



PHILADELPHIA GAS WORKS

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May 28, 2019

Via E-Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, 1 North
400 North Street
Harrisburg, PA 17120

Re: Philadelphia Gas Works 2019-2020 Purchased Gas Cost Rate Filing
Docket No. R-2019-3007636

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works ("PGW"), enclosed for electronic filing is the Joint Petition for Settlement of PGW's 2019-2020 Purchased Gas Cost Rate Proceeding and PGW's Statement in Support. Copies have been served in accordance with the attached Certificate of Service. Please contact me if you have questions.

Respectfully,

A handwritten signature in black ink, appearing to read "Brandon J. Pierce", is written over a horizontal line. The signature is fluid and cursive in style.

Brandon J. Pierce, Esquire

Enclosure

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.** :

Docket No. R-2019-3007636

v.

PHILADELPHIA GAS WORKS :

**JOINT PETITION FOR SETTLEMENT OF
PHILADELPHIA GAS WORKS'
2019-2020 GCR PROCEEDING**

I. INTRODUCTION

Philadelphia Gas Works (“PGW” or the “Company”), the Bureau of Investigation and Enforcement (“I&E”) and the Office of Consumer Advocate (“OCA”) (collectively “the Settling Parties”)¹ hereby submit this Joint Petition for Settlement of PGW’s 2019-2020 Gas Cost Rate (“GCR”) Proceeding (“Settlement”), as captioned above, and respectfully request the following:

- 1) That Administrative Law Judge (“ALJ”) Marta Guhl recommend that the Commission approve this Settlement and all of its terms and conditions.
- 2) That the ALJ recommends, and the Commission authorizes, PGW to file a tariff supplement to reflect rates and terms consistent with this Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket No. R-2019-3007636, to be effective for services rendered on or after September 1, 2019, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2019, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by paragraph III 1.(b) of this Settlement.

¹ The Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

- 3) That based on the data and testimony submitted in this case, the ALJ recommends, and the Commission makes, the Findings of Facts and Conclusions of Law proposed at Sections IV and V below.
- 4) That the Commission terminate its investigation at Docket No. R-2019-3007636, deem the complaints at Docket Nos. C-2019-3007819 and C-2019-3007837 satisfied, and mark the proceedings closed.

II. BACKGROUND

- 1) On February 1, 2019, PGW filed its supporting information for the pre-filing for its annual 2019-2020 Gas Cost Rate (“GCR”) pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64 (“February 1, 2019 Pre-filing”)
- 2) At the same time, PGW noted that – pursuant to the Commission’s approval in its 2018-2019 GCR² – it intended to depart from certain requirements of 52 Pa. Code Sections 53.45(b), 53.64(c), 53.68(a) and 53.64(i)(5)(i) to address the timing of bill inserts, public notice and underlying data to be relied upon for the March 1, 2019 quarterly 1307(f) filing.
- 3) I&E entered a Notice of Appearance on February 5, 2019.
- 4) OSBA and OCA filed complaints on February 8, 2019, and February 11, 2019, respectively. The OSBA complaint is docketed at C-2019-3007819 and the OCA complaint is docketed at C-2019-3007837. Per letter filed on March 7, 2019, PGW stated its intention not to file answers consistent with 52 Pa. Code § 5.61(d).
- 5) On February 18, 2019, the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene.

² *Pennsylvania Public Utility Commission, et. al. v. Philadelphia Gas Works 2018-2019 Gas Cost Rate Filing*, Docket No. R-2018-2645938, Final Order entered August 2, 2018 at 3-4.

- 6) On March 1, 2019, PGW filed its Section 1307(f) filing, which included proposed tariff revisions, supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2020 and the direct testimony of Kenneth Dybalski (PGW St. 1), Raymond Snyder (PGW St. 2), Denise Adamucci (PGW St. 3), and Florian Teme (PGW St. 4) (“March 1, 2019 Annual Filing”). This filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies to make annual purchased gas cost filings with the Commission to reflect increases or decreases in natural gas costs.
- 7) PGW provided public notice of its proposed GCR rate in Supplement No. 119 through bill inserts during the month of March, beginning on March 1, 2019. Also, PGW published notice in *The Philadelphia Daily News*, *The Philadelphia Inquirer*, *Al Dia*, *The Philly Tribune*, *The Northeast Times*, *The South Philly Review*, *Philadelphia Weekly*, and *The Star*.
- 8) On March 18, 2019, I&E filed an Expedited Motion to Strike Certain Portions of Philadelphia Gas Works’ Gas Cost Rate Filing (“Motion”) seeking to strike or exclude the portions of PGW’s gas cost rate filing referencing PGW’s proposal for establishing Rate LNG-N. On March 21, 2019, PGW filed a timely Answer to said Motion. The OCA filed an Answer on the same date.
- 9) By Interim Order dated March 26, 2019, ALJ Guhl granted the Motion and directed PGW to strike the portions of its filing referencing its proposal for establishing Rate LNG-N and directed that portions of PGW St. No. 2 identified as page 12, line 18 through page 16, line 15 and Exh. RMS-2 be stricken.
- 10) On March 29, 2019, PGW filed a letter with the Secretary withdrawing the LNG-N-related materials per the ALJ’s Interim Order and served an updated version of PGW St. No. 2 on the parties.

- 11) An Initial Prehearing Conference was held on March 27, 2018.
- 12) As set forth in Prehearing Order #1, dated April 8, 2019, during the prehearing conference, the Petition to Intervene of PICGUG was granted. In addition, discovery modifications and a litigation schedule were adopted.
- 13) Discovery, both formal and informal, was undertaken by the parties. Formal discovery consisted of approximately 142 interrogatories (approximately 240 including subparts) propounded by these parties.
- 14) Consistent with the litigation schedule, on April 16, 2019: (1) OCA served Statement No. 1, the Direct Testimony of Jerome D. Mierzwa; and, (2) I&E served I&E Statement No. 1, the Direct Testimony of Ethan H. Cline and I&E Statement No. 2 the Direct Testimony of Christopher M. Henkel. No other party elected to serve direct testimony.
- 15) On May 2, 2019, PGW served PGW Statement 2R, the Rebuttal Testimony of Raymond M. Snyder. No other party served rebuttal testimony.
- 16) On May 7, 2019, OCA served Statement No. 1-S, the Surrebuttal Testimony of Jerome D. Mierzwa. No other party served surrebuttal testimony.
- 17) Based on the review of the testimony in this matter and settlement discussions open to all parties, a settlement was reached which resolves all issues pertaining to PGW's 2019-2020 annual GCR Filing.

III. SETTLEMENT

The undersigned Settling Parties, intending to be legally bound and for due consideration given, agree to accept the underlying data and calculations submitted by PGW in its February 1, 2019 pre-filing and its March 1, 2019 annual filing subject to the terms and conditions set forth below:

1) PURCHASED GAS COST RATES

- a) The GCR rate adopted by this Settlement is \$4.9887 per Mcf. This rate is predicated on PGW's gas cost projections at the time of the March 1, 2019 annual GCR filing. In accordance with 52 Pa. Code § 53.64, PGW will submit a quarterly adjustment to the GCR rate on or before September 1, 2019, to be effective on one day's notice, to account for actual experience and changes in forecasted natural gas prices and demand, which will establish the GCR rate, effective September 1, 2019.
- b) PGW shall calculate the quarterly filing updates for the 2019-2020 GCR period in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(5).
- c) Attached as Appendix "A" hereto are the rates relating to this Settlement.

2) CHOICE SUPPLIER CAPACITY RELEASE CHARGES

- 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. Charges shall be set at maximum pipeline rates.
- 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. Charges shall be calculated set at maximum pipeline rates.

3) STUDY IN SUPPORT OF PEAK DAY METHODOLOGY

PGW agrees to present an updated study with next year's GCR filing that supports the validity of PGW's peak day methodology.

4) CONSERVATION INCENTIVE PROGRAM (CIP)

- 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.

5) PLANALYTICS ENERGY BUYER SERVICES

PGW is permitted to continue to recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2019-2020 GCR period. Continued recovery of the fee beyond the 2019-2020 GCR period must be addressed in next year's Purchased Gas Cost proceeding.

6) OFF-SYSTEM SALES MARGIN, CAPACITY RELEASE CREDIT AND ASSET MANAGEMENT MARGIN/CREDIT/FEE RETENTION

PGW is permitted to continue to retain 25% of capacity release credits (excluding capacity release to firm transportation suppliers), off-system sales margin and asset

management margin/credit/fees with the remaining 75% applied as an offset to purchased gas costs.

7) NOTICE OF FUTURE ANNUAL GCRs AND USE OF ESTIMATED DATA FOR MARCH QUARTERLY GCR

a) The parties agree that PGW is requesting in this Settlement that the Commission permit PGW to continue to proceed as follows in its 2020-2021 GCR proceedings:

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

b) The Settling Parties do not object to PGW's request to use the public notice process and estimated data for the March 1 quarterly filing for its 2020-2021 GCR proceeding.

8) ADMISSION OF EVIDENCE

The Settling Parties stipulate to the admission of the filing, testimony and exhibits identified in Appendix "B" hereto.

IV. PROPOSED FINDINGS OF FACT

As a consequence of the Settlement terms and conditions set forth in Section III above, the Settling Parties request that the ALJ and the Commission make the following findings of fact and such other findings and conclusions as may be required as appropriate:

- 1) The GCR is a mechanism used to flow through the costs of natural gas and other raw materials in a timely and equitable manner. (PGW St. 1 at 7-8). The pricing methodology utilized by PGW relies on actual prices for January 2019 and the NYMEX Futures close data (as of January 16, 2019) for February 2019 through August 2020. (PGW St. 1 at 8).
- 2) PGW's gas distribution system is located in Southeastern Pennsylvania in the County and City of Philadelphia. Since this is not a gas producing area, PGW and its natural gas customers are dependent upon the interstate natural gas pipeline system to deliver natural gas into the PGW gas distribution system. (PGW St. 2 at 2).
- 3) PGW relies on interstate pipelines for all natural gas supply, storage and transportation services, except for PGW's own on-system peak shaving facilities. PGW owns and operates two liquefied natural gas ("LNG") facilities that are used both to meet intraday, daily and seasonal supply needs as well as to meet peak day requirements. (PGW St. 2 at 2). PGW also uses off-system natural gas storage services to meet winter peak requirements. (PGW St. 2 at 2).
- 4) Spectra Energy's Texas Eastern Transmission ("TETCO") and Williams' Transco Gas Pipeline ("Transco") are the two interstate natural gas pipelines that deliver gas to PGW's city gates. (PGW St. 2 at 2). In Fiscal Year 2019, PGW purchases 100% from Market Zone M2 from TETCO. (PGW St. 2 at 9).

- 5) PGW charges its Choice suppliers for the capacity that is released to the suppliers. For Transco, the suppliers are charged the max rate from Zone 3 to Zone 6. For TETCO, the suppliers are charged 100% of the path rate calculation in accordance with the Texas Eastern Capacity Release formula. (PGW St. 2R at 2).
- 6) PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production. (PGW St. 2 at 5).
- 7) PGW pursues a least cost procurement policy using a portfolio approach in both contract structure and pricing. The portfolio approach allows PGW to remove some of the volatility in purchasing natural gas supplies for its ratepayers. PGW does this by utilizing a mix of (1) daily index priced swing contracts, (2) physical forward purchase contracts, (3) storage, and (4) LNG, as appropriate given market conditions, and to the extent PGW is not constrained by its financial condition. (PGW St. 2 at 3-5).
- 8) PGW utilizes Planalytics to provide price analysis and buying advisory service as part of its efforts to obtain gas at least cost. Planalytics provides a comprehensive amount of information useful in the procurement process. (PGW St. 2 at 8-9).
- 9) To ensure system reliability while seeking to procure gas at the last cost, PGW physically sources the gas in accordance with its firm pipeline paths and pays a demand charge. PGW reviews these contracts on a regular basis and initiates renegotiations if appropriate to protect its customers' interests. (PGW St. 2 at 5).
- 10) PGW also uses capacity release and off-system sales when available. The prices for the off-system sales are negotiated and 75% of associated credits and margins are returned to customers through the GCR. (PGW St. 1 at 10-11; PGW St. 2 at 6-8). Beginning with the 2019-2020 GCR period, asset management margins (which are received when PGW enters into a contract with a third party to manage all or part of a storage contract or firm

pipeline transportation contract) are included as a part of these calculations. (PGW St. 2 at 6-7). The ratepayers and the utility receive benefits from this policy because it creates an incentive to maximize efforts to make off-system sales and capacity release transactions, thereby increasing the amounts applied to the gas cost rate and the lesser portion retained by the utility. (PGW St. 2 at 8).

- 11) The details of PGW's actual gas purchases for the 12 months ending December 31, 2018 are presented in the schedules attached to Tab 1, Item 53.64(c)(1) of PGW's February 1, 2019 Pre-filing. The details of PGW's forecast for the period of January 1, 2019 through August 31, 2020 are presented in Tabs 3 and 4 of PGW's March 1, 2019 Annual Filing.
- 12) Projected gas costs as reflected in this Settlement are based on peak-day capacity requirements at a 0 degree design day temperature. (Tab 12, Item 53.64(c)(13) of PGW's February 1, 2019 Pre-filing).
- 13) PGW uses a two-step process to arrive at the appropriate level of usage per customer to factor in weather variations. (PGW St. 1 at 9-10).
- 14) PGW submitted supporting schedules as required by Section 53.64(a) in support of its GCR; the Price to Compare; and, the rates for various surcharges including the Restructuring and Consumer Education Surcharge, the Universal Service and Energy Conservation Surcharge, the Other Post Employment Benefit Rider Surcharges. (PGW St. 1 at 3-7)
- 15) Pursuant to PUC regulation, PGW is required to file a proposed triennial Universal Service and Energy Conservation Plan ("USECP"). PGW's currently effective "2017-2020 USECP" covers the program plan period of January 1, 2017 through December 31, 2020 and was approved by the Commission on October 5, 2017. (PGW St. 3 at 2).

- 16) PGW's General Service Tariff – Pa P.U.C. No. 2 includes a Commission-approved Universal Service and Energy Conservation (“USC”) Surcharge which is currently designed to recover certain costs associated with PGW's universal service programs. (PGW St. 3 at 3-4). The USC factors are computed in accordance with the automatic adjustment procedures utilized under Section 1307(f) of the Public Utility Code and are submitted for approval as part of PGW's annual GCR filing. (PGW St. 1 at 6; PGW St. 3 at 4).
- 17) PGW's pilot Conservation Incentive Program (“CIP”) was approved in its 2014-2016 USECP and permits eligible participants in PGW's low-income customer assistance program (CRP) to receive a bill credit of \$100 if they achieve the specified usage reduction requirements. A customer's weather normalized usage is relied upon for calculating whether or not the customer is eligible to receive a credit pursuant to PGW's pilot CIP. (PGW St. 3 at 5).
- 18) CIP credits were provided for 2016, 2017 and 2018. (PGW St. 3 at 5-7). The total amount of credits provided for 2017 and 2018 equal \$1,123,300. (PGW St. No. 3 at 6-7). PGW's currently approved 2017-2020 USECP remains in effect through December 31, 2020. Therefore, PGW anticipates issuing incentive credits for 2019 and 2020. (PGW St. 3 at 7). PGW has not made any decision yet about whether to propose continuing the pilot CIP beyond December 31, 2020. (PGW St. 3 at 7).
- 19) As approved in PGW's 2017 base rate case, PGW's tariff includes a Technology and Economic Development (“TED”) Rider as well as a Back-Up Service (“BUS”) Rate. No customers are utilizing the TED rider and information related to the number of customers, sales levels, and costs incurred for the BUS customers is provided in Exhibit FT-1. (PGW St. 4 at 2-3).

V. PROPOSED CONCLUSIONS OF LAW

1) Historical Reconciliation Period Standards

With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2018,³ it is requested that the ALJ and the Commission find that PGW has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa.C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that, during the twelve months ended December 31, 2018, PGW met the requirements of Section 1318(a) of the Public Utility Code by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.

2) Interim and Projected Period Findings

- a) With respect to the eight-month interim period beginning on January 1, 2019, and with respect to the projected twelve-month period beginning September 1, 2019, when rates contained in this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning PGW's projected purchases and purchasing policies, that the rates to be adopted by the Commission result from PGW's compliance with all of the provisions of Section 1318 of the Public Utility Code.
- b) The Settling Parties agree, based upon evidence of record in this proceeding concerning PGW's projected gas purchases and gas purchasing policies, that PGW's projected gas purchases and projected gas purchasing policies comply with the standards of Section

³ The reconciliation period for PGW in this proceeding is the twelve-month period ended December 31, 2018, in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(1).

1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section V.2., is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and further review in an appropriate future proceeding. Section V.2. of the Settlement is not intended in any way to limit or prevent I&E or OCA from reviewing, after such projected gas purchases actually have been made and gas purchasing practices actually have been implemented, whether PGW's gas purchases and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from January 1, 2019 through August 31, 2019 were challenged, the Commission's findings based upon Section V of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing January 1, 2019, and the twelve-month application period commencing September 1, 2019, and ending on August 31, 2020.

VI. CONDITIONS OF SETTLEMENT

- 1) This Settlement will go into effect upon the Commission's entry of a final order approving the Settlement, in full and without modification. If the Commission rejects the Settlement, the Agreement automatically will terminate and be null and void with the exception of paragraph VI.3 below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph VI.3, below) if the Commission, in approving the Settlement, modifies any of its terms or conditions or adds any conditions, unless it is subsequently accepted by the aggrieved signatory party, or parties, as so modified. If the Commission approves the Settlement in full and without modification, the Stipulation:
 - a) shall be deemed to resolve with prejudice all issues addressed by this Settlement; and

- b) shall be implemented and shall be enforceable notwithstanding the pendency of a petition for reconsideration or a legal challenge to the Commission's approval, unless such implementation and enforcement of the Settlement is stayed or enjoined by the Commission, another regulatory agency, or a Court having competent jurisdiction over the matter.
- 2) This Settlement is made without admission against or prejudice to any factual or legal positions which any of the signatories hereto may assert in subsequent litigation in the event that the Commission does not issue a final Order approving this Settlement in full and without modification. If the Commission does not adopt this Settlement in accordance with the terms set forth herein, the Settling Parties reserve their full right to argue that the Commission is without the legal authority to order the implementation of all or part of the terms and conditions set forth herein and no party shall be deemed to have waived or be estopped from asserting such a position before the Commission or before any court.
- 3) This Settlement Petition may be executed in counterparts, all of which shall constitute one agreement binding on all signatories, and shall have the same force and effect as an original instrument, notwithstanding that the signatories may not be signatories to the same original or the same counterpart.
- 4) Each of the Settling Parties will submit a Statement in Support of this Settlement.
- 5) The Settling Parties agree to waive exceptions to the ALJ's Recommended Decision if the ALJ recommends that the Joint Petition for Settlement of Philadelphia Gas Works' 2019-2020 GCR Proceeding be approved without change or modification.⁴

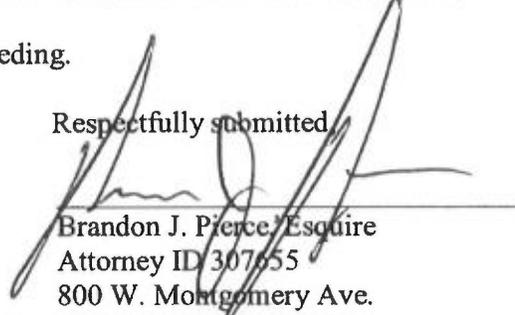
⁴ See Appendix C – Sample Ordering Paragraphs for the Recommended Decision.

VII. CONCLUSION

WHEREFORE, the Settling Parties, by their respective counsel, respectfully request as follows:

- 1) That Administrative Law Judge Marta Guhl and the Commission approve this Settlement including all terms and conditions thereof; and
- 2) That the Commission enter an order consistent with this Settlement, resolving and terminating the 2019-2020 GCR proceeding.

Respectfully submitted,

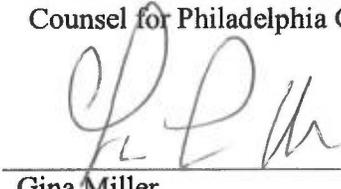


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Counsel for Office of Consumer Advocate

Counsel for Bureau of Investigation & Enforcement

APPENDIX A

<u>Gas Cost Rate</u>	<u>9/1/2019</u>
Rate per Mcf	\$4.9887
<u>Universal Services Surcharge</u>	
	<u>9/1/2019</u>
Rate per Mcf	\$1.5383
<u>Other Post Employment Benefit Surcharge</u>	
	<u>9/1/2019</u>
Rate per Mcf	\$0.3097

APPENDIX B

Stipulated Record

- 1) PGW's February 1, 2019 Pre-filing Information;
- 2) PGW's March 1, 2019 Annual GCR Filing;
- 3) PGW St. 1, Direct Testimony of Kenneth S. Dybalski, dated March 1, 2019;
- 4) PGW St. 2, Direct Testimony of Raymond M. Snyder and accompanying Exhibit RMS-1, dated March 1, 2019 (as modified by Interim Order dated March 26, 2019);
- 5) PGW St. 3, Direct Testimony of Denise Adamucci and accompanying Exhibit DA-1, dated March 1, 2019;
- 6) PGW St. 4, Direct Testimony of Florian Teme and accompanying Exhibit FT-1, dated March 1, 2019;
- 7) OCA St. 1, Direct Testimony of Jerome D. Mierzwa, and all accompanying schedules and appendices, dated April 16, 2019;
- 8) I&E Statement No. 1, Direct Testimony of Ethan H. Cline, and I&E Exhibit No. 1, the Exhibit to Accompany the Direct Testimony of Ethan H. Cline, dated April 16, 2019;
- 9) I&E Statement No. 2, Direct Testimony of Christopher M. Henkel, and I&E Exhibit No. 2, the Exhibit to Accompany the Direct Testimony of Christopher M. Henkel, dated April 16, 2019;
- 10) PGW St. 2R, Rebuttal Testimony of Raymond M. Snyder, dated May 2, 2019;
- 11) OCA St. 1-S, Surrebuttal Testimony of Jerome D. Mierzwa, and all accompanying schedules and appendices, dated May 7, 2019.

APPENDIX C

Sample Ordering Paragraphs for Recommended Decision

- 1) The Joint Petition for Settlement of Philadelphia Gas Works' 2019-2020 GCR Proceeding submitted by the Philadelphia Gas Works, the Bureau of Investigation and Enforcement and the Office of Consumer Advocate is approved.
- 2) Philadelphia Gas Works is authorized to file a tariff supplement to reflect rates and terms consistent with this order to be effective for services rendered on or after September 1, 2019, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2019, to reflect actual experience and changes in forecasted natural gas prices. Philadelphia Gas Works is also authorized to revise its tariff to recover the costs of its Conservation Incentive Program for 2017, 2018, 2019, and going forward.
- 3) Philadelphia Gas Works is authorized to revise the release location for Choice Supplier capacity release on Transco to Zone 2 to City Gate (currently Zone 3 to City Gate) to begin on or about November 1, 2019.
- 4) Philadelphia Gas Works is authorized to revise the release location for Choice Supplier capacity release on TETCO to approximately 70% ELA to City Gate and 30% STX to City Gate, to the best of Philadelphia Gas Works' ability based on operational constraints, under contract 800232 (CDS). Releases from these locations are to begin on or about November 1, 2019.
- 5) Philadelphia Gas Works is directed to present an updated study with next year's GCR filing that supports the validity of its peak day methodology.

- 6) Philadelphia Gas Works is directed to review and address concerns raised in this proceeding regarding its weather normalization process and consider revising the process as part of the calculation for the 2019 credits.
- 7) Philadelphia Gas Works is directed to report on the weather normalization process as part of the Universal Service and Energy Conservation Plan stakeholder process in the meeting to be scheduled in 2019 or 2020 to discuss the Conservation Incentive Program.
- 8) Philadelphia Gas Works is directed to report on the Conservation Incentive Program and the Conservation Incentive Program stakeholder process in its next filed Universal Service and Energy Conservation Plan (2021-2023).
- 9) Philadelphia Gas Works is permitted to recover its 2017 and 2018 Conservation Incentive Program credit expenses in the total amount of \$1,123,300, to amortize recovery of those costs over a two-year period, and to recover its Conservation Incentive Program costs for 2019 and on a going-forward basis.
- 10) Philadelphia Gas Works is permitted to continue to recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2019-2020 GCR period. Continued recovery of the fee beyond the 2019-2020 GCR period must be addressed in next year's Purchased Gas Cost proceeding.
- 11) Philadelphia Gas Works is permitted to continue to retain 25% of capacity release credits, off-system sales margin and asset management margin/credit/fees with the remaining 75% applied as an offset to purchased gas costs.
- 12) Philadelphia Gas Works is permitted to proceed as follows in its 2020-2021 GCR proceedings:
 - (1) provide written notice to customers by bill insert in the one-month billing commencing on the date of the annual 1307(f) filing, on March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs and ending no later than thirty (30) days after the

filing of such tariff addendum and tariff or tariff supplement, instead of beginning such notice with the one-month billing commencing thirty (30) days prior to the filing of the tariff addendum and tariff or tariff supplement as required by 52 Pa. Code § 53.68(a);

(2) in company offices in which payments are accepted, provide public notice on the date of the annual 1307(f) filing, March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs, instead of thirty (30) days prior to the filing of such tariff addendum and tariff or tariff supplement as required by 52 Pa. Code §§ 53.68(a) and 53.45(b); and

(3) provide estimated data for both January and February in the March 1 quarterly 1307(f) filing instead of providing actual data for January alone as required by 52 Pa. Code § 53.64(i)(5)(i).

5) The Commission investigation at Docket R-2019-3007636 is terminated and shall be marked closed.

6) The formal complaints at docket numbers C-2019-3007819 and C-2019-3007837 are deemed satisfied and shall be marked closed.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION, et al.	:	
	:	Docket No. R-2019-3007636
v.	:	
	:	
PHILADELPHIA GAS WORKS	:	

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
ON PHILADELPHIA GAS WORKS' 2019-2020 GCR PROCEEDING**

Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Settlement (“Settlement”) of its 2019-2020 Gas Cost Rate (“GCR”) Proceeding. The Settlement is offered as a full resolution of the issues in the above-captioned proceeding. PGW supports approval of the Settlement without modification and respectfully requests that Administrative Law Judge (“ALJ”) Marta Guhl and the Commission make the findings as required by Sections 1317 and 1318 of the Public Utility Code and approve this Settlement as in the public interest.

I. BACKGROUND

On February 1, 2019, PGW filed its supporting information for the pre-filing for its annual 2019-2020 Gas Cost Rate (“GCR”) pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64 (“February 1, 2019 Pre-filing”). At the same time, PGW noted that—pursuant to the Commission’s approval in its 2018-2019 GCR¹—it intended to depart from certain requirements of 52 Pa. Code Sections 53.45(b), 53.64(c), 53.68(a) and 53.64(i)(5)(i) to address the timing of bill inserts, public notice, and underlying data to be relied upon for the March 1, 2019 quarterly 1307(f) filing. On March 1, 2019, PGW filed its Section 1307(f) filing, which included proposed

¹ *Pennsylvania Public Utility Commission, et. al. v. Philadelphia Gas Works 2018-2019 Gas Cost Rate Filing, Docket No. R-2018-2645938, Final Order entered August 2, 2018 at 3-4.*

tariff revisions, supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2020, and the direct testimony of Kenneth Dybalski (PGW St. 1), Raymond Snyder (PGW St. 2) Denise Adamucci (PGW St. 3), and Florian Teme (PGW St. 4) (“March 1, 2019 Annual Filing”).

The Bureau of Investigation and Enforcement (“I&E”) entered a Notice of Appearance on February 5, 2019. The Office of Small Business Advocate (“OSBA”) filed a Complaint (Docket No. C-2019-3007819), Public Statement and Notice of Appearance on February 8, 2019. The Office of Consumer Advocate (“OCA”) filed a Formal Complaint (Docket No. C-2019-3007837) and Public Statement on February 21, 2018. The Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene on February 18, 2019.

On March 18, 2019, I&E filed an Expedited Motion to Strike Certain Portions of Philadelphia Gas Works’ Gas Cost Rate Filing (“Motion”) seeking to strike or exclude the portions of PGW’s gas cost rate filing referencing PGW’s proposal for establishing Rate LNG-N. On March 21, 2019, PGW filed a timely Answer to said Motion. The OCA filed an Answer on the same date. By Interim Order dated March 26, 2019, ALJ Guhl granted the Motion and directed PGW to strike the portions of its filing referencing its proposal for establishing Rate LNG-N and directed that portions of PGW St. No. 2 identified as page 12, line 18 through page 16, line 15 and Exh. RMS-2 be stricken.

An Initial Prehearing Conference was held on March 27, 2019. Prehearing Conference Order #1 was entered on April 8, 2019, which granted the Petition to Intervene of PICGUG, and adopted discovery modifications and a litigation schedule. Discovery, both formal and informal, was undertaken by the parties. Formal discovery consisted of approximately 142 interrogatories (243 including subparts) propounded by these parties.

Consistent with the litigation schedule, OCA and I&E both served direct testimony on April 16, 2019. PGW served rebuttal testimony on May 2, 2019. On May 7, 2019, OCA served surrebuttal testimony. No other testimony was served.

Based on the review of the testimony in this matter and settlement discussions open to all parties, a settlement was reached that resolves all issues pertaining to PGW's 2019-2020 annual GCR Filing. All the facts necessary to approve the settlement are included in the record of the proceeding through the filing and supporting data, the testimony, and the attachments to the Settlement which have been submitted to the ALJ through stipulation of the parties.

II. THE SETTLEMENT SATISFIES PGW'S LEGAL OBLIGATIONS

Approval of this Settlement will result in PGW pursuing a least cost fuel procurement policy consistent with PGW's obligation to provide safe, adequate, and reliable service. PGW accomplishes this by: (1) using a portfolio approach in contract structure and pricing; and (2) utilizing capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees as an additional cost saving strategy. Fully 75% of the margin/credit/fees are used as a reduction to purchased gas costs. The Settlement addresses three main issues that were identified by the parties in this proceeding and proposes a reasonable settlement of each.

First, PGW agrees to address OCA's concerns related to Choice supplier capacity release charges by revising the release locations on both the Transco and TETCO pipelines. This change represents a compromise position between PGW's and OCA's filed testimony positions and is reasonable because it recognizes both the importance of ensuring that actual costs are charged as well as the operational processes that PGW must undertake with regard to releasing the capacity and billing for it.

Second, PGW agrees to address I&E's concern regarding the age of PGW's peak day methodology study. PGW will present an updated study as part of its 2020-2021 annual 1307(f) filing. Submitting an updated study will provide the Commission and interested stakeholders more current information upon which to evaluate PGW's peak day methodology.

Third, PGW agrees to address I&E's and OCA's concerns regarding PGW's Pilot Conservation Incentive Program ("CIP"). Specifically, PGW agreed to review and address concerns about the weather normalization process and consider revising the process as part of the calculation for the 2019 credits. Further, PGW will report on the weather normalization process as part of the Universal Service and Energy Conservation Program ("USECP") stakeholder process in the meeting to be scheduled in 2019 or 2020 to discuss the CIP pursuant to the Commission's approval of PGW's 2017-2020 USECP.² PGW will also report on the Pilot CIP and the Pilot CIP stakeholder process in its next filed USECP (2021-2023). The OCA retains its right to address issues related to the Pilot CIP weather normalization process in future proceedings to include the issues raised during the testimony of this proceeding. PGW is permitted to recover its 2017 and 2018 Pilot 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 Pilot CIP costs for 2019 and on a going-forward basis. This basket of terms represents a reasonable resolution of the Pilot CIP issue because it enables PGW to receive cost recovery related to the Pilot CIP and utilizes the already established USECP processes to provide an avenue for further study and evaluation of the Pilot to inform PGW's decision regarding the future of the program.

² *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2012-2020 Submitted in Compliance with 52 Pa. Code § 62.4*, Docket No. M-2016-2542415, Order approving revised 2017-2020 USECP entered October 5, 2017.

Finally, the Settlement contains other important terms which are consistent with Commission-approved settlements from PGW's prior GCR proceedings, including: (1) permitting PGW to continue to recover the Planalytics fee; (2) permitting PGW to continue to retain 25% of capacity release credits (excluding capacity release to firm transportation suppliers), off-system sales margin and asset management margin/credit/fees with the remaining 75% applied as an offset to purchased gas costs; and, (3) permitting PGW to utilize the same customer notice procedures and type of data for next year's GCR (which is consistent with past practice). The continued approval of these settlement terms enables PGW to continue to provide maximum value for its ratepayers.

III. APPROVAL OF THE SETTLEMENT IS IN THE PUBLIC INTEREST

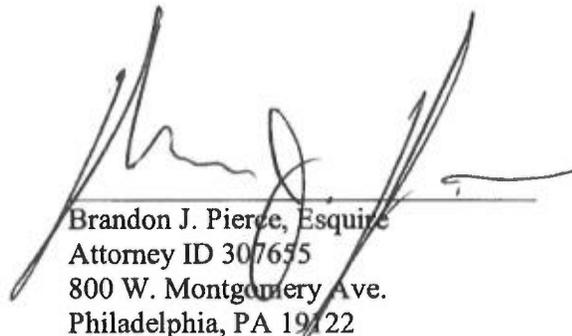
Approving PGW's Petition with the changes as set forth in the Settlement is consistent with the Commission's goal of ensuring the least cost procurement policy and will result in rates and surcharges that are just, reasonable, and compliant with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

IV. CONCLUSION

PGW respectfully requests that ALJ Guhl and the Commission approve this Settlement, without modification, because it supports PGW's least cost procurement policy, satisfies the Commission's requirements at Sections 1317 and 1318 of the Public Utility Code, and is in the public interest.

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Dated: May 28, 2019

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy the Joint Petition for Settlement of PGW's 2019 – 2020 Purchased Gas Cost Rate Proceeding and PGW's Statement in Support 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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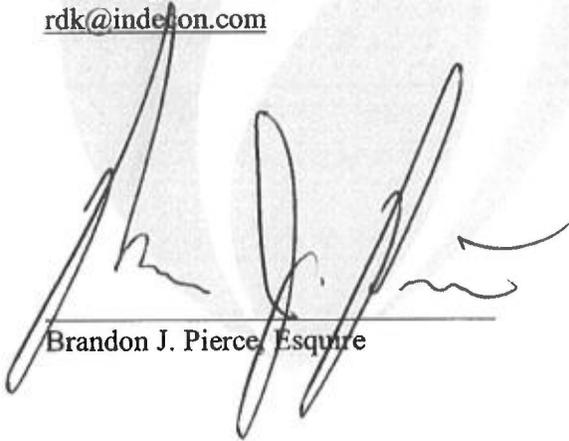
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