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April 17, 2019

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission, Office of Consumer Advocate, Office of Small Business Advocate, Philadelphia Industrial & Commercial Gas Users Group and William Dingfelder v. Philadelphia Gas Works - Docket Nos. R-2017-2586783; C-2017-2592092; C-2017-2593497; C-2017-2595147; C-2017-2593903

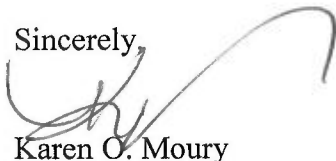
Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Settlement (“Settlement”) of Philadelphia Gas Works (“PGW”) and the Office of Consumer Advocate (“OCA”) to resolve the only remaining issue being litigated in the above-captioned matter, which relates to PGW’s partial payment application practices. This issue was the subject of PGW’s Petition for Reconsideration filed on June 4, 2018.

By Order entered on June 14, 2018, the Pennsylvania Public Utility Commission (“Commission”) granted PGW’s Petition for Reconsideration in the above case, pending review of, and consideration on, the merits of the Petition. On August 21, 2018, PGW filed a letter requesting that the Commission hold in abeyance any decision on its Petition for Reconsideration to permit PGW and OCA to engage in settlement discussions on the issue that is currently under reconsideration. The enclosed Settlement is the result of those discussions.

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

Sincerely,



Karen O. Moury

KOM/lww

cc: Robert A. Marinko, Acting Director OSA via email – rmarinko@pa.gov
Cert. of Service (email only)

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing Joint Petition for Settlement upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Karen O. Moury, Esq.

**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 SETTLEMENT

Philadelphia Gas Works (“PGW” or the “Company”) and the Office of Consumer Advocate (“OCA”) submit this Joint Petition for Settlement (“Settlement”) in the above-captioned proceeding and respectfully request that the Pennsylvania Public Utility Commission (“Commission”) approve the Settlement without modification, and thereby revise its Order entered on May 18, 2018 in this proceeding to provide for a fifty-eight (58) week period for PGW to implement the directed changes to its partial payment allocation practices.¹ The Settlement fully resolves the issue raised during this proceeding by OCA concerning PGW’s partial payment allocation practices without the need for further litigation, including appellate remedies, and is the only remaining open issue in this proceeding.

¹ The other parties, including the Bureau of Investigation and Enforcement, the Office of Small Business Advocate, the Retail Energy Supply Association, the Philadelphia Industrial and Commercial Gas Users Group, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, and Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia, have indicated that they do not oppose this Joint Petition for Settlement.

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 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.

3. 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 law² until November 28, 2017, unless permitted by Commission Order to become effective at an earlier date.

4. On March 6, 2017, OCA filed a Formal Complaint against Supplement No. 100. During the proceeding, OCA challenged PGW's partial payment allocation practices.

5. Partial payments are payments made by customers that are insufficient to pay a balance due both for prior service and for service billed during the current billing period. The Commission's regulations require public utilities to first apply partial payments to the balance due for prior basic service. 52 Pa. Code §§ 56.23-56.24. Basic services includes late payment charges. 52 Pa. Code § 62.74(b).

6. When PGW receives partial payments from customers, it applies them first to outstanding balances for prior basic service and posts them according to the following hierarchy:

² 66 Pa.C.S. § 1308(d).

deposit, if required, is posted first; then any outstanding late payment charges are satisfied; and then the remaining balance of the payment is posted to the oldest money. PGW St. No. 10-R at 7.

7. OCA's challenge to these practices related to PGW's satisfaction of all late payment charges before partial payments are posted to older balances for gas service. Specifically, OCA contended that PGW should modify its practices so that partial payments are first posted to the oldest balances without any priority being given to the satisfaction of late payment charges. OCA St. No. 4-S at 22.

8. On July 21, 2017, the parties in this proceeding filed a Joint Petition for Partial Settlement with the Commission, which carved out for litigation this partial payment allocation issue and an issue concerning the cost responsibility for universal service charges. Main Briefs and Reply Briefs were filed on July 21, 2017 and August 4, 2017, on these issues.

9. By Recommended Decision, Deputy Chief Administrative Law Judge Christopher Pell and Administrative Law Judge Marta Guhl ("ALJs") served on September 7, 2017, the ALJs recommended approval of the Joint Petition for Partial Settlement. On the partial payment allocation issue, the ALJs recommended that OCA's claim regarding PGW's practices be dismissed without prejudice on the basis that the issue does not involve PGW's tariff. Recommended Decision at 74-77.

10. Following the filing of Exceptions by OCA on September 25, 2017, and the filing of Reply Exceptions by PGW on October 2, 2017, the Commission entered an Opinion and Order on November 8, 2017 ("November 8, 2017 Order"). Through the November 8, 2017 Order, the Commission approved the Joint Petition for Partial Settlement and adjudicated the issues that had been reserved for litigation.

11. As to the issue concerning partial payment allocation practices, the November 8, 2017 Order adopted the ALJs' recommendation to dismiss OCA's claim without prejudice and denied OCA's Exceptions. November 8 Order at 46-49.

12. OCA filed a Petition for Reconsideration on November 27, 2017, to which PGW filed an Answer on December 7, 2017. Also, on December 7, 2017, the Commission entered an Order granting OCA's Petition for Reconsideration, pending further review of, and consideration, on the merits.

13. By Opinion and Order entered on May 18, 2018 ("May 18, 2018 Order"), the Commission granted OCA's Petition for Reconsideration and directed PGW to modify its partial payment allocation practices so that no priority is given to the satisfaction of late payment charges. May 18, 2018 Order at 22.

14. The May 18, 2018 Order also directed PGW to make these modifications within 90 days and file a verification statement with the Commission indicating compliance with this directive within ten days of completion. May 18, 2018 Order at Ordering Paragraphs 10 and 12.

15. On June 4, 2018, PGW filed a Petition for Reconsideration, focusing primarily on the timeline for making the modifications directed by the May 18, 2018 Order but also challenging the Commission's conclusions as to PGW's violation of regulations and contending a lack of substantial evidence to support certain Commission's findings on these issues.

16. On June 14, 2018, OCA filed an Answer to the Petition for Reconsideration agreeing that the Commission may need to revisit the 90-day timeframe for implementation but suggested that PGW's proposed 50-week timeframe may be excessive. In all other respects, OCA argued for the Commission to leave its May 18, 2018 Order intact.

17. By Order entered on June 14, 2018, the Commission granted PGW's Petition for Reconsideration, pending review of, and consideration on, the merits of the Petition.

18. Notwithstanding the granting of PGW's Petition for Reconsideration, PGW has taken significant steps to implement the PUC's May 18, 2018 Order in the event that the PUC declined to revise its holding. However, because of the complexity of the undertaking and other circumstances, PGW still anticipates that the project will not be ready to implement until the second half of 2019.

19. In the proceeding, PGW asserted that the Public Utility Code does not specify, and the Commission has heretofore neither promulgated regulations nor issued a final order mandating a particular payment sequence for the application of partial payments within the general category of "prior basic service;" PGW asserts that its partial payment applications were in fact applied first to "prior basic service" charges. 52 Pa. Code §§ 56.23-56.24.

20. In the proceeding, the OCA asserted that PGW's payment posting sequence is contrary to the Commission's regulations regarding the requirement that the interest calculated on late fees, when annualized, may not exceed 18% simple interest per annum and Sections 1301 and 1303 of the Public Utility Code. See, 52 Pa. Code §§ 56.1, 56.22, 56.23, 56.24,; 66 Pa. C.S. §§ 1301, 1303. The OCA asserted that PGW's payment posting results in the accumulation of interest of late payments which exceeds the Commission's requirements set forth in its regulations at Section 56.22. 52 Pa. Code § 56.22.

II. TERMS AND CONDITIONS OF SETTLEMENT

21. PGW and OCA agree to the following terms and conditions, agree that that they are just, reasonable and in the public interest and request that they be adopted by the Commission in its final order:

- (a) PGW commits to making the modifications directed by the May 18, 2018 Order no later than July 2, 2019. Attached as Exhibit A is a timeline for

implementation, which describes in detail each step of the process, along with an estimated amount of time for completion.³

- (b) By this Settlement, PGW does not admit that its current partial payment allocation practices violate any Commission regulations or provisions of the Public Utility Code.
- (c) Upon approval of this Settlement and amendment by the Commission of the required implementation timeframe set forth in the May 18, 2018 Order to reflect the timeframe for modification of PGW's billing system as set forth herein, PGW's pending Petition for Reconsideration shall be deemed withdrawn. Further, PGW will forego any appellate remedies in connection with the May 18 Order.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

22. PGW and OCA submit that this Settlement is in the public interest because it provides for a reasonable resolution of issues that PGW and OCA have been litigating for nearly two years. This resolution ensures that PGW's partial payment allocation practices will be modified in the manner directed by the May 18, 2018 Order, while also affording PGW adequate time to continue undertaking new code development, and undertake wide-ranging quality assurance and user acceptance testing. Through these measures, PGW will increase the likelihood that the implementation of the new practices will not result in significant, Company-wide billing errors or other implementation errors. Rushing the time in which these billing system changes are implemented will increase the potential for errors to the detriment of customers and add additional cost and time to the process.

³ PGW believes it is currently on track to meet this implementation date. However, PGW notes that circumstances beyond its control have occurred during the process of implementing this change – including the serious illness and subsequent death of its primary coder – which delayed completion of the complex coding changes. Given this complexity, it is imperative that PGW thoroughly test this enhancement prior to fully implementing it. Such testing takes significant time and can lead to coding changes and related re-testing. To the extent that other delays interfere with deployment by July 2, 2019, PGW will promptly inform the OCA and the PUC, along with a detailed explanation and new implementation date, and thereafter PGW will provide bi-weekly status updates to the OCA and the PUC. PGW recognizes that the OCA retains all procedural rights to respond to a notification of a delay, if the OCA deems it necessary.

23. The result is supported by the record in this proceeding, wherein PGW's witness estimated that it would take 33 weeks to develop the code to reprogram the complex changes that would be entailed and another 24 weeks for quality assurance and user acceptance testing. Because PGW has begun the process for making these changes, it is anticipated that a fifty-eight (58) week period from the date of the May 18, 2018 Order will be sufficient.

24. PGW and OCA further submit that this Settlement avoids the need for any further litigation of these issues, including appellate remedies, thereby eliminating any delay caused by the appellate process, and reducing associated costs for both PGW and the Commission. It is also consistent with the Commission's policies promoting negotiated settlements. 52 Pa.Code §§ 5.231, 69.391, 69.401-69.406.

WHEREFORE, PGW and OCA, by their respective counsel, respectfully request that the Commission grant this Joint Petition for Settlement.

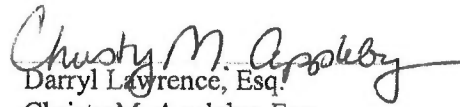
Respectfully submitted,

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Counsel for OCA

Dated: April 17, 2019

EXHIBIT A

Payment Application Project

This project will modify PGW's systematic processing of arrears and payments. In contrast with how PGW's customer information system (CIS) currently handles such processing, in the future each bill will be tracked individually and have its own distribution hierarchy. As PGW's system has never done such processing, this will require an initial conversion of all related data in PGW's CIS.

PGW has already prepared full business and technical requirements for this project. In addition, PGW developers have been working with the business departments on the technical specifications required to ensure that the coding is technically correct and are nearing completion of coding. The expected time required for coding, and full testing will result in a scheduled implementation date of July 2, 2019.

This CIS modification is not a minor one; it touches a significant number of system modules. For example, system functionality that is impacted by this project includes:

- Down payments on PUC and PGW payment agreements
- Payment application on payment agreements
- Reactivation of an applicant's outstanding arrears
- Payment application on CAP accounts
- Application of monies when a customer is removed from CAP
- Budget billing reconciliations
- Financial adjustments on accounts
- Application of grant monies

In order to ensure that the code will function properly with all previously developed CIS processes, it will need to be regression tested.

Time Estimate:

- Coding & Unit Testing – October 15, 2018 completion. Given the significance of this change, PGW developers are not only coding (in accordance with the technical requirements that are being created) they will also engage in unit testing before turning the code over to Quality Assurance testers. Without unit testing, the likelihood of errors in the code increase significantly. If the Quality Assurance testers find errors, they must be reported back to the coders, corrected and re-tested – thus adding significant time to the project.
- Testing (Quality Assurance) – March 15, 2019 completion. The importance of full and proper Quality Assurance testing cannot be understated on a project of this scope. Failure to properly execute on this testing could lead to significant billing errors that could impact every PGW customer's bills and could require complicated adjustments to correct. This could create

significant customer confusion and complaints. Since the original time quote provided to the PUC, PGW has created business requirements and is in the final stage of completing technical requirements. Thus, PGW has been able to more accurately forecast testing timing as set forth herein.¹ Some test “scripts” have already been created for the regression testing that must occur.

- Testing (User Acceptance) – June 14, 2019 completion. User acceptance testing will be performed by experts in the Customer Affairs department. This type of testing is common, required practice for every system change; for this project it will ensure that payment application and billing will meet the PUC mandates and that customers will not have errors on their bills.
- Implementation – July 2, 2019 completion. This time will include a review by the Quality Assurance and User Acceptance testers of the initial conversion job, which is being performed so that all existing system data has been properly modified for future payment applications. This time also includes verification of the change in CIS production to ensure it is functioning as expected.

¹ With respect to the increase in the Quality Assurance and User Acceptance testing timeline from the rate case estimate, once requirements were drafted and PGW’s developers provided feedback regarding the magnitude of code changes, the complexity and risk of the project became clearer. This required PGW to expand its testing efforts (and the related time associated with testing).