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June 5, 2020

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission, et al., v. Philadelphia Gas Works 2020-2021 Gas Cost
Rate Filing; Docket Nos. R-2020-3017934; C-2020-3018205; and C-2020-3018856

Dear Secretary Chiavetta:

Enclosed for electronic filing please find a Joint Petition for Settlement of Philadelphia Gas Works' 2020-2021 GCR Proceeding. Statements in Support are included as Appendices D-F attached to the Joint Petition . Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

A handwritten signature in blue ink that reads "Deanne M. O'Dell".

Deanne M. O'Dell, Esq.

DMO/lww

Enclosure

cc: Hon. Darlene Heep w/enc.
Cert. of Service w/enc.
Graciela Christleib w/enc.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket No.	R-2020-3017934
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2020-3018205
Office of Small Business Advocate	:	Docket No.	C-2020-3018856
	:		
v.	:		
	:		
Philadelphia Gas Works	:		

**JOINT PETITION FOR SETTLEMENT OF
PHILADELPHIA GAS WORKS'
2020-2021 GCR PROCEEDING**

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Dated: June 5, 2020

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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 2020-2021 Gas Cost Rate (“GCR”) Proceeding (“Settlement”), as captioned above, and respectfully request the following:

- 1) That Administrative Law Judge (“ALJ”) Darlene D. Heep 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-2020-3017934, to be effective for services rendered on or after September 1, 2020, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2020, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by Section III, paragraph 16 of this 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-2020-3017934, deem the complaints at Docket Nos. C-2020-3018205 and C-2020-3018856 satisfied, and mark the proceedings closed.

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

II. BACKGROUND

- 1) On January 30, 2020, PGW filed its supporting information for the pre-filing for its annual 2020-2021 Gas Cost Rate (“GCR”) pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64 (“January 30, 2020 Pre-filing”).
- 2) At the same time, PGW noted that – pursuant to the Commission’s approval in its 2019-2020 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, 2020 quarterly 1307(f) filing.
- 3) I&E entered a Notice of Appearance on February 6, 2020.
- 4) OCA and OSBA filed complaints on February 11, 2020, and February 21, 2020, respectively. The OCA complaint is docketed at C-2020-3018205 and the OSBA complaint is docketed at C-2020-3018856. Per letter filed on February 24, 2020, PGW stated its intention not to file answers consistent with 52 Pa. Code § 5.61(d).
- 5) On February 12, 2020, the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene.
- 6) On March 2, 2020, 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, 2021 (which includes PGW’s load balancing charges) and the direct testimony of Kenneth Dybalski (PGW St. 1), John C. Zuk (PGW St. 2), and Denise Adamucci (PGW St. 3) (“March 2, 2020 Annual Filing”). This filing was made pursuant to 66 Pa. C.S. § 1307(f), which authorizes certain natural gas distribution companies

² *Pennsylvania Public Utility Commission, et. al. v. Philadelphia Gas Works 2019-2020 Gas Cost Rate Filing*, Docket No. R-2019-3007636, Final Order entered August 8, 2019 at 4-5 (Ordering Paragraph No 19).

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. 130 through bill inserts during the month of March, beginning on March 2, 2020. 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) A Prehearing Conference Order was entered on February 28, 2020 and an Initial Prehearing Conference was held on March 9, 2020.
- 9) As set forth in Prehearing Order #1, dated March 13, 2020,³ during the prehearing conference, the Petition to Intervene of PICGUG was granted. In addition, discovery modifications and a litigation schedule were adopted.
- 10) Discovery, both formal and informal, was undertaken by the parties. Formal discovery consisted of approximately 122 interrogatories (with 141 subparts) propounded by these parties.
- 11) Consistent with the litigation schedule, on April 17, 2020: (1) OCA served Statement No. 1, the Direct Testimony of Jerome D. Mierzwa. No other party served direct testimony.
- 12) On May 4, 2020, PGW served PGW Statement 1R, the Rebuttal Testimony of Raymond M. Snyder and PGW Statement 2R, the Rebuttal Testimony of John C. Zuk. No other party served rebuttal testimony.
- 13) On May 11, 2020, OCA served Statement No. 1-S, the Surrebuttal Testimony of Jerome D. Mierzwa. No other party served surrebuttal testimony.

³ <http://www.puc.state.pa.us/pcdocs/1658371.docx>.

14) Evidentiary hearings were scheduled for May 12 and May 13, 2020. Pursuant to notice from the parties that a settlement in principle was reached, the evidentiary hearings were canceled and parties were directed to file this Joint Petition for Settlement.

15) 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 2020-2021 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 January 30, 2020 Pre-filing and its March 2, 2020 Annual Filing subject to the terms and conditions set forth below:

16) PURCHASED GAS COST RATES

- a) The GCR rate adopted by this Settlement is \$4.2529 per Mcf. This rate is predicated on PGW's gas cost projections at the time of the March 2, 2020 Annual Filing. In accordance with 52 Pa. Code § 53.64, PGW will submit a quarterly adjustment to the GCR rate on or before September 1, 2020, 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, 2020.
- b) PGW shall calculate the quarterly filing updates for the 2020-2021 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.

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

- a) 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.
- b) For FY 2020 upstream sales of PGW-owned natural gas that would not have occurred but for the availability of excess LNG that use interstate pipeline capacity for delivery/displacement, PGW will remove the WACOG per DTH and Sales Service demand charge then credit an additional 25% to the GCR and 75% to the base rate. All parties reserve the right to propose different treatment for such sales in future GCR proceedings

18) CHOICE SUPPLIER CAPACITY RELEASE CHARGES

- a) PGW has and will continue to reach out to suppliers to contract for baseload gas supplies to serve GCR customers in advance of releasing capacity to Choice suppliers. However, if PGW is unable to contract for baseload supply prior to the release of capacity on Texas Eastern Transmission (“TETCO”) pursuant to current capacity release procedures, then PGW agrees to moving the capacity release on the 24 in pipe starting in the South Texas (“STX”) TETCO Supply zone for November 2020.

19) PGW LOAD BALANCING CHARGE

- a) The Time Factor for the March-19 Load Balancing Charge interest calculation will be corrected to 16/12 and incorporated in PGW’s September 1, 2020 GCR filings.

- b) Revised Load Balancing Charge will include 50% of the Williams' Transco Gas Pipeline ("Transco") Firm Transportation capacity costs necessary to deliver gas supplies withdrawal from storage under Transco Rate WSS (Washington Storage Service) in the calculation
- c) Projected pipeline storage fuel injection and withdrawal charges will be included in the Load Balancing Charge calculation. These charges and the Transco Firm Transportation capacity costs in item 19b will be subject to reconciliation

20) PLANALYTICS ENERGY BUYER SERVICES

- a) PGW is permitted to continue to recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2020-2021 GCR period. Continued recovery of the fee beyond the 2020-2021 GCR period must be addressed in next year's Purchased Gas Cost proceeding.

21) 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 2021-2022 GCR proceedings:
 - i. provide written notice to customers by bill insert in the one-month billing cycle 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 cycle 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);
 - ii. 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

- iii. 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 2021-2022 GCR proceeding.

22) ADMISSION OF EVIDENCE

- a) 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:

- 23) 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 9-10). The pricing methodology utilized by PGW relies on actual prices for January 2020 and the NYMEX Futures close data (as of January 15, 2020) for the 19 forecast months of February 2020 through August 2021. (PGW St. 1 at 11).
- 24) 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).
- 25) 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).

26) Enbridge'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 2020, PGW bought 82% of their winter baseload gas supplies out of TETCO Zone M-2 and 18% of their winter baseload out of TETCO Zone ETX. PGW bought 100% of their swing contracts out of TETCO Zone M-2. (PGW St. 2 at 11).

27) PGW charges its Choice suppliers for the capacity that is released to the suppliers. For Transco, the suppliers are charged the max rate. 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 6; OCA St. 1 at 11).

28) 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).

29) 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 5-8).

30) 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 10-11).

- 31) 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 demand charges. PGW reviews these contracts on a regular basis and initiates renegotiations if appropriate to protect its customers' interests. (PGW St. 2 at 5).
- 32) 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 14; PGW St. 2 at 8-9). 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 10).
- 33) The details of PGW's actual gas purchases for the 12 months ending December 31, 2019 are presented in the schedules attached to Tab 1, Item 53.64(c)(1) of PGW's January 30, 2020 Pre-filing. The details of PGW's forecast for the period of January 1, 2020 through August 31, 2021 are presented in Tabs 3 and 4 of PGW's March 2, 2020 Annual Filing.
- 34) Projected gas costs as reflected in this Settlement are based on design peak-day capacity requirements at a 0 degree design day temperature. (Tab 12, Item 53.64(c)(13) of PGW's January 30, 2020 Pre-filing).
- 35) 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 12-13).
- 36) 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 5-8).

- 37) Pursuant to Commission 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 3).
- 38) 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 7). 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 7; PGW St. 3 at 7).
- 39) 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 8-9).
- 40) In the 2019-2020 GCR proceeding, PGW was permitted to recover its 2017 and 2018 CIP credit expenses (to be amortized over a two-year period) as well as its costs for 2019 and on a going forward basis. (PGW St. 3 at 8). PGW has recovered the costs of the 2017 and 2018 CIP credit incentives through the GCR quarterly filings. The costs of the 2019 CIP credit incentives will also be recovered. (PGW St. 3 at 8). In the Amended USECP, PGW does not propose to continue the CIP Pilot beyond the initially approved program period of 2020. (PGW St. 3 at 5).

V. PROPOSED CONCLUSIONS OF LAW

41) Historical Reconciliation Period Standards

- a) With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2019,⁴ 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, 2019, 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.

42) Interim and Projected Period Findings

- a) With respect to the eight-month interim period beginning on January 1, 2020, and with respect to the projected twelve-month period beginning September 1, 2020, 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

⁴ The reconciliation period for PGW in this proceeding is the twelve-month period ended December 31, 2019, in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(1).

projected gas purchases and projected gas purchasing policies comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section V.42., 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.42. 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, 2020 through August 31, 2020 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, 2020, and the twelve-month application period commencing September 1, 2020, and ending on August 31, 2021.

VI. CONDITIONS OF SETTLEMENT

43) 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.45 below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph VI.45, 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.

44) 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.

45) 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.

46) Statements in Support of this Settlement are attached hereto as Appendices D-F.

- 47) 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' 2020-2021 GCR Proceeding be approved without change or modification.⁵

VII. CONCLUSION

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

- 1) That Administrative Law Judge Darlene D. Heep 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 2020-2021 GCR proceeding.

Respectfully submitted.



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Dated: June 5, 2020

⁵ See Appendix C – Sample Ordering Paragraphs for the Recommended Decision.

APPENDIX A

APPENDIX A

<u>Gas Cost Rate</u>	<u>9/1/2020</u>
Rate per Mcf	\$4.2529
<u>Universal Services Surcharge</u>	<u>9/1/2020</u>
Rate per Mcf	\$1.0614
<u>Other Post Employment Benefit Surcharge</u>	<u>9/1/2020</u>
Rate per Mcf	\$0.3410
<u>Load Balancing Charge</u>	<u>9/1/2020</u>
Rate per Mcf	\$58.5672

APPENDIX B

APPENDIX B

Stipulated Record

- 1) PGW's January 30, 2020 Pre-filing Information;
- 2) PGW's March 2, 2020 Annual GCR Filing;
- 3) PGW St. 1, Direct Testimony of Kenneth S. Dybalski, dated March 2, 2020;
- 4) PGW St. 2, Direct Testimony of John C. Zuk, dated March 2, 2020;
- 5) PGW St. 3, Direct Testimony of Denise Adamucci, dated March 2, 2020;
- 6) OCA St. 1, Direct Testimony of Jerome D. Mierzwa, and all accompanying schedules and appendices, dated April 17, 2020;
- 7) PGW St. 2R, Rebuttal Testimony of Raymond M. Snyder, dated May 4, 2020;
- 8) PGW St. 2R, Rebuttal Testimony of John C. Zuk, dated May 4, 2020;
- 9) OCA St. 1-S, Surrebuttal Testimony of Jerome D. Mierzwa, and all accompanying schedules, dated May 11, 2020.

APPENDIX C

APPENDIX C

Sample Ordering Paragraphs for Recommended Decision

- 1) The Joint Petition for Settlement of Philadelphia Gas Works' 2020-2021 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, 2020, subject to quarterly adjustments permitted by Commission regulations at 52 Pa. Code § 53.64(i)(5), including a quarterly adjustment to be effective on September 1, 2020, to reflect actual experience and changes in forecasted natural gas prices.
- 3) 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.
- 4) For FY 2020 upstream sales of PGW-owned natural gas that would not have occurred but for the availability of excess LNG that use interstate pipeline capacity for delivery/displacement, PGW is authorized to remove the WACOG per DTH and Sales Service demand charge then credit an additional 25% to the GCR and 75% to the base rate. All parties retain the right to propose different treatment for such sales in future GCR proceedings
- 5) PGW is directed to continue to reach out to suppliers in advance of the capacity release to invite bids. However, if PGW does not get any bids, PGW is authorized to move capacity release on the 24in pipe starting in STX for November 2020.
- 6) PGW is permitted to revise its Load Balancing Charge to include 50% Firm Transportation costs in the calculation and to include pipeline storage fuel injection and withdrawal charges in the calculation.

- 7) 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 2020-2021 GCR period. Continued recovery of the fee beyond the 2020-2021 GCR period must be addressed in next year's Purchased Gas Cost proceeding.
- 8) Philadelphia Gas Works is permitted to proceed as follows in its 2021-2022 GCR proceedings:
 - (a) provide written notice to customers by bill insert in the one-month billing cycle 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 cycle 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);
 - (b) 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
 - (c) 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).
- 9) The Commission investigation at Docket R-2020-3017934 is terminated and shall be marked closed.
- 10) The formal complaints at docket numbers C-2020-3018205 and C-2020-3018856 are deemed satisfied and shall be marked closed.

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2020-3017934
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2020-3018205
Office of Small Business Advocate	:	Docket No.	C-2020-3018856
	:		
v.	:		
	:		
Philadelphia Gas Works	:		

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
ON PHILADELPHIA GAS WORKS’ 2020-2021 GCR PROCEEDING**

Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Settlement (“Settlement”) of its 2020-2021 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”) Darlene D. Heep 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 January 30, 2020, PGW filed its supporting information for the pre-filing for its annual 2020-2021 Gas Cost Rate (“GCR”) pursuant to 66 Pa. C.S. § 1307 and 52 Pa. Code § 53.64 (“January 30, 2020 Pre-filing”). At the same time, PGW noted that – pursuant to the Commission’s approval in its 2019-2020 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

¹ *Pennsylvania Public Utility Commission, et. al. v. Philadelphia Gas Works* 2019-2020 Gas Cost Rate Filing, Docket No. R-2019-3007636, Final Order entered August 8, 2019 at 4-5 (Ordering Paragraph No 19).

bill inserts, public notice and underlying data to be relied upon for the March 1, 2020 quarterly 1307(f) filing. The paragraphs set forth in Section II of the Joint Petition for Settlement are incorporated herein.

The Office of Consumer Advocate (“OCA”) served direct and surrebuttal testimony. No other party served testimony. 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 2020-2021 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 issues that were identified by OCA and the Bureau of Investigation and Enforcement (“I&E”) in this proceeding and proposes a reasonable settlement of each.

First, PGW agrees to address OCA’s concerns regarding sales pursuant to an arrangement with Tioga LNG, LLC. More specifically for FY 2020 upstream sales of PGW-owned natural gas that would not have occurred but for the availability of excess LNG that use interstate pipeline capacity for delivery/displacement. PGW agrees to remove the WACOG per DTH and Sales Service demand charge then crediting an additional 25% to the GCR and 75% to the base

rate. All parties would reserve the right to propose different treatment for such sales in future GCR proceedings.² This represents a compromise position between PGW's and OCA's filed testimony positions. While PGW does not agree that the Tioga transaction is an "off-system sales" arrangement subject to the 75%/25% sharing mechanism, the proposed settlement is a reasonable way to address the specific concern raised by OCA related to this contract while still permitting the parties flexibility for future proceedings.

Second, PGW agrees to address OCA's concerns related to the 2019 GCR Settlement Capacity Assignment Procedures. Recognizing that implementation of the 2019 GCR Settlement Capacity Assignment Procedures resulted in unexpected increased costs due to a lack of supplier participation, PGW is taking steps to proactively reach out to suppliers to contract for baseload gas supplies to serve GCR customers in advance of releasing capacity to Choice suppliers. If PGW is unable to contract for baseload supply prior to the release of capacity on Texas Eastern Transmission ("TETCO"), then PGW agrees to move the capacity release on the 24 inch pipe starting in the South Texas ("STX") TETCO Supply Zone for November 2020.³ While PGW does not anticipate a similar situation will occur as in the prior period, PGW has agreed to specific actions to address the situation. This resolution represents a reasonable compromise position between PGW's and OCA's filed testimony positions because it acknowledges the unintended consequences of the prior year's GCR settlement and implements procedures intended to address the situation were it to occur in the future. It also avoids the complicated issues that could occur from attempting to recoup the prior increased costs by reducing refunds Choice Suppliers are entitled to receive as a result of a FERC settlement.

² Joint Petition for Settlement at Para. 17.b.

³ Joint Petition for Settlement at Para. 18.a.

Finally, PGW agrees to address both I&E and OCA's concerns related to its Load Balancing Charge. Regarding the Time Factor for the March-19 Load Balancing Charge interest calculation, PGW has corrected it to 16/12 and will incorporate it into its September 1, 2020 GCR filings consistent with recommendations from I&E.⁴ PGW will also revise the Load Balancing Charge to include 50% of the Williams' Transco Gas Pipeline ("Transco") Firm Transportation capacity costs necessary to deliver gas supplies withdrawal from storage under Transco Rate WSS (Washington Storage Service) in the calculations.⁵ In addition, projected pipeline storage fuel injection and withdrawal charges will be included in the Load Balancing Charge calculation and subject to reconciliation.⁶ This represents a reasonable compromise position between PGW's and OCA's filed testimony because it ensures that PGW will continue to be able to recover the costs incurred for storage and peaking assets utilized to deliver gas for Firm Transportation customers on PGW's design day without shifting an unreasonable amount of the cost of transportation used by PGW for other than storage withdrawals from the GCR customers to the firm choice customers.

In addition to these three specific areas, 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

⁴ Joint Petition for Settlement at Para. 19.a.

⁵ Joint Petition for Settlement at Para. 19.b.

⁶ Joint Petition for Settlement at Para. 19.c.

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 Heep 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.

Respectfully Submitted



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Dated: June 5, 2020

Attorneys for
Philadelphia Gas Works

APPENDIX E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2020-3017934
	:	
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’ 2020-2021 GCR Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On January 30, 2020, Philadelphia Gas Works (PGW or Company) submitted its pre-filing information required for its annual gas cost rate (GCR) filing pursuant to Section 1307(f) of the Public Utility Code and Section 53.64 of the Commission’s regulations. 66 Pa. C.S. § 1307(f); 52 Pa. Code § 53.64. On March 2, 2020, PGW filed its definitive 1307(f) filing. The Company’s filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Darlene D. Heep 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, 2020, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 6, 2020, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 21, 2020, the Office of Small Business Advocate (OSBA)

filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 12, 2020, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed its Petition to Intervene.

On March 9, 2020, a Prehearing Conference was held, at which time a procedural schedule was established and other preliminary matters were addressed. On April 17, 2020, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. On May 4, 2020, the Company submitted Rebuttal Testimony and on May 11, 2020, 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. Pursuant to notice from the parties that settlement discussions were successful and a settlement in principle was reached, ALJ Heep canceled the evidentiary hearings and established a schedule for the filing of the Settlement by June 5, 2020. 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(16)(a), Appendix A. The OCA submits that the GCR rates in Appendix A accurately represent the implementation of the terms of the Settlement.

B. Application of Capacity Release and Off-System Sales Sharing Mechanism

In his Direct Testimony, OCA witness Mierzwa testified that the Company had provided GCR customers with a credit of approximately 20%, rather than the tariff required 75%, of revenues under an off-system sales arrangement with Tioga LNG, LLC (Tioga). OCA St. 1 at 5-6. In response, the Company testified that the sales to Tioga were LNG sales, not off-system sales, and therefore not subject to the off-system sales sharing mechanism contained in its tariff. PGW St. 2-R at 2-4. In Surrebuttal, OCA witness Mierzwa explained that the Tioga sales resulted in the receipt of natural gas, not LNG, and that this natural gas was delivered utilizing firm transportation capacity paid for by GCR customers. OCA St. 1-S at 4. As Mr. Mierzwa testified, “Without the availability of PGW’s FT capacity, these transactions could not occur.” *Id.*

The Settlement recognizes the concerns raised by OCA witness Mierzwa and provides a reasonable crediting procedure for future sales under the Tioga agreement. The Settlement provides:

For FY 2020 upstream sales of PGW-owned natural gas that would not have occurred but for the availability of excess LNG that use interstate pipeline capacity for delivery/displacement, PGW will remove the WACOG per DTH and Sales Service demand charge then credit an additional 25% to the GCR and 75% to the base rate. All parties reserve the right to propose different treatment for such sales in future GCR proceedings.

Settlement at ¶ III (17)(b).

Under the Settlement, GCR customers will see additional benefits from the Company's Tioga transactions. The OCA submits that the Settlement reaches a reasonable compromise at this time.

C. 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, 7-10. 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, 11. The settlement approved in PGW's 2019 GCR proceeding ("2019 Settlement") adopted provisions which would assess Choice suppliers' charges for the released capacity equal to PGW's weighted average cost of Texas Eastern and Transco FT capacity. OCA St. 1 at 3, 12.

In Direct Testimony, OCA witness Mierzwa testified that PGW implemented the assignment procedures contained in the 2019 Settlement, however he identified a concern with the implementation of the 2019 Settlement. OCA St. 1 at 12-14. Mr. Mierzwa's primary concern was that PGW's procedures for the release of pipeline capacity resulted in GCR customers being required to utilize ETX Gulf Coast gas supplies, rather than less expensive Marcellus Shale supply. OCA St. 1 at 13.

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

PGW has and will continue to reach out to suppliers to contract for baseload gas supplies to serve GCR customers in advance of releasing capacity to Choice suppliers. However, if PGW is unable to contract for baseload supply prior to the release of capacity release on Texas Eastern Transmission ("TETCO") pursuant to current capacity release procedures, then PGW agrees to moving the capacity release to the 24 in line starting in the South Texas ("STX") TETCO Supply zone for November 2020

Settlement at ¶ III (18). Importantly, by including capacity release on the 24 inch TETCO pipeline (see OCA St. 1 at 13-14), GCR customers will not be required to bear full responsibility for higher gulf region supplies if they are required to meet demands. The OCA submits that this provision is in the public interest.

D. PGW Load Balancing Charge

In Direct Testimony, OCA witness Mierzwa recommended modifications to the Company's Load Balancing Charge calculation. See OCA St. 1 at 15-19. Mr. Mierzwa explained that the Company utilizes Transco's Washington Storage Service (WSS) to ensure it has sufficient capacity resources to meet its design day load requirements, but does not include the transportation service (Transco FT) that is needed to deliver gas under the Transco WSS arrangement in the Load Balancing Charge calculation. OCA St. 1 at 17. Mr. Mierzwa proposed a revised Load Balancing Charge to adjust for this omission. OCA St. 1 at 18-19; Schedule JDM-3. In Rebuttal, the Company argued that the inclusion of Transco FT in the load balancing charge would result in an unreasonable subsidization of GCR service, and opposed Mr. Mierzwa's recommendation. PGW St. 1-R at 6.

The Settlement provides modifications to the load balancing charge modifications, including the following:

- b) Revised Load Balancing Charge will include 50% of the Williams' Transco Gas Pipeline ("Transco") Firm Transportation capacity costs necessary to deliver gas supplies withdrawal from storage under Transco Rate WSS (Washington Storage Service) in the calculation

Settlement at ¶ III (19)(b). The OCA submits that the Settlement provides a reasonable compromise by including 50% of the Transco FT capacity costs necessary to deliver gas supplies and withdrawals from Transco WSS storage in the load balancing calculation.

In addition, OCA witness Mierzwa testified that the Company should begin adjusting Choice supplier imbalances to reflect injection and withdrawal fuel charges. Under the Settlement, the Company has agreed to include projected pipeline storage fuel injection and withdrawal charges in the Load Balancing Charge calculation. Settlement at ¶ III (19)(c). The OCA submits that the Load Balancing provisions are in the public interest, and will produce a more reasonable Load Balancing Charge in the future.

E. Notice Of Future Annual GCRs And Use Of Estimated Data For March Quarterly GCR

As part of the Settlement, PGW requests that the Commission allow the Company to follow the same notice procedures in its 2021-2022 gas cost rate proceeding as it has in its recent GCR proceedings, as follows:

- (1) provide written notice to customers by bill insert in the one-month billing cycle 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 beginning such notice with the one-month billing cycle 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;
- (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).

Settlement at ¶ III (7)(a).

The OCA submits that these provisions were approved in each of the Company's 1307(f) filings since its 2016-2017 GCR proceeding. The OCA does not oppose the Company's request that the Commission grant a similar process for the 2021-2022 1307(f) proceeding. Settlement at

¶ III (21). The OCA supports, as in the public interest, the Settlement's limitation of this request to the 2021-2022 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: June 5, 2020

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APPENDIX F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017934
	:	
Philadelphia Gas Works 1307(f)	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
PHILADELPHIA GAS WORKS' 2020-2021 GAS COST RATE PROCEEDING**

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Dated: June 5, 2020

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III. CONCLUSION 8

resolved through negotiated settlements, it is incumbent upon I&E to ensure that the public interest is served and to comment on how the amicable resolution of any such proceeding will benefit the public interest. The request for approval of this Joint Petition is based on I&E's conclusion that the Settlement 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."² I&E concludes that the Joint Petition meets this standard.

2. On January 30, 2020, PGW submitted pre-filed information regarding its 2020-2021 Gas Cost Rate ("GCR") filing pursuant to the Public Utility Code.³ Consistent with the terms of the settlement of PGW's 2019-2020 GCR filing at docket No. R-2019-3007636, and with the Commission's August 8, 2019 Order approving the settlement without modification, PGW departed from certain requirements of 52 Pa. Code Sections 53.64(c), 53.68(a) and 53.64(i)(5)(i). These requirements address the timing of bill inserts, public notice and underlying data to be relied upon for PGW's March 1, 2020 quarterly 1307(f) filing.

3. By filing dated March 2, 2020, PGW submitted its annual GCR filing to become effective for services rendered on or after September 1, 2020. PGW also filed its prepared Direct Testimony.

4. I&E entered its appearance in this matter on February 6, 2020. Additionally, The Office of the Consumer Advocate ("OCA") filed a Formal Complaint (docketed at C-2020-3018205) and Public Statement on February 11, 2020. The Office of the Small Business Advocate ("OSBA") filed a Complaint (docketed at C-2020-3018856), Public

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ 66 Pa. C.S. 1307(f).

Statement and Notice of Appearance on February 21, 2020. Finally, the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene on February 12, 2020.

5. A Prehearing Conference Order was entered on February 28, 2020, and the Order scheduled a telephonic prehearing conference for March 9, 2020 at 2 p.m.

6. Counsel for the following parties participated in the Prehearing Conference on March 9, 2020: I&E, PGW, the OCA, the OSBA and PICGUG (collectively, the “Parties”). Administrative Law Judge (“ALJ”) Darlene D. Heep presided, and during the Conference, PICGUG’s Petition to Intervene was granted and the Parties established a procedural schedule for this proceeding. On April 8, 2019, Prehearing Order #1 was entered, and it memorialized the procedural schedule and other terms governing the conduct of this proceeding.

7. After the prehearing conference, the Parties continued to engage in the discovery process.

8. During the discovery process, I&E identified an error in the Time Factor for PGW’s March-19 Load Balancing Charge interest calculation. After identification of the error, I&E and PGW were able to negotiate a resolution of it, which is more fully set forth in the Joint Petition.⁴ Because the resolution was reached early and amicably, I&E did not need to support its position with written testimony on the identified issue.

9. In accordance with the Commission’s policy favoring settlements over costly and time consuming litigation,⁵ PGW, I&E, and the OCA (“Joint Petitioners”), were

⁴ Joint Petition, p. 7, ¶19(a).

⁵ 52 Pa. Code § 5.231.

successful in achieving a full and complete settlement of all identified issues by reviewing both discovery and testimony and by engaging in the settlement negotiation process.⁶

10. I&E submits that the proposed Settlement is in the public interest and should be approved without modification by the ALJ and the Commission for the following reasons:

II. SETTLEMENT

A. PURCHASED GAS COST RATES

Pursuant to the Joint Petition, PGW is adopting a GCR of \$4.2529 per Mcf effective September 1, 2020.⁷ Notably, the GCR projected for 2020-2021 is lower than the level PGW projected for 2019-2020, and PGW attributes the lower costs to a decrease in costs from the prior year.⁸ I&E submits that lower gas costs will benefit both PGW and its customers. Additionally, while gas costs are subject to review in a future GCR proceeding, I&E maintains that ratepayers are protected in that PGW gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies. As provided for in the Public Utility Code, “[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy....”⁹ The I&E review of all available information in this proceeding confirms this representation. A least cost fuel procurement policy protects ratepayers from unnecessary and imprudent gas costs and prevents PGW from making a profit on gas supplies provided to its GCR customers.

⁶ OSBA and PICGUG do not join in this Settlement, but these parties have also indicated that they do not oppose the Settlement (Joint Petition, p. 3, footnote 1).

⁷ Joint Petition at p. 6, ¶16(a); Joint Petition at Appendix A.

⁸ PGW St. No. 1, p 11.

⁹ 66 Pa. C.S. § 1318.

PGW's average costs reported to the Commission in its quarterly filings demonstrate the prudence of its purchasing practices.

The Settlement also provides that the natural gas costs that PGW expects to incur in the upcoming period will be based on PGW's adherence to its established least cost fuel procurement policy. Specifically, PGW's procurement approach attempts to shield customers from the risk of the gas market's volatility through using a mix of daily index priced swing contracts, physical forward purchase contracts, storage, and liquefied natural gas, as appropriate to market conditions.¹⁰ PGW's diligence in adhering to a least cost procurement strategy benefits customers directly in their gas bills. PGW's procurement strategy is in the public interest as it benefits ratepayers on an annual basis by ensuring that PGW will continually obtain gas on a reliable basis for its customers, at the most advantageous prices possible.

B. OFF-SYSTEM SALES MARGIN, CAPACITY RELEASE CREDIT, AND ASSET MANAGEMENT MARGIN/CREDIT/FEE RETENTION

Under the terms of the Settlement, PGW will retain 25% of all off-system sales margins, capacity release credits (excluding capacity released to firm transportation suppliers), and asset management margins/credits/fees, with the remaining 75% applied as an offset to purchased gas costs.¹¹ I&E avers that permitting PGW to continue its longstanding asset management sharing mechanism serves the public interest because it benefits both PGW and its ratepayers. More specifically, PGW benefits from the arrangement by receiving a monetary incentive to maximize its efforts to increase capacity release and off-system sales activity. In turn, GCR customers benefit from PGW's efforts in the form of reduced gas costs.

¹⁰ Joint Petition at p. 10, ¶29; PGW St. 2 at pp. 5-8.

¹¹ Joint Petition at p. 7, ¶17(a).

C. CHOICE SUPPLIER CAPACITY RELEASE CHARGES

As part of this Settlement, the parties agreed to the following terms in resolution of an issue that OCA raised during the course of this case:¹²

- a) PGW has and will continue to reach out to suppliers in advance of the capacity release to invite bids. However, if PGW does not get any bids, PGW will move capacity release on the 24in pipe starting in STX for November 2020.¹³

Although I&E did not take a position regarding the issues resolved by the above term, I&E supports the above terms because it was necessary to facilitate the global resolution of this proceeding.

D. PGW LOAD BALANCING CHARGE

Pursuant to the Settlement, the parties agreed to the following terms¹⁴ in resolution of issues that I&E and OCA raised during the course of this case:

- a) The Time Factor for the March-19 Load Balancing Charge interest calculation will be corrected to 16/12 and incorporated in PGW's September 1, 2020 GCR filings.
- b) Revised Load Balancing Charge will include 50% Firm Transportation capacity costs in the calculation.
- c) Projected pipeline storage fuel injection and withdrawal charges will be included in the load balancing calculation.

With respect to the first term above, in its review of Item 53.64(a), Schedule 13(b) of PGW's filing,¹⁵ and as confirmed through the discovery process, I&E identified an error in the Time Factor for PGW's March-19 Load Balancing interest calculation. Specifically, PGW's initial

¹² OCA St. No. 1, pp. 12-15.

¹³ Joint Petition, p. 7, ¶ 18(a).

¹⁴ Joint Petition at p. 7, ¶ 19.

¹⁵ Load Balancing Charge and 2019 Interest Calculation.

Schedule 13(b) listed the March-19 Load Balancing Charge interest calculation as 34/12, while I&E's review concluded that the correct calculation should have been 16/12.

Through the discovery process, PGW acknowledged the error, agreed to correct it, and agreed to incorporate it into its September 1, 2020 GCR filing. I&E submits that this resolution will ensure that PGW correctly calculates and reflects Load Balancing Charge interest. Ensuring the integrity and accuracy of PGW's interest calculation is necessary to protect ratepayers; accordingly, this term is in the public interest. Although I&E did not take a position regarding the remaining issues resolved by the above terms, I&E supports them because they were necessary to facilitate the global resolution of this proceeding.

E. PLANALYTICS ENERGY BUYER SERVICES

Pursuant to the Settlement, PGW is permitted to continue to recover the Planalytics fee for price analysis and buying advisory services, not to exceed \$125,000.¹⁶ I&E agrees that PGW's permitted recovery of the price analysis and buying advisory service fee is in the public interest, as the Public Utility Code provides that risk management tools are included in the definition of gas costs.¹⁷ Therefore this cost, subject to a cap of \$125,000, is appropriately recovered from GCR customers to enable PGW to mitigate the financial risk in its gas supply portfolio.

F. NOTICE OF FUTURE ANNUALS GCRs AND USE OF ESTIMATED DATA FOR MARCH QUARTLERY GCR

The Joint Petitioners indicate that they 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

¹⁶ Joint Petition at p. 8, ¶20(a).

¹⁷ 66 Pa. C.S. 1307(h).

proceeding, as outlined in the Joint Petition.¹⁸ I&E notes that PGW's request simply outlines a process for its commitment to ensure that customers receive advance notice of its next GCR proceeding and advises of its intent to provide certain estimated data. Additionally, PGW's use of the public notice process and estimated data is consistent with previous requests that PGW made and which were granted in several of PGW's past GCR proceedings. I&E avers that the Joint Applicants' non-opposition to the request in advance of PGW's next GCR filing will save PGW time and resources by negating PGW's need to confer with the Joint Petitioners again on the same basis for PGW's next annual GCR filing.

III. CONCLUSION

11. The Settlement provides that PGW may place into effect the natural gas supply rates as proposed and identified in the appendices attached to the Joint Petition. The proposed rates are subject to quarterly updates, with limited exceptions, as required by the Commission's Regulations. The I&E analysis in this proceeding supports that these rates are just and reasonable, accurately reflect the costs of its purchased natural gas and are based on sound regulatory practices. As such, I&E opines that these rates are in the public interest and should be approved.

12. I&E and, apparently, the Parties to this proceeding, are in agreement that PGW will adhere to the purchasing plan as established by the data and calculations provided in PGW's testimony and associated exhibits, as modified by the Settlement. The purchasing plan provides reasonable protections for ratepayers and enables the company to adhere to the

¹⁸ Joint Petition at p. 8, ¶21.

regulatory requirements in acquiring supplies for its customers. PGW's projections and plans are reasonable and are in the public interest. Therefore, they should be adopted as presented.

13. Although I&E did not serve Direct Testimony in this proceeding, I&E fully supports the Settlement, which addresses the issues it identified and resolved with PGW early in this case. Accordingly, I&E avers that all issues have been satisfactorily resolved through discovery and discussions with PGW and are incorporated in the Settlement. Line by line identification of the ultimate resolution of every averment is not necessary, as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this filing complete.

14. Based upon I&E's analysis of the filing, acceptance of this proposed Settlement is in the public interest because the provisions adequately protect the interests of all affected parties, including the signatories to this Joint Petition.

15. I&E is satisfied that the provisions and data contained in the PGW's annual GCR filing, as confirmed by this Joint Petition, accurately support the finding that PGW's purchased gas costs and its practices adequately protect the public interest.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Settlement of Philadelphia Gas Works' 2020-2021 Gas Cost Rate Proceeding* as being in the public interest and respectfully requests that

Administrative Law Judge Darlene D. Heep recommend, and the Commission subsequently approve, the foregoing Settlement, including all terms and conditions contained therein.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "G L Miller". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Gina L. Miller
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 313863

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Dated June 5, 2020

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of 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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Dated: June 5, 2020

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