and to evaluate the appropriate weather normalization period in the future.

F. BAD DEBT OFFSET

PGW collects its universal service costs, or Customer Responsibility Program (CRP) costs, through a reconcilable Universal Service and Energy Conservation (USEC) Rider. OCA St. 4 at 13 (Revised). To calculate the USEC, PGW projects its universal service costs based on historic participation in the various programs. OCA St. 4 at 16 (Revised). On a periodic basis, PGW determines its actual universal service costs. OCA St. 4 at 16 (Revised). For the CRP, those actual universal service costs include the CRP credits granted and arrearage forgiveness credits granted. OCA St. 4 at 14, 16 (Revised). The actual CRP costs incurred are reconciled to past collections, and the surcharge is adjusted up or down for under- and over-collections at the time of PGW's Section 1307(f) proceeding. OCA St. 4 at 14, 16 (Revised).

The natural gas bill for a CRP participant is comprised of two parts: (1) the portion of the bill that is at or below an affordable percentage of income and (2) the portion of the bill that is above an affordable percentage of income. OCA St. 4 at 16 (Revised). The amount above the affordable percentage is referred to as the CRP credit (or CRP shortfall) and is recovered from all other customers. OCA St. 4 at 16 (Revised). Before a low-income customer becomes a CRP participant, the portion of the bill the customer cannot afford to pay, becomes uncollectible and is recovered in the uncollectible expense in base rates. OCA St. 4 at 17 (Revised). A concern arises between base rate cases, however, when a reconcilable rider is used such as PGW's USEC. OCA St. 4 at 17-19.

When a low-income customer enrolls in CRP between rate cases, the portion of the bill that the customer could not pay, and is included as an uncollectible expense in base rates, will become the CRP credit and will be recovered again on a dollar-for-dollar basis through the USEC. OCA St. 4 at 19 (Revised). OCA witness Roger Colton testified that Bad Debt Offset (Offset) is needed to address this double recovery.

The Settlement provides that PGW will implement an Offset to its CRP credit amounts of 7.5% on a monthly basis in the calculation of its USEC Rider for incremental participants in the CRP. Settlement at ¶ 37. The Offset will be applied to the CRP credit that is associated with incremental CRP participants over 60,000 participants. Id. As OCA witness

Roger Colton discusses in his Direct Testimony, an Offset is necessary to prevent the double recovery of bad debt expense through the USEC. OCA St. 4 at 20-25 (Revised).

The Commission's CAP Policy Statement recognizes the need to address this over-recovery and states:

> In evaluating utility CAPs for ratemaking purposes, the Commission will consider both revenue and expense impacts. Revenue impact considerations include a comparison between the amount of revenue collected from CAP participants prior to and during their enrollment in the CAP. CAP expense impacts include both the expenses associated with operating the CAPs as well as the potential decrease of customary utility operating expenses. Operating expenses include...uncollectible accounts expense for writing off bad debt for these customers. When making CAP-related expense writing off bad debt for these customers. When making CAP-related expense adjustments and projections, utilities should indicate whether a customer's participation in CAP produced an immediate reduction in customary utility expenses and a reduction in future customary expenses pertaining to that account.

CAP Policy Statement, 52 Pa. Code § 69.266; see also, Pa. PUC v. PGW, Docket No. R-2006193, Order at 39 (September 28, 2007) ("the Commission's CAP Policy Statement provides that the cost offset should be considered.).

The OCA submits that the Settlement addresses the Offset issue identified by OCA witness Colton. The OCA submits that the Settlement represents a reasonable resolution of this issue. The Settlement provides a 7.5% adjustment to CRP credits included in the USEC for incremental CRP participants over 60,000 participants. This will provide the necessary offset to avoid double recovery of bad debt through the USEC.

G. BUDGET BILLING

In his Direct Testimony, OCA witness Colton identifies concerns with the Company's Budget Billing program. OCA St. 4 at 5, 51-64 (Revised). Mr. Colton recommends: (1) that the Company ensure that customers entering into a Payment Arrangement (PAR) also enter into Budget Billing at the same time and (2) that the Company modify its year-end budget billing processes to roll forward year-end balances. OCA St. 4 at 5, 51-64 (Revised). The Settlement adopts these two recommendations. Settlement at ¶¶ 35-36.

The Settlement provides that PGW will enroll customers who are entering into a new payment arrangement (PAR) into Budget Billing at the time that the customer enters into the PAR, unless the customer specifically requests or the Commission requires that the customer not be entered into budget billing. Settlement at ¶ 35. Customers will remain in Budget Billing upon the completion of the PAR unless the customer requests or the Commission directs that the customer should be removed from Budget Billing. Settlement at ¶ 35. As identified in OCA witness Colton's Direct Testimony, Budget Billing for customers on a PAR is important for two reasons. First, Budget Billing will assist customers to pay their bills in a full and complete fashion over the course of the year. OCA St. 4 at 51 (Revised). Second, Budget Billing provides a benefit to the Company by helping the Company to stabilize its revenue over the course of the year. OCA St. 4 at 51 (Revised). The OCA submits that the proposed modifications to Budget Billing for customers on a PAR will "keep more Budget Billing customers on the system" and will increase the benefits derived from Budget Billing to both customers and the Company. OCA St. 4 at 61-62 (Revised).

The Settlement also provides that PGW will modify its year-end Budget Billing in two ways. First, if year-end balances are greater than $100 but less than $300, PGW will spread that balance over the next 24 months. Settlement at ¶ 36. Underpayments of $300 or more will be spread over 24 months. Settlement at ¶ 36. PGW's current practice is to require "balances less than $100 to be paid immediately; balances of from $100 to $300 are to be paid over six months; and balances over $300 may be spread over twelve months." OCA St. 4 at 62. According to the Budget Billing data analyzed by OCA witness Colton, the data indicates that under the Company's current Budget Billing program there is a "likelihood that Budget Billing participants leave due to end-of-year problems." OCA St. 4 at 62 (Revised). The Settlement's modifications to the amortization periods will spread out the costs of the end-of-the-year under-collection reconciliations. The OCA submits that spreading out the under-collection costs over a longer period of time will decrease the financial impact of under-collections on Budget Billing customers.

The OCA submits that these two modifications to the Company's Budget Billing are in the public interest and should be adopted. The proposed Budget Billing modifications will encourage customers to both participate in Budget Billing and to remain in Budget Billing. Budget Billing provides a benefit to ratepayers by levelizing their monthly payments and to PGW by levelizing the Company's otherwise seasonal revenues, over the course of the year.

H. HAZARDOUS HEATING REMEDIATION PILOT

The Settlement provides for a new hazardous heating remediation pilot program (HH Pilot) to address the problem of low-income PGW customers who have been disconnected from service due to an inoperable or broken heating system. Settlement at ¶¶ 26-27. As discussed in OCA witness Colton's testimony, in lieu of being able to fix or replace the broken heating system, many low-income customers will resort to more expensive non-gas portable space heaters. See, OCA St. 4 at 44 (Revised). In order to address the problem of low-income customers resorting to the use of a hazardous heating source, OCA witness Colton recommends that the Company adopt such a pilot program. The HH Pilot is designed to repair or replace broken gas systems that represent the main heating system in a low-income home where the customer has used, or is likely to use, electric space heaters (or other unsafe heating sources) as a replacement source of heat. OCA St. 4 at 5, 44-50 (Revised). Both TURN *et al.* witness Geller and OCA witness Colton identify concerns with the issue of unsafe heating sources in their respective testimonies. In Direct Testimony, TURN *et al.* identifies concerns regarding customers who were entering the heating season without a safe heating source, and in Rebuttal Testimony, Mr. Geller supports the program proposed by OCA witness Colton to address these customers. TURN *et al.* St. 1 at 16, Schedule HG-4; TURN et al. St. 1-R at 21-23.

The OCA submits that the Settlement addresses OCA witness Colton's concerns regarding the need for a program to address broken furnaces in the hazardous heating remediation pilot. Settlement at ¶¶ 26-28. The HH Pilot will exist for at least two years and will be designed to both address broken heating systems and provide weatherization assistance. Settlement at ¶ 26. The HH pilot will have a $250,000 budget per year for the first two years of the pilot program, and amounts not expended in the first two years will be rolled over into a third year. Settlement at ¶ 28. The HH Pilot will be evaluated in the Company's next 2021-2023 Universal Service and Energy Conservation filing. Settlement at ¶ 28.

Customers will be eligible for the program if the customers meet the following criteria: (1) "customers must, in the current or prior PGW fiscal year, have been on CRP, received a LIHEAP grant" or have been on a Level 1 or Level 2 payment arrangement [5] and (2) the customer must have received a hazard tag indicating that a heating system component is not operating safely or at all. Settlement at ¶ 26. A customer whose gas service is off is eligible for the program and is otherwise able to reinstate service, including payment of any arrears. Settlement at ¶ 26 (a). The OCA submits that the HH Pilot program eligibility qualifications will direct the program resources to low-income customers with the greatest need for such assistance and the greatest ability to benefit from the program. The HH Pilot will also help former PGW customers, who have been without service due to a broken heating system, to re-establish service.

[5] A Level 1 PAR is for a customer with income at or below 150% of the Federal Poverty Level, and a Level 2 PAR is for a customer with income between 151-200% of the Federal Poverty Level.

The HH Pilot program will provide a significant benefit to low-income natural gas customers who have a broken heating system by helping these customers to re-establish service in a safe and energy efficient manner. OCA witness Colton's testimony and TURN *et al.* witness Geller's testimony demonstrate that there is a significant unmet need in PGW's service territory for the HH Pilot. OCA St. 4 at 44-47 (Revised); see, TURN *et al.* St. 1 at Sch. HG-4. For example, among federal Low Income Home Energy Assistance Program (LIHEAP) recipients alone, OCA witness Colton estimates that there are potentially a range of 7,400 to 10,400 low-income customers in PGW's service territory with an inoperable or broken heating system that could benefit from the program. OCA St. 4 at 47 (Revised).

PGW's Low Income Usage Reduction Program (LIURP) cannot sufficiently address the problem alone. LIURP is typically designed to help customers to *reduce* their natural gas usage, and a repair or replacement of a broken heating system would generally have the opposite effect, to *increase* the customer's usage. The OCA submits HH program fills the gap where LIURP is not otherwise able to provide assistance. As OCA witness Colton explains in his Direct Testimony,

> Natural gas utilities do not serve these customers through LIURP since the impact of making the gas system repairs is to use usage reduction dollars to increase natural gas usage, rather than to reduce such usage.

OCA St. 4 at 45 (Revised).

The HH Pilot is designed to be coordinated with the City's Basic Systems Repair Program. Settlement at ¶ 28(b). PGW will also inform the DCED, the Pennsylvania Department of Human Services' LIHEAP program administrators, PECO Energy Company, and the City's Heater Hotline of the new PGW program. Settlement at ¶ 28(b). The proposed coordination and information sharing will ensure that the program resources are maximized and that the program is directed towards low-income customers that would not otherwise be able to receive assistance sufficient to remediate their broken heating system.

The HH Pilot is similar to programs that have been approved by the Commission for other Pennsylvania electric and natural gas companies. OCA witness Colton's proposed program was modeled on the Peoples Natural Gas Emergency Furnace/Service Line Assistance Program. OCA St. 4 at 48 (Revised); see, Pa. PUC v. Peoples Natural Gas Company, LLC Docket No. R-2010-220172, Order (June 9, 2011). As OCA witness Colton discusses in his Direct Testimony, the Commission has approved similar programs for not only Peoples Natural Gas Company, but also for the National Fuel Gas Distribution Company, Columbia Gas Company, PECO Energy Company, and Peoples Natural Gas Company - Equitable Division. OCA St. 4 at 49-50, citing National Fuel Gas Distribution Company's Universal Service and Energy Conservation Plan for 2014-2016 Submitted in Compliance with 52 Pa. Code § 62.4, Docket No. M-2013-2366232, Order at 46 (May 22, 2014); Pa. PUC v. Columbia Gas Company, Docket No. R-2009-2149262, Order adopting Settlement (August 18, 2010); PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4, Docket No. M-2015-2507139, Order at 48 (August 11, 2016); Petition of Peoples Natural Gas Company, LLC - Equitable Division to Amend 2015-2018 USECP, PNGC 2015-2018 Universal Service and Energy Conservation Plan, Docket Nos. P-2016-2562220, M-2014-2432515, Order (December 8, 2016 (extending Emergency Furnace and Repair Program for Peoples Natural Gas Company and Equitable Division).

The OCA submits that the HH Pilot program should be approved as in the public interest. The pilot program will address a currently unmet need to assist low-income customers who are otherwise unable to afford to repair or replace their broken heating systems. The program has been modeled after existing programs already approved by the Commission. Moreover, it will coordinate with other programs to maximize the benefits provided to customers. The Company will also provide for an evaluation in its next Universal Service and Energy Conservation proceeding to allow the parties to determine whether the program should be continued beyond the current pilot.

I. CREDIT AND COLLECTION COLLABORATIVES

The Settlement provides that the Company will hold two collaboratives to address low-income and residential customer credit and collection issues identified in the Direct Testimonies of OCA witness Colton and TURN *et al.* witness Geller. Settlement at ¶¶ 29-30, 32; OCA St. 4 at 64-69 (Revised). The Company will hold a credit and collection collaborative to obtain stakeholder input on bill management efforts for customers and applicants seeking to restore service previously shut off for non-payment, including customers and applicants with $10,000 or more of arrearages. Settlement at ¶ 29. The Company also will hold a collaborative within 120 days from the date of the Final Order approving the Settlement to discuss: (1) the results of its cost/benefit analysis of the impact of modifying the Crisis acceptance policy; (2) discuss ways to improve outreach to households who are unable to reconnect service because of high balances; and (3) to discuss ways of improving CRP enrollment. Settlement at ¶¶ 32.

As discussed in the Direct Testimony of OCA witness Colton, the collaboratives will allow the parties to discuss ideas designed to help consumers with large balances to limit further increases to customer balances and to identify possible ways to help those customers to maintain or restore service. OCA St. 4 at 5-6, 67 (Revised). The OCA submits that these collaboratives will allow the parties to explore policy changes and initiatives to address the challenging issues involved with customer issues related to large balances.

III. CONCLUSION

For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the interests of PGW's customers and should be adopted.

Respectfully Submitted,

Christy M. Appleby

Kristine E Marsilio
Assistant Consumer Advocate
PA Attorney I.D. #316479
E-Mail: KMarsilio@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney ID 93682
DLawrence@paoca.org

Christy Appleby
Assistant Consumer Advocate
PA Attorney ID 85824
CAppleby@paoca.org

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney ID320580
HBreitman@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048

Dated: July 21, 2017
237306

STATEMENT D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	**Docket No. P-2017-2586783**
v.	:	
	:	
PHILADELPHIA GAS WORKS	:	

OFFICE OF SMALL BUSINESS ADVOCATE
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR PARTIAL SETTLEMENT

I. Introduction

The Office of Small Business Advocate ("OSBA") is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission ("Commission").

II. Filing Background

On February 27, 2017, Philadelphia Gas Works ("PGW" or the "Company") filed Tariff Supplement 100 to Gas Service Tariff – Pa. P.U.C. No. 2 ("Supplement No. 100") to become effective February 28, 2017. The proposed Tariff, if approved by the Commission, would have increased the retail distribution rates of PGW by $70 million per year.

The Office of Small Business Advocate ("OSBA") filed a Complaint on March 13, 2017.

On March 16, 2017, the Commission suspended Supplement No. 100 until November 28, 2017, in order to conduct an investigation into the lawfulness, justness and reasonableness of PGW's proposed rate increase. In addition, the Commission ordered that the investigation include consideration of the lawfulness, justness, and reasonableness of PGW's existing rates. The matter was assigned to Administrative Law Judges ("ALJs") Marta Guhl and Christopher P. Pell.

On March 29, 2017, a prehearing conference was held before the ALJs.

The following parties are the known active parties involved with PGW's base rate filing: the OSBA; the Office of Consumer Advocate ("OCA"); the Bureau of Investigation and Enforcement ("I&E"); Action Alliance of Senior Citizens of Greater Philadelphia ("Action Alliance"); the Tenant Union Representative Network ("TURN"); the Philadelphia Industrial and Commercial Users Group ("PICGUG"); and the Retail Energy Supply Association ("RESA").

Public input hearings were held on May 9 and May 10, 2017.

On May 16, 2017, the OSBA submitted the direct testimony of Robert D. Knecht.

On June 9, 2017, the OSBA submitted the rebuttal testimony of Mr. Knecht.

On June 22, 2017, the OSBA submitted the surrebuttal testimony of Mr. Knecht.

Evidentiary hearings were held before the ALJs on June 28, 2017.

Prior to the evidentiary hearings, the parties notified the ALJs that they had reached a settlement on many of the issues and that all parties waived cross examination on all issues.

The testimony of OSBA Witness Knecht was submitted into the record at the evidentiary hearing.

III. Summary of the OSBA's Principal Concerns

In its Complaint, Prehearing Memorandum, and testimony, the OSBA identified several issues of concern, including the following:

1. Whether PGW's proposed $70 million distribution rate increase is just and reasonable.

2. Whether PGW's non-residential customers should be required to contribute towards PGW's universal service costs.

The OSBA has actively participated in the negotiations which led to the filing of the Joint Petition for Partial Settlement ("*Partial Settlement*"). The *Partial Settlement* is a compromise that does not meet all of the OSBA's objectives in this case. However, the OSBA is satisfied that the *Partial Settlement* is a reasonable resolution of the foregoing concerns and produces an overall outcome that is in the public interest of PGW's small business customers. Therefore, the OSBA is a signatory to the *Partial Settlement* and respectfully requests that the Commission approve the *Partial Settlement* without modification.

IV. The *Partial Settlement*

The *Partial Settlement* sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for joining the *Partial Settlement*. The following provisions were of particular significance to the OSBA in concluding that the *Partial Settlement* is in the best interests of PGW's small business customers.

A. Revenue Requirement

In the Company's original filing, PGW proposed an increase in tariff rate revenue of $70 million.[1] As OSBA witness Mr. Knecht explained, the $70 million is a substantially more aggressive proposal that that approved by the Commission in PGW's last base rates case.[2] In contrast, the *Partial Settlement* provides PGW with an increase in tariff rate revenue of $42 million.[3]

The *Partial Settlement* also precludes PGW from filing for a distribution rate increase before December 1, 2019.[4] At a time when all types of utility service are becoming more expensive, the significant reduction in the overall revenue increase provided by the *Partial Settlement*, as well as the stay-out, will benefit all of PGW's consumers, including the Company's small business customers.

B. Revenue Allocation

The proposed revenue allocation for Commercial customers in the *Partial Settlement* now supersedes the Company's original revenue allocation proposal. Furthermore, the OSBA proposes that, if the Commission adopts the OSBA's proposal to recover all USEC costs from the residential class, it do so on a revenue neutral basis consistent with the mechanism laid out by Mr. Knecht.[5]

PGW's originally proposed increase to the customer charge for the Commercial class was $9.00. The proposed increase in the customer charge in the *Partial Settlement* is $5.40 (for a total customer charge of $23.40). Since the overall increase has been

[1] PGW Statement No. 1 at 2.

[2] OSBA Statement No. 1 at 9.

[3] *Partial Settlement* at 4, para. 12.

[4] *Partial Settlement* at 5, para.15.

[5] It is OSBA's interpretation of the *Partial Settlement* that this was the understanding of the parties.

scaled back from $70 million to approximately $42 million (60% of what the Company requested), the increase in the Commercial customer charge has been scaled back to reflect that change.

C. Universal Service Costs

Reserved for litigation.

V. Conclusion

For the reasons set forth in the *Partial Settlement*, as well as the additional factors enumerated in this statement, the OSBA supports the proposed *Partial Settlement* and respectfully requests that the ALJ and the Commission approve the *Partial Settlement* in its entirety.

Respectfully submitted,

Sharon E. Webb
Assistant Small Business Advocate
Attorney I.D. No. 73995

For:
John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Ste. 202
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)

Dated: July 21, 2017

STATEMENT E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
Office of Consumer Advocate	:	C-2017-2592092
Office of Small Business Advocate	:	C-2017-2593497
Philadelphia Industrial & Commercial Gas Users Group	:	C-2017-2595147
William Dingfelder	:	C-2017-2593903
v.	:	
Philadelphia Gas Works	:	

THE RETAIL ENERGY SUPPLY ASSOCIATION'S STATEMENT IN SUPPORT OF JOINT PETITION FOR PARTIAL SETTLEMENT

NOW COMES, the Retail Energy Supply Association ("RESA")[1], by and through its counsel, Hawke McKeon & Sniscak LLP, and hereby offers this statement in support of the Partial Settlement ("Settlement") in the above captioned Philadelphia Gas Works ("PGW" or the "Company") rate case proceeding. RESA has been an active participant in this proceeding and offered the testimony of two witnesses. The issues raised by RESA are completely and adequately addressed by the Settlement, as discussed more fully below. RESA supports the approval of the Settlement as being in the public interest and submits that it will provide

[1] RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail natural gas and electricity markets deliver a more efficient, customer-oriented outcome than does the monopoly, rate-regulated utility structure. RESA is devoted to working with all interested stakeholders to promote vibrant and sustainable competitive electricity and natural gas markets in the best interests of residential, commercial and industrial customers. The positions taken by RESA do not necessarily reflect the views of any particular member, but rather, reflect the common vision of the organization. Its website is: http://www.resausa.org/.

significant impetus in promoting the expansion of the competitive market in the PGW service territory, and therefore we urge the Presiding ALJs and Commission to approve it as submitted.

RESA notes that the Settlement is partial, in that two related yet discreet issues were left, by consensus, to be briefed by the parties[2], and while the Settlement addresses all the issues legitimately raised in the proceeding, there is one party that will be contesting an issue to which all other parties have agreed as the appropriate outcome. The issue is the adjustment of the Administrative Adder that is a component of the POR discount, and the party that is contesting the issue as presented in the settlement is the Office of Small Business Advocate.[3] RESA urges the ALJs and Commission to approve the Settlement as presented.

I. THE SETTLEMENT

In the litigation of this case, RESA witnesses Orlando (Randy) Magnani (RESA Statements "St." Nos. 2 and 2-SR), and Anthony Cusati (RESA St. Nos. 1 and 1-SR) raised several issues, the appropriate resolution of which they believe will lead to a more robust competitive marketplace in the PGW service territory and which will lead to more seamless cooperation between suppliers and PGW. These issues include:

---

[2] RESA will not be briefing these issues as they do not intersect with RESA's interest in this case.

[3] The OSBA opposes the adjustment of the POR adder in this case because it would be set via settlement as opposed to litigation, because the original collaborative process that established the administrative adder, took much time and resources. The OSBA acknowledges that the settlement document in that proceeding reserved the rights of the parties to later address the settlement, but it nonetheless feels compelled to ask the Commission to expressly rule on the adjustment. RESA submits that as a matter of law, there is no factual or legal basis for the OSBA's opposition. That is, the OSBA has offered no testimony to rebut Mr. Cusati. Its witness merely parroted the advice of counsel, that the OSBA was opposing the adjustment and would voice its opposition in its brief. OSBA Statement No. 1-R at 17. The OSBA's witness, Mr. Knecht, acknowledges that the settlement implementing PGW's POR in the first instance expressly permits parties to challenge the issues it addresses, in the future, and so the OSBA cannot contend that the parties would be legally prohibited from agreeing in this settlement of PGW's rate case that includes adjustment of the POR discount in the first instance, to modify the adder that is part of the POR discount. It would seem that the OSBA is disagreeing solely on "principle". RESA recognizes that the OSBA has the legal right to withhold its agreement to issues in a settlement, no matter the basis for that disagreement, and OSBA may decide to brief the issue. Accordingly, RESA expressly reserves the right to submit a reply brief to whatever the OSBA may submit with regard to any of the supplier issues addressed by the Settlement and requests that to the extent necessary, the presiding ALJs consider this statement in support, to the extent it addresses the "supplier issues", as a brief on said issues.

1. PGW's load balancing charge is unclear, and the calculation of the DDQ and retroactive changes to it must be clarified (RESA St. No. 2, 3:14-4:25);

2. The tolerance band for monthly imbalances is too narrow at +/- 2.5% and should be expanded to 5% (RESA St. No. 2, 4:26-5:2);

3. PGW's OFO penalty of $75 per Dth is too high (RESA St. No. 2, 5:3-5:5);

4. The Purchase of Receivables ("POR") discount is too high and must be reduced (RESA St. No. 1, 3:17-8:21);

5. There does not appear to be any differentiation between commodity and distribution costs in development of POR as required by the Commission's regulations (RESA St. No. 1, 9:1-10:2);

6. The proposed allocation of costs to the Gas Procurement Charge, ("GPC") would result in a GPC that was too low, thus creating a subsidy to default service (RESA St. No. 1, 10:4-12:10); and,

7. PGW's $10 switching fee is anti-competitive as well as anachronistic, and should be eliminated. (RESA St. No. 1, 12:12-13:6)

Throughout the course of this proceeding, through the exchange of written testimony and in settlement discussions, RESA, the Company and the other parties have worked to narrow the issues and to eventually craft a settlement that provides a satisfactory balance between the company and RESA. While RESA did not achieve its desired result on every issue, it nonetheless believes that the changes that have been agreed-to in the Settlement will advance the competitive market in the PGW service territory. The goal of RESA's participation in this proceeding was to support modifications that will increase supplier participation in the PGW service territory, and we believe these changes will accomplish just that.

II. RESOLUTION OF THE ISSUES RAISED BY RESA

1. PGW has agreed to hold a stakeholder collaborative to address competition and billing issues. (Settlement ¶ 42)

As discussed by Mr. Magnani, (RESA St. No. 2, 3:14-4:25; RESA St. No. 2-SR, 1:14-23) PGW's billing practices are different from other Pennsylvania Natural Gas Distribution Companies ("NGDC") and have proven to be troublesome for suppliers. In particular, Mr. Magnani expressed concern over the calculation of a supplier's Daily Delivery Quantity ("DDQ") and the fact that PGW sometimes retroactively calculates this number. Mr. Magnani suggested that it would be best for the Company and suppliers to sit down and arrive at a common understanding of how the system should work, and then seek to implement that in whatever manner would be most effective. As a part of the Settlement, PGW agreed. It also agreed to discuss how suppliers and PGW could work together to make the customer experience better. Such discussions could include such topics as use of PGW's billing system and supplier consolidated billing. These changes clearly are in the public interest. Communication on a topic that is a concern to suppliers, where the parties on both sides have an opportunity to exchange ideas and gain clarity, is always a benefit, particularly as here, where the Company and suppliers that operate on its system are *de facto* partners in providing gas service to customers. Any improvements in service that result from better communication, and such improvements are inevitable, will provide a better experience for customers. Accordingly, RESA submits that this provision is in the public interest and should be approved.

2. PGW will adopt a new price structure for monthly cash out imbalances in excess of 3.5%. (Settlement ¶ 41)

Randy Magnani's testimony also raised concerns about (RESA St. No. 2, 4:26-5:2; RESA St. No. 2-SR, 2:1-3:3), the bandwidth for charging penalties for monthly cash out imbalances; he believes it is too narrow. Based upon the multitude of factors that can influence whether there is an imbalance, some of which are not under the supplier's control, and PGW's history with supplier imbalances, Mr. Magnani recommended increasing the bandwidth to 5%. As a compromise, PGW agreed to expand both the percentage of the band from 2.5 % to 3.5 % and the structure of the penalties that apply if the bandwidth is exceeded. The current methodology will continue to be used for imbalances up to 3.5%. Shortages more than 3.5% will be priced at the higher of: (i) 125% of the average of the five (5) highest Daily Market Index Prices for the monthly period beginning on the first day of the month; or (ii) 150% of the Company's highest incremental supply cost for the month. Overages of more than 3.5% will be purchased at the lower of: (i) 75% of the average of the five (5) lowest Daily Market Index Price for the monthly period beginning on the first day of the month; or (ii) 75% of the Company's lowest incremental supply cost for the month. Based upon the historic performance of suppliers on the PGW system, the percentage adjustment should eliminate significantly more of monthly cash out imbalances and the revised penalty structure will continue to provide adequate incentives for suppliers to deliver the appropriate amounts of gas every day. A fairer system for maintaining supplier accountability reduces the likelihood that suppliers will be penalized for imbalances that they cannot control, which increases fairness and decreases costs and risk exposure which in turn allows suppliers to provide more efficient and effective service. This is a win-win-win for customers, the Company and suppliers and is clearly in the public interest.

3. The OFO Penalty will remain at its current level.

As a compromise RESA agreed to withdraw the issue of the $75 Operational Flow Order ("OFO") penalty. While it is true that the penalty is high when compared to other NGDCs in

Pennsylvania, it also is true that suppliers should in most cases be able to avoid such penalties on the PGW system and so RESA was willing to compromise on the issue.

4. **PGW will reduce the POR Administrative adder to 0.5% from its current 2%. (Settlement ¶ 38)**

In the record of this case (RESA St. No. 1, 3:17-8:21; RESA St. No. 1-SR, 5:15-9:1) witness Cusati lays out the facts that support the adjustment of the POR Administrative Adder; the POR has been in place for over a year and there are only a few, less than 500, residential customers shopping. The adder is an additional 2% discount off of all receivables purchased by PGW from NGSs operating in its service territory. Mr. Cusati noted that based upon his experience, suppliers won't enter service territories with high POR discounts and that PGW's is particularly problematic because the 2% adder is not offset by the Merchant Function Charge ("MFC"). This means that a supplier's price will necessarily be 2% higher than the price to compare ("PTC") unless the supplier is willing and able to absorb the adder. Mr. Cusati noted that because the adder is intended to recover a fixed level of cost, the first suppliers to enter PGW's territory will end up paying the fee, while later entrants will not. However, he also testified that at the current rate of recovery, it will take over 100 years for PGW to recover the costs. In short, Mr. Cusati recommended that the adder be reduced to 0.1%. The Settlement would reduce the adder from the current 2% to a far more reasonable 0.5%. The settlement continues to provide PGW the ability to recover all the costs identified to be part of the adder, and by Mr. Cusati's calculation, reducing the adder will allow PGW to recover those costs more rapidly than under the current adder because more suppliers are likely to begin making offers to customers which will result in more bills and faster recovery. This provision will encourage more suppliers to enter the PGW residential market, will allow PGW to recover all the costs that it spent as approved by the Commission, and will provide it with the probability that it will recover those dollars more quickly. Accordingly, RESA submits that this provision is in the public interest and should be approved.

5. PGW will retain the GPC at the current level of $0.04/mcf. (Settlement ¶ 39)

The Gas Procurement Charge ("GPC") is the charge that recovers, as one might expect, the costs associated with PGW's operations related to supplying gas for those customers who do not choose to take service from a supplier. For PGW this means most of its residential customers. In its filing, PGW had proposed a substantial reduction in the GPC, while offering no explanation as to why it was proposing to do so. RESA witness Cusati addressed this in his Direct and Surrebuttal statements (RESA St. No. 1, 10:4-12:10; RESA St. No. 1-SR., 9:4-10:17), and initially proposed to increase the GPC to bring it more into line with other NGDCs. However, as a compromise, the parties have agreed that rather than make any adjustment, PGW will retain its current GPC. This is in the public interest because if the GPC is too low, costs that should be recovered from default service customers only, are being paid for by all customers, which means shopping customers will end up paying these costs twice. RESA is satisfied that retaining PGW's current GPC, despite the fact that it is the lowest in the state, is the best alternative available to resolve this case and should assure that the current balance is maintained.

6. PGW will eliminate its $10 switching fee. (Settlement ¶ 40)

In his testimony (RESA St. No. 1, 12:12-13:6; RESA St. No. 2, 11:16-12:5), RESA witness Cusati raised the issue of PGW's switching fee, that is charged to suppliers when they obtain a customer who has switched at least one time before in that year. The fee of $10 is charged after the switch and the supplier that is charged has no way to know if the customer has switched before that year—so the fee is not avoidable. Most troubling is that PGW does not pay the fee when customers are returned to default service so it is discriminatory as well. In response to Mr. Cusati's testimony, PGW did not contend that the fee was intended to recover an identifiable set of costs nor did PGW seek to identify any cost basis for the fee. Rather, its only justification was to state that the fee had been in place for many years. In settlement PGW agreed to remove the fee. This serves to eliminate the discrimination inherent in such a fee and recognizes that certain costs of operating the distribution system are best socialized among all customers. The costs of executing customer switches are an example. All customers have the right to switch, but because most customers switch infrequently and the incremental cost of a switch is minimal, there is insufficient value in isolating the cost-causer, in this case the serial switcher, who is unaware of the fee, nor is it logical to assign the costs to the new supplier, who cannot reasonably avoid the fee and who may never be able to recover the cost. Rather, it is more appropriate to consider these as general operational costs and to recover them from all customers. In that sense, and because the fee is overtly discriminatory because it only is charged when customers switch to a supplier and not when they switch to PGW, removal of this fee is in the public interest.

III. CONCLUSION

RESA submits that the settlement as presented is just and reasonable and in the public interest and requests that the Commission approve it as submitted. RESA submits that the changes provided by the Settlement should go a long way toward enticing more suppliers to participate in the PGW market and make that participation more efficient and productive. RESA takes no position on the issue reserved for briefing[4]. While RESA certainly appreciates the right

[4] The issues reserved include: Cost Responsibility for USC: Whether the cost responsibility for Universal Service Charge ("USC") charges should be shifted 100% to Residential Customers; and, Method of Payment Postings: Whether PGW's present method of posting partial payments to arrearages is consistent with Commission regulations and is otherwise reasonable.

of the OSBA to not agree to certain settlement terms, it also submits that OSBA's opposition to the adjustment of the POR Administrative Adder is without legal or factual basis and should not be considered. To the contrary, the record fully supports the adjustment proposed in the Settlement. Accordingly, RESA respectfully requests that the Commission approve the Settlement in its entirety.

Respectfully submitted,

Todd S. Stewart
PA Attorney I.D. #75556
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
E-mail: tsstewart@hmslegal.com
Telephone: (717) 236-1300
Facsimile: (717) 236-4841

Counsel for
The Retail Energy Supply Association

DATED: July 21, 2017

STATEMENT F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION,	:	Docket Nos. R-2017-2586783
OFFICE OF CONSUMER ADVOCATE,	:	C-2017-2592092
OFFICE OF SMALL BUSINESS ADVOCATE,	:	C-2017-2593497
PHILADELPHIA INDUSTRIAL & COMMERCIAL GAS USERS GROUP,	:	C-2017-2595147
WILLIAM DINGFELDER	:	C-2017-2593903
v.	:	
PHILADELPHIA GAS WORKS	:	

STATEMENT IN SUPPORT OF
THE PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP

The Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), by and through their counsel, submits this Statement in Support ("Statement") of the Joint Petition for Partial Settlement ("Joint Petition" or "Settlement"), filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). This Joint Petition reflects settlement with respect to Supplement No. 100 to Philadelphia Gas Works ("PGW or Company") Gas Service Tariff – Pa. P.U.C. No. 2 ("Supplement No. 100"), filed with the PUC on February 27, 2017, in the above-captioned matter.

As a result of settlement discussions, PICGUG, PGW, the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Retail Energy Supply Association ("RESA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), and Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

("TURN, *et al.*") (collectively, "Parties" or "Joint Petitioners") have agreed upon the terms embodied in the foregoing Joint Petition. PICGUG offers this Statement to further demonstrate that the Settlement is in the public interest and should be approved without modification.

I. BACKGROUND

1. On February 27, 2017, PGW filed Supplement No. 100 with the PUC requesting a general rate increase calculated to produce $70 million in additional annual revenues (an 11.6% overall increase) to become effective on April 28, 2017. In addition, PGW proposed several tariff modifications including the elimination of three rate schedules, revisions to the rate formula for interruptible transportation customers, and a proposal to establish a new tariff provision to cover "back-up" service.

2. On March 23, 2017, PICGUG filed a Complaint in this proceeding.

3. On March 27, 2017, PICGUG filed a Prehearing Memorandum with the PUC outlining its concerns with the Company's filing.

4. On March 29, 2017, Administrative Law Judges ("ALJs") Christopher P. Pell and Marta Guhl held an initial Prehearing Conference. Subsequently, on March 30, 2017, the ALJs issued Prehearing Order No. 1 which established the procedures for this proceeding on matters such as discovery, testimony, hearings, and briefing.

5. Pursuant to litigation schedule set forth in Prehearing Order No. 1, parties submitted several rounds of testimony, including the following statements submitted by PICGUG:

   a. PICGUG Statement No. 1: Direct Testimony and Exhibits of Richard A. Baudino;
   b. PICGUG Statement No. 2: Direct Testimony of Kurt Bresser;
   c. PICGUG Statement No. 1-R: Rebuttal Testimony and Exhibit of Richard A. Baudino;

d. PICGUG Statement No. 2-R: Rebuttal Testimony of Kurt Bresser;

e. PICGUG Statement No. 1-SR: Surrebuttal Testimony of Richard A. Baudino;

f. PICGUG Statement No. 2-SR: Surrebuttal Testimony of Kurt Bresser; and

g. PICGUG Statement No. 3: Surrebuttal Testimony of Michael Ferman.

6. In addition to submitting testimony, parties conducted extensive discovery and participated in numerous settlement discussions. Following both in-person and telephonic settlement meetings, the Joint Petitioners informed the ALJs at the evidentiary hearing on June 28, 2017, that a partial settlement had been reached among the Joint Petitioners. That settlement in principle was memorialized as the Joint Petition.

II. STATEMENT IN SUPPORT

7. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391(a); *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in negotiations to resolve the issues raised by various parties. These ongoing discussions produced the foregoing Settlement.

8. The Joint Petitioners agree that approval of the proposed Settlement is in the public interest.

9. The Joint Petitioners agree that PGW should be authorized to file a tariff supplement to reflect implementation of a rate increase consistent with the terms and conditions of the Joint Petition.

10. The Joint Petitioners agree that the $42 million rate increase allowed for PGW by the Joint Petition is just, reasonable, and in the public interest.

11. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of PGW's Settlement.

12. The Joint Petition is in the public interest for the following reasons:

a. PGW's Joint Petition increases its rates by $42 million, which is 60% of the Company's original request of $70 million;[1]

b. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated;

c. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission regarding the issues in this Settlement are avoided as a result of the Joint Petition; and

d. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving PGW.

13. In addition, the Joint Petition specifically satisfies the concerns of PICGUG in the following ways:

a. The Joint Petition: (1) lowers the total revenue increase amount by approximately 40%; and (2) reasonably allocates the proposed increase of $42 million among the customer classes;[2]

b. PGW agrees not to file a general rate increase pursuant to 66 Pa. C.S. § 1308(d) any sooner than December 1, 2019;[3]

c. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase among PGW's large commercial and industrial classes. Specifically, the Settlement indicates that Industrial General Service ("GS") customer rates will increase by 0.60% (a revenue allocation of $350,300), and Interruptible Transportation ("IT") customer rates will increase by 5.60% (a revenue allocation of $2,352,800);[4]

---

[1] Joint Petition at ¶¶ 10, 12.
[2] *Id.*
[3] *Id.* at ¶ 15. This provision does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) or upon petition to the PUC.
[4] *Id.* at ¶ 17.

d. The Joint Petition provides just and reasonable monthly customer charges for Rate IT customers as follows:[5]

   i. Rate IT-A: $152.16

   ii. Rate IT-B: $273.89

   iii. Rate IT-C: $273.89

   iv. Rate IT-D: $273.89

   v. Rate IT-E: $426.06

e. The Joint Petition provides for the following Distribution Charges for Rate IT customers:[6]

   i. Rate IT-A: $2.2885

   ii. Rate IT-B: $1.1077

   iii. Rate IT-C: $0.8643

   iv. Rate IT-D: $0.7669

   v. Rate IT-E: $0.7426

f. The Joint Petition provides that PGW will withdraw its "value based" rate proposal for Rate IT customers in this case, which is significant because this proposal would have subjected Rate IT customers to an uncertain negotiation process and exposed Rate IT customers to potential rate increase exceeding 500%;[7]

g. The Settlement also indicates that after the PUC approves this Settlement, PGW will meet with PICGUG and other interested stakeholders to develop a proposed "Large Customer Transportation Service Tariff" ("LT Tariff"). The LT Tariff will be voluntary and apply to new interruptible transportation load or existing interruptible transportation customers that may be interested in obtaining transportation service with less stringent curtailment requirements that the current Rate IT. This component of the Settlement provides an opportunity for PGW to obtain and respond to customer input concerning the appropriate characteristics for an alternative tariff rate benefitting large volume customers;[8] and

[5] *Id.* at ¶ 18.
[6] *Id.* at Exhibit 2 – Proof of Revenue.
[7] *Id.* at ¶ 22.
[8] *Id.* at ¶ 23. At its discretion, PGW will be able to require that customers subscribing to LT Tariff rates have some limited ability to reduce load when requested by PGW after notice. Additionally, the LT rates will be an increment of the IT rates established in this case.

h. The Joint Petition provides that PGW will add a provision to its existing IT Rules that permit PGW and Rate IT customers to negotiate long-term contracts of up to five years, provided that the rates under such long-term contracts may not be lower than the approved tariff rate.[9] This term offers an opportunity for interested Rate IT customers to secure greater predictability and certainty for rates and terms of service.

14. PICGUG supports the Joint Petition because it is in the public interest; however, in the event the Joint Petition is rejected by the ALJ or the Commission, PICGUG will resume its litigation position, which differs from the terms of the Joint Petition.

15. As set forth above, PICGUG submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after several negotiations. Although the Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties and the Commission to avoid expending the substantial resources that would have been required to fully litigate the current issues in this proceeding while still reaching a just, reasonable, and non-discriminatory result. The Joint Petitioners have thus reached an amicable solution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation of several major issues in this proceeding. *See* 52 Pa. Code § 69.391.

[9] *Id.* at ¶ 25.

III. CONCLUSION

WHEREFORE, the Philadelphia Industrial and Commercial Gas Users Group respectfully requests that the Administrative Law Judges and the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By ______________________

Charis Mincavage (Pa. I.D. No. 82039)
Adeolu A. Bakare (Pa. I.D. No. 208541)
Alessandra L. Hylander (Pa. I.D. No. 320967)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: 717.232.8000
Fax: 717.237.5300
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

Counsel to the Philadelphia Industrial and Commercial Gas Users Group

Dated: July 21, 2017

STATEMENT G

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
	:	
Office of Consumer Advocate	:	C-2017-2592092
	:	
Office of Small Business Advocate	:	C-2017-2593497
Philadelphia Industrial & Commercial	:	
Gas Users Group	:	C-2017-2595147
	:	
William Dingfelder	:	C-2017-2593903
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), one of the signatory parties to the Joint Petition for Partial Settlement (Partial Settlement), respectfully requests that the terms and conditions of the Partial Settlement be approved by the Honorable Administrative Law Judges, and the Pennsylvania Public Utility Commission (Commission). For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Partial Settlement are in the public interest and should be approved.[1]

[1] Two issues remain subject to litigation and briefing: (1) the allocation of Universal Service Charge (USC) cost recovery, specifically, whether the costs of the USC should be shifted 100% to Residential Customers or whether the status quo should remain that all firm customers should pay these costs; and, (2) PGW's partial payment allocation practices. On the same day as the filing of this statement in support, CAUSE-PA has filed a Joint Brief with the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively "TURN *et al.*") as to the first of these issues.

I. INTRODUCTION

CAUSE-PA intervened in this proceeding to address, among other issues, whether the proposed rate increase would detrimentally impact the ability of low-income natural gas customers within the Philadelphia Gas Works' (PGW) service territory to access service under reasonable terms and conditions.

In relevant part, the Partial Settlement increases residential rates by $42 million or 6.8%, which is far less than the $70 million or 11.6% increase originally proposed by PGW. (Joint Pet. at ¶ 10). A majority of the increase will be recovered through PGW's volumetric charge. The fixed charge portion of the residential rate structure will increase from $12 to $13.75 – far less than PGW's proposal to increase that charge to $18. (Joint Pet. at ¶ 17; PGW St. No. 1 at 10).

The Partial Settlement also provides that PGW will address a number of customer issues that are of significant concern to CAUSE-PA. Specifically, PGW will implement a hazardous heating remediation pilot for at least 2 years that will address heating system hazards and weatherize the homes of certain customers. (Joint Pet. at ¶ 25). The budget for this pilot will be $250,000 per year for the first two years and will be in addition to the funds already allocated to PGW's LIURP budget. (Joint Pet. ¶ 26). PGW also committed to conducting targeted studies, collecting key data, and holding a series of meetings to address customer service concerns for low-income and economically vulnerable households. Specifically, PGW committed to:

- A credit and collection collaborative with interested stakeholders to obtain input on bill management efforts for customers and applicants seeking to restore service who were previously shut off for non-payment, (Joint Pet. ¶ 28);

- Conduct a cost/benefit analysis of the impact of modifying its LIHEAP Crisis acceptance policy to permit customers to maintain or restore service when the Crisis grant amount is less than the amount requested from PGW, (Joint Pet. ¶ 29);
- Track the number of instances, under certain defined circumstance, in which PGW reverses a prior determination of unauthorized use, as defined by Commission regulations, (Joint Pet. ¶ 33);
- Hold a collaborative with parties to share the results from its cost/benefit analysis and discuss ways to improve outreach to households who are unable to connect to PGW because of high balances and to improve CRP enrollment, (Joint Pet. ¶ 32); and,
- Modify its budget billing processes by providing households with more flexibility to pay balances over time, (Joint Pet. ¶ 34).

Each of these issues moves the needle forward in improving PGW's customer service experience for low-income and economically vulnerable households. Although CAUSE-PA did not submit testimony in this proceeding, it was actively involved in settlement discussions, negotiations, and discovery. The Partial Settlement was arrived at through good faith negotiation by all parties and is in the public interest because it (1) begins to address the ability of low income natural gas customers in PGW's service territory to access safe and affordable natural gas service, (2) balances the interests of the parties, and (3) fairly resolves a number of important issues raised by the parties.

II. STANDARD FOR APPROVAL OF SETTLEMENT

The Commission's regulations lend unambiguous support for settlements, and declare: "It is the policy of the Commission to encourage settlements."[2] The Commission has also set explicit

[2] 52 Pa. Code § 5.231.

policy guiding settlement of a major rate case, explaining in its codified statement of policy that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding."[3] Settlements are preferred because they "lessen the time and expense that Parties must expend litigating a case and, at the same time, conserve resources."[4] In reviewing whether to approve a proposed settlement, the Commission must determine whether the terms and conditions are in the interest of the public based on a preponderance of the evidence "showing a likelihood or probability of public benefits that need not be quantified or guaranteed."[5] Historically, the Commission has defined the public interest as inclusive of ratepayers, shareholders, and the regulated community at large.[6] Of course, proposed settlement terms must also be consistent with applicable law.[7]

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. GENERAL

The Partial Settlement takes rate affordability into account by structuring its rate design to limit the disproportionate burdens on low income households through a smaller increase in the fixed customer charge than originally sought, by providing common-sense enhancements to address hazardous heating situations, and to begin to address enhancements to available universal service programs within PGW's service territory. These enhancements will better match needy households with available assistance and are designed to ensure access to stable and affordable

[3] 52 Pa. Code § 69.401.
[4] See Commonwealth of Pa. et al. v. IDT Energy, Inc., Docket No. C-2014-2427657, at 35-37 (Tentative Order entered June 30, 2016).
[5] See id. (quoting Popowsky v. Pa. PUC, 594 Pa. 583, 937 A.2d at 1040 (2007)).
[6] See id. (citing Pa. PUC v. Bell Atlantic Pennsylvania, Inc., Docket No. R-00953409 (Order entered Sept. 29, 1995)).
[7] See id. (citing Dauphin County Indus. Dev. Auth. v. Pa. PUC, 2015 Pa. Commw. LEXIS 381 (Sept. 9, 2015)).

utility services over the long term. These terms, and the reasons each are in the public interest, are discussed in further depth below.

B. RATE DESIGN

Paragraph 18 of the Partial Settlement sets the residential customer charge, or fixed monthly service charge, at $13.75 per month, a modest increase from its current $12 per month fixed charge, but well below the $18 that was proposed by PGW. As TURN *et al.*'s expert witness Harry Geller explained in direct testimony, "PGW's proposal to increase its residential customer charge will result in significant harm to PGW's low and limited income customers. These customers have minimal or no resources to pay higher fixed charges and are now struggling to pay current charges and maintain their service." (TURN *et al.* St. 1 at 17). Increasing the fixed monthly service charge limits customers' ability to reduce bills through conservation and consumption reduction, and undermines the goals of the Low Income Usage Reduction Program (LIURP). (Id.). High fixed fees also disproportionately impact low income consumers, who use less natural gas than their higher income counterparts. (Id.). If the fixed portion of a bill is high, those in smaller homes and apartments (which are more likely to be occupied by low income families) will pay a disproportionate share of the distribution costs. The Partial Settlement is in the public interest because it limits the proportional increase in the amount recovered through the fixed charge portion of the customer's bill, thereby protecting against inappropriate cost-shifting onto vulnerable low income households.

C. CUSTOMER ISSUES

Paragraphs 26-36 of the Partial Settlement address a host of customer issues raised by TURN *et al.* and the Office of Consumer Advocate (OCA) to improve the customer service and affordability of PGW's service for economically vulnerable PGW customers.

1. Hazardous Heating Pilot

In his direct testimony, OCA witness Roger Colton raised the concern that a significant portion of PGW's customers are unable to maintain service because of a broken or poorly working gas furnace. Pointing to national data showing that 12% - 18% of households with income at or below 150% of the federal poverty income guidelines are unable to use their main heating source because it was broken, Mr. Colton extrapolated that this same phenomenon was likely to be present within PGW's service territory and proposed that PGW implement a heating repair and replacement program. (OCA St. 4 at 44-47). The Partial Settlement is a step in this direction. In paragraphs 26-28, the Partial Settlement calls for PGW to implement a Hazardous Heating pilot funded at $250,000 per year for at least two years. The pilot program would target both current customers and households whose service is off provided that those households can restore service subject to more flexible reinstatement terms. (Joint Pet. ¶ 26). Specifically, households meeting the pilot's criteria would be eligible for boiler and furnace repair or replacement, subject to cost effectiveness tests, at no cost to the household. (Joint Pet. ¶ 28(b)). The pilot would be studied and assessed by PGW for effectiveness prior to their next triennial Universal Service and Energy Conservation Plan filing in 2021. (Joint Pet. ¶ 28).

This pilot is a step in the right direction toward addressing the dangerous and expensive problem of de facto and hazardous heating, which low-income households often have to use because of inoperable and unsafe central heating systems. Adoption of this settlement term as a part of the Partial Settlement as a whole is in the public interest because it will reduce the number of households relying on hazardous heating, will increase sales for PGW, and is likely to reduce electric bills for low-income participants of the pilot.

2. **Cost/Benefit Analysis of Modifying PGW's LIHEAP Crisis Acceptance Policy, tracking of reversals of determination of unauthorized use, and subsequent collaborative meetings.**

In paragraphs 29-33 of the Partial Settlement, PGW commits to conducting a series of studies and/or cost/benefit analyses, and agreed to host follow-up discussions on issues of importance to low-income households. Specifically, PGW will analyze the relative costs and benefits of changing its policy of requiring that customers seeking to use a crisis grant from the Low Income Home Energy Assistance Program (LIHEAP) must have sufficient funds, combined with the crisis grant, to pay the entire past-due balance. (Joint Pet. ¶ 30). As outlined in Mr. Geller's testimony, PGW's current policy likely increases the number of terminations faced by PGW customers – as well as the arrears for which these customers are ultimately responsible. (TURN *et al.* St. 1 at 31-32). In the Partial Settlement, PGW agreed to conduct a cost/benefit analysis to determine whether accepting crisis grants for less than the amount required to zero out a customer's balance would be a more effective means than its current policy of mitigating arrears and keeping economically vulnerable connected. Provided the Commission approves the Partial Settlement, PGW will conduct its analysis within 60 days from the date of the final order in this proceeding. (Joint Pet. ¶ 30).

In addition, PGW agreed to track the number of instances, under certain defined circumstances, in which it reverses a prior determination of unauthorized use, as defined by Commission regulations. (Joint Pet. ¶ 33). This agreement is significant because, per PGW's existing tariff, a customer found responsible for unauthorized use can be required to make upfront payment of all charges associated with the alleged use prior to restoration of service. (TURN *et al.* St. 1 at 42). These lump sum payment demands are most often out of reach for low-income households. By agreeing to track the number of times that it reverses a determination of unauthorized use, and to document the reason for any decision to reverse a determination of unauthorized use, PGW can use this information to determine whether to revise its unauthorized use detection policies or protocols or to conduct additional staff training.

In addition to conducting the foregoing analysis and tracking, PGW also agreed to hold a collaborative with the parties to this proceeding to discuss the results of this analysis, as well as the following other issues of significance to low-income households: (a) discuss ways to improve its outreach to households who are unable to reconnect to PGW service because of high balances; and, (b) discuss ways to address improving CRP enrollment. (Joint Pet. ¶ 32). Each of these issues deserves further conversation to improve PGW's policies and PGW's commitment to consider the positions of the parties on these issues, in good faith, constitutes progress. In addition to the collaborative outlined in paragraph 32, PGW also committed to hosting a credit and collection collaborative with interested stakeholders to obtain stakeholder input on bill management efforts for customers and applicants seeking to restore service previously shut off for non-payment, including customers and applicants with $10,000 or more of arrearages. (Joint Pet. ¶ 29). Finding ways to address households facing significant arrearages to PGW is in the public interest, as it will help low income households to maintain natural gas service while reducing the level of debt owed by those households and, in turn, the costs borne by other residential ratepayers.

3. Modifying Budget Billing True Up

In his direct testimony, Mr. Colton identified that PGW has less than 10% of its customer in budget billing, (OCA St. No. 4 at 51), and that many households – particularly low-income households – leave budget billing because of year-end true up concerns, (OCA St. No. 4 at 62). Mr. Colton recommended that PGW modify its budget billing year-end true up to provide for longer periods over which customers could amortize their budget billing underpayments. (Id.). This is exactly what PGW agreed to do in paragraph 36, where it agreed to modify its year-end Budget Billing processes in two ways. First, if year-end balances are greater than $100 but less than $300, PGW will spread that balance over the next six months. Second, underpayments of $300 or more will be spread over 24 months. (Joint Pet. ¶ 36). This is a significant improvement. As pointed out by Mr. Colton, customers on budget billing who remain on budget billing over a 12 month period have significantly greater chance of catching up on arrears accrued during winter months, and customers who have a reasonable period over which to pay off any true up are more likely to remain in budget billing. (OCA St. No. 4 at 62). This provision of the Partial Settlement is in the public interest because it has a significant likelihood of reducing arrears for vulnerable households.

IV. CONCLUSION

For all of the foregoing reasons, CAUSE-PA submits that the Partial Settlement is in the public interest. Joint Petitioners were able to negotiate this Partial Settlement after an extensive investigation of PGW's filing. Acceptance of it avoids the necessity of further administrative and possible appellate proceedings regarding the settled issues, which will save substantial resources of the Joint Petitioners and PGW's customers. Accordingly, CAUSE-PA respectfully requests that the Honorable Administrative Law Judges and the Commission approve the Partial Settlement.

Respectfully submitted,
PENNSYLVANIA UTILITY LAW PROJECT
Counsel for CAUSE-PA

Patrick M. Cicero, Esq., PA ID: 89039
Elizabeth R. Marx, Esq., PA ID: 309014
Joline Price, Esq., PA ID: 315405
118 Locust Street
Harrisburg, PA 17101
717-236-9486
pulp@palegalaid.net

Date: July 21, 2017

STATEMENT H

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	**DOCKET NO. R-2017-2586783**
	:	
PHILADELPHIA GAS WORKS	:	
	:	

STATEMENT OF TURN *et al.* IN SUPPORT OF THE JOINT PETITION FOR PARTIAL SETTLEMENT

Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively "TURN *et al.*"), signatory parties to the Joint Petition for Partial Settlement ("Joint Petition" or "Settlement") in Docket No. R-2017-2586783, through counsel Community Legal Services, respectfully submit that the terms and conditions of the proposed settlement, taken as a whole, are in the public interest, and in support state as follows:

I. Background

On February 28, 2017, Philadelphia Gas Works (PGW) filed Supplement No. 100 to PGW's Gas Service Tariff – PA. P.U.C. No. 2 to become effective April 28, 2017, seeking a general rate increase calculated to produce $70 million (11.6%) in additional annual revenues. PGW also filed a Petition for Waiver seeking waiver of the application of the statutory definition of the fully projected future test year (FPFTY) so as to permit PGW to use a FPFTY beginning on September 1, 2017 in this proceeding.

On March 16, 2017, the Commission entered a suspension and investigation Order suspending the PGW tariff by operation of law, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained therein.

TURN *et al.* filed their Petition to Intervene on March 24, 2017. In their Petition to Intervene TURN *et al.* stated their intention to examine whether a rate increase will result in unjust and unreasonable rates for Philadelphia's low-income residential customers and consumers; whether PGW's proposal to increase its residential customer charge is just; whether a rate increase is justified given the quality of PGW's customer service; and, whether PGW's termination practices, payment agreement requirements and universal service program rules have contributed to reduced revenue or lost opportunities for revenue growth. TURN *et al.* reserved the right to examine other issues. TURN *et al.*'s Petition to Intervene was granted by the ALJs on April 7, 2017.

TURN *et al.* submitted direct testimony on May 19, 2017, which was subsequently revised on June 7, 2017. TURN *et al.* submitted rebuttal testimony on June 9, 2017 and surrebuttal testimony on June 22, 2017.

II. Terms and Conditions of Settlement

The Settlement terms and conditions are delineated in Paragraphs 7 through 42 of the Joint Petition. TURN *et al.* support the Settlement because it resolves significant, contested issues presented in the proceeding and is the product of good faith negotiations. Section IIC of the Joint Petition, paragraphs 25 through 36, addresses customer issues that are of particular importance to TURN *et al.* Although TURN *et al.* did not present testimony on PGW's revenue requirement, revenue allocation and rate design, or natural gas supplier issues, which are set forth in the Joint Petition at sections IIA, IIB, and IID respectively, TURN *et al.* do not oppose the Settlement with regard to revenue requirement, revenue allocation and rate design, or natural gas supplier issues. TURN *et al.* believe that the terms and conditions of the Settlement, taken as a whole, are in the public interest because they include commitments to review and address key customer service concerns raised by TURN *et al.* and other parties.

In their testimony in this proceeding, TURN *et al.* sought to establish that PGW's policies severely limit the options that low-income customers have to connect to, maintain and restore PGW service. TURN *et al.*'s witness testified that PGW's proposed rate increase will adversely affect its low and limited income customers unless PGW takes steps to modify its policies to allow vulnerable customers to maintain service on affordable terms. TURN *et al.* submitted that PGW's termination statistics, declining CRP participation, increasing CRP default rates, and duration of service loss for low-income customers, indicate significant need for PGW to implement policy changes. TURN *et al.* offered specific recommendations on how PGW could revise its policies to mitigate the harm of its proposed rate increase. TURN *et al.* recommended, among other proposals, that PGW improve its Universal Service programs to benefit more low-income customers; modify its LIHEAP Crisis acceptance policy to benefit more low-income customers who are without natural gas service or are at risk of service deprivation; establish clear written policies for compliance with certain tenant protection provisions of the Public Utility Code; and, track the number of instances in which PGW reverses a determination of unauthorized use. TURN *et al.* also encouraged PGW to maintain better information on its vulnerable customers and whether PGW policies are increasing the likelihood that some of its customers will experience termination and a long period without service.

TURN *et al.* believe that the Settlement begins to address several of these concerns. First, the Settlement provides that PGW will implement a hazardous heating remediation pilot for certain low and limited income customers who have unsafe or inoperable heating system components in their properties. Joint Petition at ¶ 26. PGW has agreed to spend $250,000 per year for the first two years of the pilot, incremental to PGW's LIURP budget. Joint Petition at ¶ 27. TURN *et al.* believe that PGW's successful implementation of this program could allow some of PGW's customers to rely on or restore gas heating service that has been inaccessible due to the need for heating component repairs. This could in turn reduce these customers reliance on unsafe or *de facto* heating sources, which pose a threat to the health and safety of customers and residents in PGW's service territory. TURN *et al.* find it laudable that PGW has agreed to incremental funding for this pilot. There is a significant need for LIURP services within PGW's service territory, by providing incremental funding for the pilot, LIURP budget dollars will remain available to meet this need. PGW has also agreed, to the extent feasible, to coordinate its pilot activities with the City of Philadelphia's Basic Systems Repair Program and to inform DCED, PA LIHEAP administrators, PECO and the City's Heater Hotline of the existence of PGW's hazardous heating remediation pilot. Joint Petition at ¶ 27(b). TURN *et al.* believe that coordination and communication with other entities will be essential to maximizing the reach and effectiveness of PGW's pilot. TURN *et al.* support the pilot because it provides assistance to one segment of PGW's customers who have been without safe natural gas service. This provision is in line with TURN *et al.*'s recommendation that PGW evaluate its policies to determine whether it can provide additional assistance to its low income and vulnerable customers.

Next, the parties have agreed that PGW will conduct a cost/benefit analysis of the impact of modifying its LIHEAP Crisis acceptance policy to permit customers to maintain or restore service when the LIHEAP Crisis grant amount is less than the amount needed to maintain or restore service. Joint Petition at ¶ 29. PGW has agreed to provide its analysis to the parties and to discuss the analysis in a forthcoming collaborative. *Id.* While TURN *et al.* continue to believe that PGW should modify its LIHEAP Crisis acceptance policy, TURN *et al.* find that a cost/benefit analysis is a reasonable first step, which they hope will convince PGW of the economic and moral prudence of adopting such a policy.

The parties have also agreed that PGW will document its policies pursuant to 66 Pa. C.S. § 1521, the Discontinuance of Service to Leased Premises provisions of the Public Utility Code, in a written training document, which PGW will provide to all of its customer service representatives and to the parties in this proceeding. Joint Petition at ¶ at 30. TURN *et al.* support this provision of the Settlement because it is responsive to TURN *et al.*'s recommendation in this proceeding. TURN *et al.* believe that in preparing a written training document PGW will have an opportunity to identify tenant protection policies that are not in compliance with the Public Utility Code and to correct those policies accordingly. TURN *et al.* also believe that other parties in this proceeding will have an opportunity to advise PGW of any deficiencies in its tenant protection policies upon review of PGW's written training document.

In a separate provision of the Settlement, the parties have agreed that PGW will track the number of instances in which it reverses a previous determination of unauthorized use, in certain circumstances. Joint Petition at ¶ at 33. TURN et al. support this provision of the Settlement because it is responsive to TURN *et al.*'s concern that PGW did not previously track this data. TURN *et al.* believe that tracking this data will allow PGW to assess whether its unauthorized use policies present an unreasonable barrier to service for some low-income households.

Finally, although the parties did not agree to substantially revise PGW's Universal Service programs to benefit more low income customers as TURN *et al.* recommended in this proceeding, TURN *et al.* are optimistic that the parties will continue to discuss these concerns and may agree upon more substantive solutions to these concerns post settlement. This Settlement provides an appropriate forum for the parties to continue this discussion. PGW has agreed to convene a low income issue collaborative to discuss PGW's LIHEAP Crisis modification cost/benefit analysis, ways to improve PGW outreach to households who are unable to reconnect to PGW service because of high balances, and ways to address improving CRP enrollment. Joint Petition at ¶ at 31. PGW has agreed to consider in good faith the issues and suggestions raised in the collaborative and the parties have agreed to participate in the collaborative in good faith. Joint Petition at ¶ at 32.

TURN *et al.* agree that the Settlement should be approved in its entirety because, in addition to the reasons set forth in this statement, the Settlement avoids unnecessary litigation time and expense.

III. Conclusion

For the foregoing reasons, TURN *et al.* submit that the terms and conditions of the Joint Petition for Partial Settlement are in the public interest and should be approved by the Administrative Law Judges and the Pennsylvania Public Utility Commission.

Respectfully submitted,

Josie B. H. Pickens

Josie B. H. Pickens, Esquire (Attorney ID: 309422)
COMMUNITY LEGAL SERVICES, INC.
1410 West Erie Avenue
Philadelphia, PA 19140
Telephone: 215-227-4378
Facsimile: (215) 599-1711 (fax)

Robert W. Ballenger, Esquire (Attorney ID: 93434)
Jennifer Collins, Esquire (Attorney ID: 312108)
COMMUNITY LEGAL SERVICES, INC.
1424 Chestnut Street
Philadelphia, PA 19102

Attorneys for TURN et al.

July 21, 2017