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June 4, 2021

Via Electronic Filing

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

Re: Philadelphia Gas Works 2021-2022 1307(f) Gas Cost Rate Filing
Docket No. R-2021-3023970, C-2021-3024126 and C-2021-3024293

Dear Secretary Chiavetta:

Enclosed for electronic filing please the Joint Petition for Settlement of Philadelphia Gas Works' 2021-2022 GCR Proceeding. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Kristine E. Marsilio

Kristine E. Marsilio

KEM/lww

Enclosure

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

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the 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.

Via Email

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Dated: June 4, 2021

Kristine E. Marsilio

Kristine E. Marsilio, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2021- 3023970
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2021-3024126
Office of Small Business Advocate	:	Docket No.	C-2021-3024293
	:		
v.	:		
	:		
	:		
Philadelphia Gas Works	:		

**JOINT PETITION FOR SETTLEMENT OF
PHILADELPHIA GAS WORKS’
2021-2022 GCR PROCEEDING**

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I. INTRODUCTION

Philadelphia Gas Works (“PGW” or the “Company”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively “the Settling Parties”)¹ hereby submit this Joint Petition for Settlement of PGW’s 2021-2022 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-2021- 3023970, to be effective for services rendered on or after September 1, 2021, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2021, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology prescribed by Section III.A. 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, pending the resolution of the renewable natural gas issue (“RNG”) which has been reserved for litigation, terminate its investigation at Docket No. R-2021- 3023970, deem the complaints at Docket Nos. C-2021-3024126 and C-2021-3024293 satisfied, and mark the proceedings closed.

¹ While, the Commission’s Bureau of Investigation and Enforcement (“I&E”) 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

5. On February 1, 2021, PGW filed its supporting information for the pre-filing for its annual 2021-2022 GCR. At that time, PGW also noted that – pursuant to the Commission’s approval in its 2020-2021 GCR – 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, 2021 quarterly 1307(f) filing.²

6. On February 3, 2021, I&E filed a Notice of Appearance. The OCA and the OSBA subsequently filed complaints on February 11, 2021 and February 26, 2021, respectively. The OCA complaint is docketed at C-2021-3024126, and the OSBA complaint is docketed at C-2021-3024293. Consistent with 52 Pa. Code § 5.61(d), PGW did not file answers to the Complaints. On February 17, 2021, the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) filed a Petition to Intervene.

7. On March 1, 2021, PGW filed its Section 1307(f) filing which included: proposed tariff revisions (Supplement No. 140 to PGW’s Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 95 to PGW’s Gas Supplier Tariff – Pa P.U.C. No. 1); supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2022; and the Direct Testimony of Florian Teme (“PGW St. 1”), Ryan E. Reeves (“PGW St. 2”), and Gregory Stunder (“PGW St. 3”). On the same date, PGW filed an Errata to update the schedules for Item 53.64(i)(1) of PGW’s February 1, 2021 pre-filing.

² *Pennsylvania Public Utility Commission, et. al. v. Philadelphia Gas Works 2020-2021 Gas Cost Rate Filing*, Docket No. R-2020-3017934, Final Order at Ordering Paragraph 19 (August 6, 2020).

8. On March 3, 2021, ALJ Heep issued a Prehearing Conference Order setting a telephonic Prehearing Conference for March 9, 2021. Pursuant to the Prehearing Conference Order, the Parties filed Prehearing Memorandums on March 8, 2021, and a telephonic Prehearing Conference was held on March 9, 2021, at which time a procedural schedule was established.

9. On March 10, 2021, PGW filed an Errata to Item 53.64(c)(3) Schedule 1, which consisted of two pages that were inadvertently excluded from PGW's pre-filing and an Errata to page 67A of PGW's Supplement No. 140 to Gas Service Tariff – Pa P.U.C. No. 2, which corrected an error to the issued and effective dates.

10. On March 15, 2021, ALJ Heep issued a Prehearing Order, wherein she, *inter alia*, granted the Petition to Intervene of PICGUG and adopted the procedural schedule established at the Prehearing Conference.

11. On March 23, 2021, ALJ Heep issued a Prehearing Order for Telephone Hearing, ordering that an initial telephonic hearing would be held on May 12, 2021 and May 13, 2021.

12. On the same date, PGW filed a Motion for Protective Order and an Errata to pages 2, 7, and 82 of PGW's Tariff Supplement No. 140 to Gas Service Tariff – Pa P.U.C. No. 2, which reflected a change to page 82 and PGW's Other Post Employment Benefit Rider Surcharge; an Errata to page 78 of PGW's Tariff Supplement No. 140 to Gas Service Tariff – Pa P.U.C. No. 2, which removed an indication that there was a change to Paragraph 1; and Revised Schedules 13(a), 13(b), and 14.

13. On March 24, 2021, ALJ Heep issued a Protective Order.

14. On April 16, 2021, I&E filed the Direct Testimony of Ethan H. Cline ("I&E St. 1"), OCA filed the Direct Testimony of Jerry D. Mierzwa ("OCA St. 1"), and the OSBA filed the Direct Testimony of Robert D. Knecht ("OSBA St. 1").

15. On May 4, 2021, PGW filed the Rebuttal Testimonies of Florian Teme (“PGW St. 1-R”), Ryan E. Reeves (“PGW St. 2-R”), and Gregory Stunder (“PGW St. 3-R”).

16. On May 11, 2021, ALJ Heep cancelled the first day of hearings at the request of the Parties.

17. Also on May 11, 2021, I&E filed the Surrebuttal Testimony of Ethan H. Cline (“I&E St. 1-SR”), OCA filed the Surrebuttal Testimony of Jerry D. Mierzwa (“OCA St. 1-SR”), OSBA filed the Surrebuttal Testimony of Robert D. Knecht, and PGW filed the Supplemental Rebuttal Testimony of Florian Teme (“PGW Supplemental St. 1-R”).

18. On May 12, 2021, the OSBA filed the Revised Surrebuttal Testimony of Robert D. Knecht (“OSBA St. 1-SR”), and PGW filed the Rejoinder Testimony of Gregory Stunder (“PGW St. 3-RJ”).

19. Also on May 12, 2021, counsel for PGW sent ALJ Heep an e-mail, reporting that all Parties had agreed to waive cross-examination on all witnesses and to stipulate the filed testimony into the record. Counsel for PGW also reported that the Parties had reached a settlement on all issues, except for PGW’s RNG pilot proposal.

20. Accordingly, ALJ Heep indicated that she would cancel the evidentiary hearing, directed the parties to file a Joint Stipulation for Admission of Testimony and Exhibits no later than Monday, May 17, 2021, and directed the parties to follow the previously-established litigation schedule and file Main Briefs on the RNG issue by May 26, 2021.

21. On May 13, 2021, PGW and the OCA filed a non-unanimous Joint Stipulation, stipulating to the terms regarding PGW’s RNG pilot program proposal.

22. On May 17, 2021, the parties filed a Joint Stipulation for Admission of Testimony and Exhibits.

23. On May 26, 2021, PGW, I&E, OCA, and OSBA submitted Main Briefs, addressing PGW's RNG proposal.

24. This Settlement addresses all issues pertaining to PGW's 2021-2022 annual GCR Filing, except for PGW's RNG proposal.

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, 2021 Pre-filing and its March 1, 2021 Annual Filing subject to the terms and conditions set forth below:

A. Purchased Gas Cost Rates

25. The GCR rate adopted by this Settlement is \$4.1361 per Mcf. This rate is predicated on PGW's gas cost projections at the time of the March 1, 2021 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, 2021, 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, 2021.

26. PGW shall calculate the quarterly filing updates for the 2021-2022 GCR period in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(5).

27. Attached as Appendix "A" hereto are the rates relating to this Settlement.

B. PGW's Load Balancing Charge ("LBC")

28. PGW will calculate its LBC reflecting a 50 percent (50%) assignment of the Firm Transportation ("FT") capacity required to deliver supplies under PGW's Washington Storage Service ("WSS") arrangement with Transcontinental Gas Pipe Line ("Transco").

29. PGW will modify its LBC calculation for Calendar Year 2020 so that 50 percent of the WSS capacity will be added into the excess demand determinant, as it does in the FY 2022 LBC calculations.

C. PGW’s Renewable Natural Gas (“RNG”) Pilot Proposal

30. The parties to this proceeding were unable to reach a unanimous settlement agreement related to PGW’s RNG Pilot Proposal. As such, this issue will be reserved for litigation.

D. PGW’s Universal Service and Energy Conservation Surcharge (“USC”)

31. PGW will refund \$2,829,211 related to arrearage forgiveness associated with average bill Customer Responsibility Program (“CRP”) customers for FY 2018 and 2019 that was included twice in PGW’s USC calculation by crediting the USC rate in this amount on a going forward basis, beginning in June 2021.

32. PGW will conduct a further analysis pertaining to the variances between its projected Fiscal Year (“FY”) 2020 USC over-collection of \$0.9 million in its 2020 GCR proceeding and its claimed under-collection of USC for FY 2020 in this proceeding of \$9.4 million. PGW will report its findings to the parties by June 4, 2021. The parties reserve their right to conduct discovery and challenge the reasonableness of the USC under-collection.

33. In its next GCR proceeding, PGW will provide a comparison between its prior FY USC actual over/under-collection and the projected USC over/under-collection from the prior proceeding and identify the reasons for any material cost and/or revenue variances.

E. PLANALYTICS ENERGY BUYER SERVICES

34. PGW is permitted to continue to recover the Planalytics fee for price analysis and buying advisory services (not to exceed \$125,000) for the 2021-2022 GCR period. Continued

recovery of the fee beyond the 2021-2022 GCR period must be addressed in next year's Purchased Gas Cost proceeding.

F. NOTICE OF FUTURE ANNUAL GCRs AND USE OF ESTIMATED DATA FOR MARCH QUARTERLY GCR

35. The parties agree that PGW is requesting in this Settlement that the Commission permit PGW to continue to proceed as follows in its 2022-2023 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).

36. 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 2022-2023 GCR proceeding.

G. ADMISSION OF EVIDENCE

37. 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:

38. 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). The pricing methodology utilized by PGW relies on actual prices for January 2021 and the NYMEX Futures close data (as of January 15, 2021) for the 19 forecast months of February 2021 through August 2022. (PGW St. 1 at 11).

39. 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).

40. 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).

41. 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 FY 2020, PGW bought 82% of their winter baseload out of M-2 and

18% of their winter baseload out of the East Texas Production Zone (“ETX”). PGW bought 100% of their swing contracts out of M-2. (PGW St. 2 at 11).

42. PGW charges its Choice suppliers for the capacity that is released to the suppliers. During the winter months (November through March), Choice suppliers receive capacity based on the amount of gas that their customers are projected to use. In the summer months (April through October), Choice suppliers receive capacity based on the amount of gas that their customers are projected to use and the amount of payback that is required to eliminate any delivery imbalances that accrued during the winter months. If suppliers over-supplied in the winter, their capacity release will be reduced in the summer months to allow PGW to payback gas that they have over-supplied. If suppliers under-supplied in the winter, their capacity release will be increased to allow the suppliers to payback the gas they owe PGW. (PGW St. 2R at 2).

43. 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).

44. Not including PGW’s proposal for a Renewable Natural Gas pilot program, which is reserved for litigation, PGW pursues a least cost procurement policy consistent with its obligation to provide safe, adequate and reliable service to its customers, 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 2-5).

45. PGW utilizes Planalytics to provide price analysis and buying advisory service as part of its efforts to obtain gas at least cost. (PGW St. 2 at 10-11).

46. To ensure system reliability while seeking to procure gas at the least 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).

47. 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. 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, hereby reducing the overall cost of gas supply and the resulting gas cost rate. (PGW St. 2 at 8).

48. The details of PGW's actual gas purchases for the 12 months ending December 31, 2020 are presented in the schedules attached to Tab 1, Item 53.64(c)(1) of PGW's February 1, 2021 Pre-filing. The details of PGW's forecast for the period of January 1, 2021 through August 31, 2022 are presented in PGW's March 1, 2021 Annual Filing.

49. 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 February 1, 2021 Pre-filing).

50. 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 13).

51. 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 ("USC"), the Other Post Employment Benefit Rider Surcharges. (PGW

St. 1 at 5-8). PGW's schedules regarding the USC are currently subject to review pursuant to this settlement.

52. PGW's USC which provides for the recovery of PGW's Customer Responsibility Program ("CRP") discounts; Senior Citizen Discounts; the costs of the Enhanced Low Income Retrofit Program ("ELIRP"); CRP arrearage forgiveness and the Conservation Incentive Credit. (PGW St. 1 at 9).

V. PROPOSED CONCLUSIONS OF LAW

A. Historical Reconciliation Period Standards

53. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2020,³ it is requested that ALJ Heep 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, 2020, 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.

B. Interim and Projected Period Findings

54. With respect to the eight-month interim period beginning on January 1, 2021, and with respect to the projected twelve-month period beginning September 1, 2021, 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

³ The reconciliation period for PGW in this proceeding is the twelve-month period ended December 31, 2020, in accordance with the Commission's regulations at 52 Pa. Code § 53.64(i)(1).

concerning PGW's projected purchases and purchasing policies, excluding PGW's proposed RNG pilot (the reasonableness and legality of which is being litigated separately), 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.

55. Excluding PGW's proposed RNG pilot (the reasonableness and legality of which are being litigated separately), 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 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that this Section of the Settlement, Section V.B.55., 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. This Section V.B.55. of the Settlement is not intended in any way to limit or prevent I&E, OSBA 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, 2021 through August 31, 2022 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, 2021, and the twelve-month application period commencing September 1, 2021, and ending on August 31, 2022.

VI. CONDITIONS OF SETTLEMENT

56. 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.58. below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph VI.58. 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.

57. 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.

58. 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.

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

60. Except for the issues relating to PGW's RNG pilot program which are reserved for litigation, 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' 2021-2022 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 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 2021-2022 GCR proceeding.

Respectfully submitted,

Kristine E. Marsilio

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Attorney for
Office of Small Business Advocate

Dated: June 4, 2021

VII. CONCLUSION

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

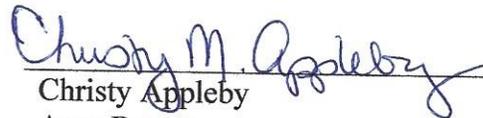
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Respectfully submitted,

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Attorney for
Office of Small Business Advocate

Dated: June 4, 2021

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 2021-2022 GCR proceeding.

Respectfully submitted,

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Dated: June 4, 2021

Appendix A

APPENDIX A

<u>Gas Cost Rate</u>	
	<u>9/1/2021</u>
Rate per Mcf	\$4.1361
<u>Universal Services Surcharge</u>	
	<u>9/1/2021</u>
Rate per Mcf	\$1.5378
<u>Other Post Employment Benefit Surcharge</u>	
	<u>9/1/2021</u>
Rate per Mcf	\$0.3565
<u>Load Balancing Charge</u>	
	<u>9/1/2021</u>
Rate per Mcf	\$47.2349

Appendix B

**PHILADELPHIA GAS WORKS
LOAD BALANCING CHARGE RECONCILIATION
CALENDAR YEAR 2020**

		<u>2020</u>
Actual Storage and Peaking Cost		\$ 17,537,995
WSS Volumes MDQ DTH	17,558	
Daily Demand Charge	0.45902	
Total Storage and Peaking Cost *		983,227.73
Prior Year Carryover		\$ (297,813)
		<u>\$ 18,223,410</u>
Design Day Requirements	Annual Mcf	698,361
Fulfilled from FT Capacity	Annual Mcf	(298,152)
WSS Storage Withdrawal Volumes MCF *		<u>5,677</u>
Fulfilled from Storage and Peaking Assets	Annual Mcf	405,885
Annual Load Balancing Cost per Excess Mcf	Annual \$ / Mcf	\$ 44.8979
BTU Conversion		1.031
	Annual \$ / Dth	<u>\$ 43.5479</u>
Monthly Charge /Dth		\$ 3.6290
Over/(Under) Recovery		<u>\$ 162,132</u>
Interest		<u>\$ 10,232</u>
Carryover		\$ 172,365

* Revised based on the Fiscal Year 2021 1307f PUC Settlement dated June 5, 2020 and effective 1

Appendix B

LOAD BALANCING CHARGE

2020 EXPENSE

	<u>Jan-20</u>	<u>Feb-20</u>	<u>Mar-20</u>	<u>Apr-20</u>	<u>May-20</u>	<u>Jun-20</u>	<u>Jul-20</u>	<u>Aug-20</u>	<u>Sep-20</u>	<u>Oct-20</u>	<u>Nov-20</u>	<u>Dec-20</u>	<u>Total</u>
Transco	\$ 500,333	\$ 487,810	\$ 480,914	\$ 464,665	\$ 456,593	\$ 391,541	\$ 409,336	\$ 412,172	\$ 400,709	\$ 400,486	\$ 388,899	\$ 418,134	\$ 5,211,592
Tetco	\$ 1,096,629	\$ 1,079,244	\$ 1,078,519	\$ 815,824	\$ 778,661	\$ 774,745	\$ 778,851	\$ 769,032	\$ 762,284	\$ 788,572	\$ 828,726	\$ 810,181	\$ 10,361,267
Dominion	\$ 130,954	\$ 131,214	\$ 126,293	\$ 127,715	\$ 128,371	\$ 128,402	\$ 124,835	\$ 130,115	\$ 129,805	\$ 129,434	\$ 128,653	\$ 133,867	\$ 1,549,658
WSS /Transportation	\$ 3,096	\$ 2,541	\$ 194	\$ 315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ 415	\$ 6,605
Purchased Electric	\$ 63,603	\$ 54,721	\$ 46,420	\$ 37,538	\$ 37,538	\$ 34,779	\$ 22,519	\$ 60,746	\$ (4,231)	\$ 23,358	\$ 31,882	\$ -	\$ 408,873
Total	\$ 1,794,616	\$ 1,755,529	\$ 1,732,340	\$ 1,446,058	\$ 1,401,162	\$ 1,329,467	\$ 1,335,540	\$ 1,372,065	\$ 1,288,566	\$ 1,341,850	\$ 1,378,205	\$ 1,362,596	\$ 17,537,995

2020 INTEREST CALCULATION

<u>MONTH *</u>	<u>LOAD BALANCING VOLUME (1) (DTH)</u>	<u>RATE* (2) (\$)</u>	<u>LOAD BALANCING CHARGE (3)=(1)*(2) (\$)</u>	<u>CHARGES BILLED (4) (\$)</u>	<u>OVER/(UNDER) RECOVERY (5)=(4)-(3) (\$)</u>	<u>TIME FACTOR (6)</u>	<u>INTEREST RATE (7)</u>	<u>INTEREST EXPENSE (8)=(5)*(6)*(7) (\$)</u>
Jan-20	48,897	3.6290	177,447	217,993	40,545	18/12	4.50%	2,737
Feb-20	48,474	3.6290	175,912	216,107	40,195	17/12	4.50%	2,562
Mar-20	49,230	3.6290	178,656	218,025	39,369	16/12	4.50%	2,362
Apr-20	50,147	3.6290	181,983	222,086	40,103	15/12	4.25%	2,130
May-20	50,001	3.6290	181,454	221,439	39,986	14/12	3.75%	1,749
Jun-20	51,757	3.6290	187,826	176,662	(11,164)	13/12	3.50%	(423)
Jul-20	53,029	3.6290	192,442	181,004	(11,438)	12/12	3.50%	(400)
Aug-20	54,075	3.6290	196,238	184,574	(11,664)	11/12	3.75%	(401)
Sep-20	55,708	3.6290	202,164	202,086	(78)	10/12	3.50%	(2)
Oct-20	59,564	3.6290	216,158	216,074	(83)	9/12	3.50%	(2)
Nov-20	57,352	3.6290	208,130	208,050	(80)	8/12	3.50%	(2)
Dec-20	53,657	3.6290	194,721	191,164	(3,557)	7/12	3.75%	(78)
Total	631,891		2,293,132	2,455,265	162,132			10,232

* The rate has been revised based on a change in Schedule 13 (a).

**PHILADELPHIA GAS WORKS
LOAD BALANCING CHARGE
SEPTEMBER 1, 2021**

Storage and Peaking Cost	<u>Units</u>		
	\$	\$	16,879,880
WSS Volumes MDQ DTH		17,557.5	2,941,624
Daily Demand Charge		0.45902	
Total Storage and Peaking Cost			19,821,504
Design Day Requirements	Annual mcf		698,361
Fulfilled from FT Capacity (Mcf)			(298,152)
WSS Storage Withdrawal Volumes MCF			<u>17,030</u>
Fulfilled from Storage and Peaking Assets	Annual mcf		417,238
<hr/>			
Annual Storage and Peaking Cost per Excess	Annual \$ / mcf	\$	47.5065
Per Mcf Over / (Under) Adjustment	\$	\$	<u>0.2716</u>
Load Balancing Charge	\$	\$	47.2349

Over / (Under) Recovery	\$	162,132
Interest	\$	<u>10,232</u>
Total Over/(Under) Recovery	\$	172,365
Forecasted SSPC Volumes		634,734
Per Mcf Over / (Under) Adjustment	\$	0.2716

Appendix C

APPENDIX C

Stipulated Record

1. PGW's January 30, 2021 Pre-filing Information;
2. PGW's March 2, 2021 Annual GCR Filing;
3. PGW St. 1, Direct Testimony of Florian Teme, dated March 1, 2021;
4. PGW St. 2, Direct Testimony of Ryan Reeves, dated March 1, 2021;
5. PGW St. 3, Direct Testimony of Greg Stunder, dated March 1, 2021;
6. OCA St. 1, Direct Testimony of Jerome D. Mierzwa, and accompanying Appendix A, dated April 16, 2021
7. OSBA St. 1, Direct Testimony of Robert Knecht, and accompanying OSBA Exhibits IEc-1, IEc-3, and IEx-3, dated April 16th, 2021;
8. I&E St. 1, Direct Testimony of Ethan Cline, and accompanying Appendix A and I&E Exhibit No. 1, dated April 16, 2021.
9. PGW St. 1R, Rebuttal Testimony of Florian Teme, and accompanying Exhibits FT-1 and FT-2, dated May 4 2021.
10. PGW St. 2R, Rebuttal Testimony of Ryan Reeves, dated May 4, 2021;
11. PGW St. 3R, Rebuttal Testimony of Greg Stunder, dated May 4, 2021;
12. OCA St. 1-SR, Surrebuttal Testimony of Jerome D. Mierzwa, dated May 11, 2021;
13. OSBA Revised St. 1-SR, Surrebuttal Testimony of Robert Knecht, dated May 11, 2021;
14. I & E St. 1-SR, Surrebuttal Testimony of Ethan Cline, dated May 11, 2021.
15. PGW Supplemental Statement No. 1-R, Supplemental Rebuttal Testimony of Florian Teme, and accompanying PGW Exhibit FT-3;
16. PGW St. 3RJ, Rejoinder Testimony of Greg Stunder, dated May 12, 2021;
17. Joint Stipulation of Philadelphia Gas Works and Office of Consumer Advocate, dated May 13, 2021.

Appendix D

APPENDIX D

Sample Ordering Paragraphs for Recommended Decision

- 1) The Joint Petition for Settlement of Philadelphia Gas Works' 2021-2022 GCR Proceeding submitted by the Philadelphia Gas Works, the Office of Consumer Advocate, and the Office of Small Business 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, 2021, 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, 2021, 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) 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 2021-2022 GCR period. Continued recovery of the fee beyond the 2021-2022 GCR period must be addressed in next year's Purchased Gas Cost proceeding.
- 5) Philadelphia Gas Works is permitted to proceed as follows in its 2022-2023 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).
- 6) That the Commission, pending the resolution of the renewable natural gas issue which has been reserved for litigation, terminate its investigation at Docket No. R-2021- 3023970, deem the complaints at Docket Nos. C-2021-3024126 and C-2021-3024293 satisfied, and mark the proceedings closed.

Appendix E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2021- 3023970
	:	
	:	
Office of Consumer Advocate	:	Docket No. C-2021-3024126
Office of Small Business Advocate	:	Docket No. C-2021-3024293
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT
ON PHILADELPHIA GAS WORKS' 2021-2022 GCR PROCEEDING**

Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Settlement (“Settlement”) of its 2021-2022 Gas Cost Rate (“GCR”) Proceeding. The Settlement is offered as a resolution of the issues in the above-captioned proceeding, except for the proposal of PGW for authorization to include in its GCR expenditures associated with a limited pilot for the purchase of renewable natural gas (“RNG”). PGW’s RNG proposal was reserved for litigation. PGW supports approval of the Settlement without modification and respectfully requests that Administrative Law Judge Darlene D. Heep (“ALJ 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 February 1, 2021, PGW filed its supporting information for the pre-filing for its annual 2021-2022 Gas Cost Rate (“GCR”).¹ On March 1, 2021, PGW filed its Section 1307(f)

¹ The Procedural History of this case is set out in Section II of the Settlement. For the sake of brevity, PGW is summarizing the Procedural History herein.

filing which included: (1) proposed tariff revisions (Supplement No. 140 to PGW's Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 95 to PGW's Gas Supplier Tariff – Pa P.U.C. No. 1); (2) supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2022; and (3) the Direct Testimonies of Florian Teme (“PGW St. 1”), Ryan E. Reeves (“PGW St. 2”), and Gregory Stunder (“PGW St. 3”).

On April 16, 2021, the Commission's Bureau of Investigation and Enforcement (“I&E”) filed the Direct Testimony of Ethan H. Cline (“I&E St. 1”), the Office of Consumer Advocate (“OCA”) filed the Direct Testimony of Jerry D. Mierzwa (“OCA St. 1”), and the Office of Small Business Advocate (“OSBA”) filed the Direct Testimony of Robert D. Knecht (“OSBA St. 1”).

On May 4, 2021, PGW filed the Rebuttal Testimonies of Florian Teme (“PGW St. 1-R”), Ryan E. Reeves (“PGW St. 2-R”), and Gregory Stunder (“PGW St. 3-R”).

Also on May 11, 2021, I&E filed the Surrebuttal Testimony of Ethan H. Cline (“I&E St. 1-SR”), OCA filed the Surrebuttal Testimony of Jerry D. Mierzwa (“OCA St. 1-SR”), OSBA filed the Surrebuttal Testimony of Robert D. Knecht, and PGW filed the Supplemental Rebuttal Testimony of Florian Teme (“PGW Supplemental St. 1-R”).

On May 12, 2021, the OSBA filed the Revised Surrebuttal Testimony of Robert D. Knecht (“OSBA St. 1-SR”), and PGW filed the Rejoinder Testimony of Gregory Stunder (“PGW St. 3-RJ”).

Also on May 12, 2021, the parties informed ALJ Heep that they had agreed to waive cross-examination on all witnesses and to stipulate the filed testimony into the record, and that a settlement on all issues, except for PGW's RNG pilot proposal had been reached. Accordingly, the evidentiary hearing was cancelled and on May 17, 2021, the parties filed a Joint Stipulation for Admission of Testimony and Exhibits.

PGW submits this Statement in Support of the Settlement in this proceeding. 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.

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. Seventy-five percent (75%) of the margin/credit/fees are used as a reduction to purchased gas costs.

The Settlement also addresses issues that were identified by OCA and the OSBA in this proceeding and proposes a reasonable settlement of each. First, PGW has agreed to calculate its Load Balancing Charge ("LBC") to reflect a 50% assignment of the Firm Transportation ("FT") capacity required to deliver supplies under PGW's Washington Storage Service ("WSS") arrangement with Transcontinental Gas Pipe Line ("Transco").² PGW will also modify its LBC calculation for Calendar Year 2020 so that 50 percent of the WSS capacity will be added into the excess demand determinant, as it does in the FY 2022 LBC calculations.³ These Settlement provisions address concerns raised by the OCA and the OSBA and correct errors in the original calculation.⁴

The Settlement also addresses concerns raised by the OSBA regarding the difference between PGW's forecasted Universal Service and Energy Conservation Surcharge ("USC")

² Joint Petition at ¶ 28.

³ Joint Petition at ¶ 28.

⁴ See PGW St. 1-R at 9-10.

projection in its 2020 GCR proceeding (“the USC Projection”) and the actual USC balance at the end of 2020. Specifically, pursuant to the terms of the Settlement, PGW has agreed to refund \$2,829,211 related to arrearage forgiveness associated with average bill Customer Responsibility Program (“CRP”) customers for Fiscal Year (“FY”) 2018 and 2019 that was included twice in PGW’s originally filed USC calculation.⁵ The refund provision is necessary to correct an error in PGW’s USC calculation.

PGW has also agreed to conduct a further analysis pertaining to the variances between its projected FY 2020 USC over-collection of \$0.9 million in its 2020 GCR proceeding and its claimed under-collection of USC for FY 2020 in this proceeding of \$6.6 million (adjusted to correct for the above discussed error) and report its findings to the parties by June 4, 2021. Under this Settlement provision, the parties reserve their right to conduct discovery and challenge the reasonableness of the USC under-collection.⁶ Finally, in its next GCR proceeding, PGW will provide a comparison between its prior FY USC actual over/undercollection and the projected USC over/under collection from the prior proceeding and identify the reasons for any material cost and/or revenue variances.⁷ PGW submits that these Settlement provisions are a reasonable compromise to address the concerns raised by OSBA witness Mr. Knecht. PGW maintains that it is entitled to recover its actual costs, regardless of its prior projections, in the absence of evidence that the amounts are not reasonably and prudently incurred.

In addition to these 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 in the GCR a small risk management fee

⁵ Joint Petition at ¶ 31.

⁶ Joint Petition at ¶ 32.

⁷ Joint Petition at ¶ 33.

under a gas price analysis and risk management contract with Planalytics; and (2) 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.⁸

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.

⁸ Joint Petition at Sections E and F.

Respectfully submitted,

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Dated: June 4, 2021

Attorneys for Philadelphia Gas Works

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2021-3023970
	:	
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’ 2021-2022 GCR Proceeding (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On February 1, 2021, PGW filed its pre-filing information required for its annual Gas Cost Rate (GCR) rate filing pursuant to Section 1307(f), 1317, 1318 and 2212 of the Public Utility Code, and Sections 53.64 and 53.65 of the Commission’s Rules and Regulations. 66 Pa. C.S. §§ 1307(f), 1317, 1318, 2212; 52 Pa. Code §§ 53.64, 53.65. On March 1, 2021, 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 (ALJ) 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, 2021, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 3, 2021, I&E filed a Notice of Appearance. On February 26, 2021,

the OSBA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 17, 2020, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed its Petition to Intervene.

On April 16, 2021, the OCA submitted the Direct Testimony of Jerome D. Mierzwa. On the same date, Direct Testimony was also submitted by I&E and OSBA. PGW submitted Rebuttal Testimony on May 4, 2021. On May 11, 2021, the OCA, I&E and OSBA submitted Surrebuttal Testimony. Also on May 11, 2021, PGW submitted Supplemental Rebuttal Testimony regarding the Universal Service and Energy Conservation (USC) charge. In lieu of Oral Rejoinder, the Company submitted written Rejoinder Testimony on May 12, 2021. Also on May 12, 2021, the OSBA submitted Revised Surrebuttal Testimony.

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. The parties informed ALJ Heep that a partial settlement (Settlement) had been reached, and the parties reserved one issue related to the Company's Renewable Natural Gas (RNG) pilot proposal for litigation. Cross-examination was waived by all parties, and the hearings scheduled for May 12 and 13, 2021 were canceled. On May 13, 2021, PGW and the OCA filed a Joint Stipulation related to the RNG pilot program proposal. On May 17, 2021, PGW filed the Joint Stipulation for Admission of Testimony and Exhibits. On May 18, 2021, ALJ Heep issued an Order admitting the testimony and exhibits into the evidentiary record. On May 26, 2021, PGW, OCA, I&E, and OSBA filed Main Briefs regarding the RNG pilot proposal.

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(A)(27), Appendix A. The OCA submits that the GCR rates in Appendix A accurately represent the implementation of the terms of the Settlement.

B. PGW's Load Balancing Charge

OCA witness Mierzwa and OSBA witness Knecht recommended that PGW modify its Load Balancing Charge (LBC) to be consistent with the Joint Petition for Settlement of PGW's 2020 1307(f) proceeding at Docket No. R-2020-3017934. OCA St. 1 at 7-10; OCA St. 1-SR at 1-2; OSBA St. 1 at 4-5; OSBA St. 1-S at 4-6. As contemplated by the 2020 1307(f) Settlement, OCA witness Mierzwa and OSBA Knecht recommended that the LBC should be calculated reflecting a 50 percent assignment of the firm transportation capacity required to deliver supplies under PGW's Winter Storage Service arrangement with Transcontinental Gas Pipeline rather than the 100% utilized by PGW. OCA St. 1-SR at 1-2; OSBA St. 1-S at 4-6. In Rebuttal Testimony, PGW witness Florian Teme adopted this recommendation. PGW St. 1-R at 9-10.

The Settlement reflects the adoption of this modification to the Company's filing. Settlement at ¶ III(B)(28)-(29). The Settlement specifically provides that the Company will modify its 2020 LBC calculation. The Settlement states that "PGW will modify its LBC calculation for Calendar Year 2020 so that 50 percent of the WSS capacity will be added into the excess demand determinant, as it does in the FY 2022 LBC calculations." Settlement at ¶ III (B)(29).

The OCA submits that the Settlement provision will make the LBC included in the Company's 2021 filing consistent with the 2020 1307(f) proceeding Settlement. The OCA submits that this modification is reasonable and should be approved.

C. Renewable Natural Gas (RNG) Pilot Proposal

The RNG Pilot Proposal has been reserved for litigation. Main Briefs were filed by PGW, OCA, I&E, and OSBA on May 26, 2021, and Reply Briefs will be filed on June 4, 2021.

D. PGW's Universal Service and Energy Conservation Charge (USC)

In his Direct Testimony, OSBA witness Knecht identified concerns with the \$9.4 million under-collection of the Universal Service and Energy Conservation charge (USC) that the Company included in its filing. OSBA St. 1 at 1-3. In response to the Direct Testimony of OSBA witness Knecht regarding an under-collection of the USC, PGW identified errors in the calculation of its USC. PGW St. 1-R at 4-7; PGW St. Supplemental 1-R at 1-2. The Settlement provides for the correction of the error and the refund of dollars in the June 1, 2021 quarterly filing; further analysis of additional variances to be provided by June 4, 2021; and additional reporting regarding future variances in the next 2022 1307(f) proceeding. Settlement at ¶¶ (III)(B) 31-33.

The Settlement provides that PGW will refund \$2,829,211 related to arrearage forgiveness associated with average bill Customer Responsibility Program ("CRP") customers for FY 2018 and 2019 that was included twice in PGW's USC calculation by crediting the USC rate in this amount on a going forward basis, beginning in the June 1, 2021 quarterly filing. Settlement at ¶ (III)(B)(31). The OCA submits that Paragraph 31 corrects an identified error in the Company's filing and provides for refunds in a timely manner.

The Settlement also provides for a further analysis pertaining to the variances between its projected Fiscal Year (FY) 2020 USC over-collection of \$0.9 million in its 2020 GCR proceeding

and its claimed under-collection of USC for FY 2020 in this proceeding of \$9.4 million. Settlement at ¶ (III)(B)(32). PGW will report its findings to the parties by June 4, 2021. Id. The parties reserve their right to conduct discovery and challenge the reasonableness of the USC under-collection. Id. The OCA submits that the Settlement provision will ensure the accuracy of the USC and provide an opportunity for parties to address any further concerns.

The Settlement also provides for further reporting in the next GCR proceeding. Settlement at ¶ (III)(B)(33). In its next GCR proceeding, PGW will provide a comparison between its prior FY USC actual over/under-collection and the projected USC over/under-collection from the prior proceeding and identify the reasons for any material cost and/or revenue variances. Id. The OCA submits that the provision will provide the parties with important additional information in the next GCR proceeding filing to be able to evaluate any variances in the over/under-collection of the USC.

For the reasons set forth above, the OCA submits that the Settlement is in the public interest and should be approved.

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 2022-2023 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(F)(35).

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 2022-2023 1307(f) proceeding. Settlement at ¶ III (F)(36). The OCA supports, as in the public interest, the Settlement's limitation of this request to the 2022-2023 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 4, 2021

Appendix G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY :
COMMISSION :
 :
v. : **DOCKET NO. R-2021-3023970**
 :
PHILADELPHIA GAS WORKS :

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

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint at the above-referenced Docket on February 26, 2021, in response to the 66 Pa. C.S. § 1307(f) filing of Philadelphia Gas Works (“PGW” or the “Company”). The OSBA’s Complaint is Docketed at C-2021-3024293. The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Settlement of Philadelphia Gas Works’ 2012-2013 GCR Proceeding (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.

The Joint Petition

A. PGW's Load Balancing Charge

The Company provides load balancing services to its transportation service customers using a reconcilable Load Balancing Charge (“LBC”). The OSBA, through the testimony of its witness Robert D. Knecht, raised concerns that PGW’s proposal was not consistent with the modification agreed to in PGW’s last GCR proceeding at Docket No. R-2020-3017934, and that the calculations were inconsistent between the historical period and the forecast period.¹ The OCA, through the testimony of witness Mierzwa, raised similar concerns regarding the interpretation of the 2020 settlement and recommended that the LBC should be calculated with a 50% assignment of the firm transportation capacity required to deliver supplies under PGW’s WSS arrangement rather than the 100% proposed in PGW’s initial filing.² The OSBA, although an active participant in PGW’s 2020 GCR, did not sign or oppose the settlement of PGW’s 2020 GCR. While the language of the settlement of the 2020 GCR regarding the LBC was not particularly clear, the OSBA agrees that a reasonable interpretation would allow for half, or 50% of the Transco WSS volumes in the derivation of the rate rather than the full amount.³

PGW modified its proposals to address both of these concerns in the rebuttal testimony of its witness Mr. Teme, and both corrections are reflected in the *Joint Petition*.⁴ First, the *Joint Petition* incorporates the 50% assignment of capacity for WSS, which the OSBA submits is a reasonable resolution of the issue and should be approved. Second, the *Joint Petition* applies a

¹ OSBA Statement No. 1 at 4-5 and OSBA Statement No. 1S at 4-6.

² OCA Statement No. 1SR at 1-2.

³ OSBA Statement No. 1S at 5-6.

⁴ PGW Statement No. 1R at 9-10.

consistent calculation for the derivation of the LBC in both the historical and the forecast period, thereby addressing the concern raised by Mr. Knecht.

B. Universal Service and Energy Conservation Surcharge (“USC”)

The Company’s USC is a reconcilable charge for the recovery of costs relating to various subsidy programs for low-income and senior citizen customers. The OSBA, through the testimony of witness Knecht, raised concerns about a significant under-collection of \$9.4 million in the USC.⁵ In response to Mr. Knecht’s identification of the issue, PGW identified and acknowledged significant errors in the calculation of its USC.⁶ Further, the *Joint Petition* provides for a further analysis pertaining to the variances between its projected Fiscal Year (“FY”) 2020 USC over-collection of \$0.9 million in its 2020 GCR proceeding and its claimed under-collection of USC for FY 2020 in this proceeding of \$9.4 million to be provided to the parties concurrently with the filing of the *Joint Petition*.⁷ The *Joint Petition* reserves the parties rights to conduct discovery and challenge the reasonableness of the USC under-collection.⁸

The *Joint Petition* provides that PGW will refund \$2,829,211 related to arrearage forgiveness associated with average bill Customer Responsibility Program (CRP”) for FY 2018 and FY 2019 that was included twice in PGW’s calculation by crediting the USC rate in this amount on a going forward basis, beginning in June 2021.⁹

As the *Joint Petition* resolves the OSBA’s concerns about arrearage forgiveness and preserves the rights of the OSBA, and other parties, to further review and challenge the

⁵ OSBA Statement No. 1 at 1-2.

⁶ PGW Statement No. 1R at 4-7 and Supplemental 1R at 1-2.

⁷ *Joint Petition*, Para.32.

⁸ *Id.*

⁹ *Joint Petition*, Para. 31

reasonableness of the USC under-collection, the OSBA submits that the *Joint Petition* results in reasonable compromise that should be approved.

C. PGW’s Renewable Natural Gas (“RNG”) Pilot Proposal

The OSBA retains its concern that PGW’s RNG proposal is not consistent with the Company’s least cost procurement obligations. The parties were unable to reach a settlement on this issue, and it is reserved for litigation.

Conclusion

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

Respectfully submitted,

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Dated: June 4, 2021