

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 28, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission
v.
Philadelphia Gas Works 1307(f)
Docket No. R-2019-3007636

Dear Secretary Chiavetta:

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

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "H. Breitman".

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Enclosures:

cc: Honorable Marta Guhl
Certificate of Service
*273088

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2019-3007636
Philadelphia Gas Works 1307(f) :

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

Dated this 28th day of May 2019.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Gina L. Miller, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

Sharon E. Webb, Esquire
Office of Small Business Advocate
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Charis Mincavage, Esquire
Adelou A. Bakare, Esquire
Alessandra L. Hylander, Esquire
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Brandon J. Pierce, Esquire
Philadelphia Gas Works
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Philadelphia, PA 19122

Deanne M. O'Dell, Esquire
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Harrisburg, PA 17101

/s/ Harrison W. Breitman
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Dated: May 28, 2019
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2019-3007636
	:	
Philadelphia Gas Works	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of Philadelphia Gas Works' 2019-2020 GCR Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On February 1, 2019, Philadelphia Gas Works (PGW or Company) filed its pre-filing information required for its annual Purchased Gas Cost (PGC) rate filing pursuant to Sections 1307(f), 1317, 1318 and 2212 of the Public Utility Code, and Section 53.64 and 53.65 of the Commission's Rules and Regulations. 66 Pa. C.S. §§ 1307, 1318, 2212; 52 Pa. Code §§ 53.64, 53.65. On March 1, 2019, PGW filed its definitive 1307(f) filing. Relative to the current rate of \$4.8779/Mcf, the Company's definitive filing anticipates an increase of \$0.1108/Mcf, to a rate of \$4.9887/Mcf, to be effective September 1, 2019.

The Company's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Marta Guhl for investigation and the scheduling of

hearings to determine whether PGW's purchased gas costs comply with the standards set forth in the Public Utility Code.

On February 11, 2019, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 5, 2019, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 11, 2019, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 19, 2019, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed its Petition to Intervene.

On March 5, 2019, a Prehearing Conference was held, at which time a procedural schedule was established and other preliminary matters were addressed. On April 16, 2019, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. I&E also submitted the Direct Testimony of Ethan H. Cline and Christopher M. Henkel. On May 2, 2019, the Company submitted the Rebuttal Testimony of Raymond M. Snyder. On May 8, 2019, the OCA submitted the Surrebuttal Testimony of Mr. Mierzwa.

In accordance with the Commission's Rules and Regulations at 52 Pa. Code § 5.321, the parties undertook discussions in an attempt to reach a settlement. On May 8, 2019, the parties informed ALJ Guhl that a settlement in principle had been reached on all issues. ALJ Guhl canceled the evidentiary hearings. ALJ Guhl required that the parties file the Settlement by May 28, 2019. The Settlement includes Appendix B, the Stipulated Record, for admission into the evidentiary record.

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

II. SETTLEMENT

A. GCR Rates

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

B. Choice Supplier Capacity Release Charges

PGW maintains firm transportation (FT) capacity on two interstate pipelines: (1) Texas Eastern Transmission (Tetco) and (2) Transcontinental Gas Pipe Line (Transco). OCA St. 1 at 3, 4-7. PGW releases a portion of its Tetco and Transco FT capacity to suppliers serving the Company's Choice transportation customers. OCA St. 1 at 3, 8. In Direct Testimony, OCA witness Mierzwa identified a concern that the rates assessed to Choice suppliers are less than the weighted average cost PGW pays for the Tetco and Transco FT capacity. OCA St. 1 at 8-10. Mr. Mierzwa recommended that suppliers be assessed charges for released FT capacity based on PGW's weighted average cost of Tetco and Transco capacity. OCA St. 1 at 3, 8-9.

PGW witness Snyder disagreed and stated that if Choice suppliers were charged the weighted average cost of gas for Tetco and Transco capacity, Choice suppliers would be paying costs of capacity that they are not otherwise assigned. PGW St. 2R at 2; OCA St. 1-SR at 1. As OCA witness Mierzwa stated in his Surrebuttal Testimony, Mr. Mierzwa did not agree with Mr. Snyder's conclusions. OCA St. 1-SR at 2-5.

The OCA submits that the Settlement is a reasonable resolution to the issue. The Settlement provides:

- a) PGW agrees to revise the release location on Transco to Zone 2 to City Gate (currently Zone 3 to City Gate). Releases from this location will begin on or about November 1, 2019.

b) PGW agrees to revise the release location on TETCO to approximately 70% ELA to City Gate and 30% STX to City Gate, to the best of PGW's ability based on operational constraints, under contract 800232 (CDS). Releases from these locations will begin on or about November 1, 2019.

Settlement at ¶ III (2). Importantly, the Settlement revises the release locations to move the Company closer to the weighted average cost for gas. All parties have reserved their rights to address the issue in the next GCR proceeding. The OCA submits that this provision is in the public interest to provide the parties with additional and more complete information to fully address this issue in the next GCR proceeding.

C. Conservation Incentive Program (CIP)

In PGW's 2014-2016 Universal Service and Energy Conservation Plan (USECP), PGW proposed, and the Commission approved, a pilot CIP. OCA St. 1 at 11. Under the CIP, customers participating in PGW's Customer Assistance Program (CAP) for low-income customers received a bill credit of \$100 if they achieve certain usage reductions. Id. PGW subsequently filed its proposed 2017-2020 USECP and proposed continuation of the pilot CIP. Id. In its Order approving the 2017-2020 USECP, the Commission directed PGW to provide a status update summary regarding the CIP with its annual Low Income Usage Reduction Plan. Id. at 11-12.

In his Direct Testimony, OCA witness Mierzwa raised concerns regarding PGW's calculation of weather-normalized usage for purposes of determining eligibility for the bill credits. Id. at 13. OCA witness Mierzwa recommended that PGW's weather-normalization process be addressed at the Commission-ordered stakeholder meeting where the Pilot CIP is to be evaluated and discussed, and that the Company be required to file a report with the Commission presenting the findings of the stakeholders. Id. at 14. PGW witness Snyder did not address the CIP in his Rebuttal Testimony.

The Settlement provides:

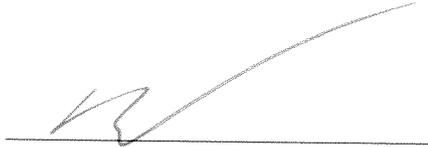
- a) PGW agrees to review and address the OCA's issues regarding the weather normalization process and consider revising the process as part of the calculation for the 2019 credits.
- b) PGW will report on the weather normalization process as part of the USECP stakeholder process in the meeting to be scheduled in 2019 or 2020 to discuss the CIP.
- c) PGW agrees to report on the CIP and the CIP stakeholder process in its next filed USECP (2021-2023).
- d) The OCA retains its right to address issues related to the CIP weather normalization process in future proceedings to include the issues raised during the testimony of this proceeding.
- e) PGW is permitted to recover its 2017 and 2018 CIP credit expenses in the total amount of \$1,123,300, and agrees to amortize recovery of those costs over a two-year period. PGW is also permitted to recover its CIP costs for 2019 and on a going-forward basis. PGW will revise its tariff consistent with Exhibit DA-1 to reflect recovery of the CIP costs. PGW will begin billing for the CIP credit by December 1, 2019.

Settlement at ¶ III (4). The OCA submits that these provisions address the concerns raised by OCA witness Mierzwa in his Direct Testimony and retains the OCA's right to address issues related to the CIP in future proceedings. The OCA submits that these provision are in the public interest, and will provide the parties with additional information to more fully address this issue in the next GCR proceeding.

III. CONCLUSION

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

Respectfully Submitted,



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DATE: May 28, 2019

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