



COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 1, 2022

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

Re: Petition of Philadelphia Gas Works
For Emergency Order
Docket No. P-2022-3033477

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer to Philadelphia Gas Works Petition for Emergency Order in the above-referenced docket. As required under the Commission's regulations, the Office of Consumer Advocate's Answer is accompanied by a verification in accordance with 52 Pa. Code Section 1.36.

Copies have been served per the attached Certificate of Service.

Very truly yours,

/s/ Aron J. Beatty

Aron J. Beatty
Senior Assistant Consumer Advocate
PA Attorney I.D. # 86625
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Enclosures:

cc: Chairman Gladys Brown Dutrieuille (**email only**)
Commissioner Ralph V. Yanora (**email only**)
Commissioner John F. Coleman (**email only**)
Seth A. Mendelsohn, Executive Director (**email only**)
Certificate of Service

*331702

CERTIFICATE OF SERVICE

Petition of Philadelphia Gas Works :
For Emergency Order : Docket No. P-2022-3033477

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer to Philadelphia Gas Works Petition for Emergency Order, with accompanying verification, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54, in the manner and upon the persons listed below:

Dated this 1st day of July 2022.

SERVICE BY E-MAIL ONLY

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Dated: July 1, 2022
*331701

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works :
For Emergency Order : Docket No. P-2022-3033477

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On June 30, 2022, Philadelphia Gas Works (PGW or Company) filed a Petition for Emergency Order (Petition) with the Pennsylvania Public Utility Commission (Commission). The Company's Petition requests that the Commission approve tariff modifications designed to suspend operation of PGW's Weather Normalization Adjustment (WNA) for May 2022. The Company's Petition acknowledges that its application of the WNA has resulted in unintended rate shock for customers currently estimated to be \$12.4 Million. Petition at ¶12. The impact of these WNA charges was not, however, distributed evenly among customers. While some billing cycles, such as June 2022 bills, received extremely high WNA charges, customers on other billing cycles received lower charges, or even credits, on their bills. Petition at ¶5.

The OCA urges the Commission to suspend operation of the WNA for May 2022, as requested by PGW, allowing the Company to refund WNA charges as soon as possible. In addition, the OCA requests that the WNA remain suspended pending further investigation into the operation of the WNA formula, to ensure that a similar price spike is not seen in the autumn of 2022 or beyond. The Commission must ensure that rates charged to PGW's customers are just, reasonable, and non-discriminatory among residential customers.

II. ANSWER

The Company's Petition outlines the problem that needs to be addressed. Petition at ¶¶ 3-6. As PGW details, residential customers on certain billing cycles were charged extremely high WNA charges in their June 2022 bills. Petition at ¶5. In theory, PGW's WNA is designed to stabilize its distribution revenues to adjust for weather-related usage fluctuations. See Petition at ¶2. When there is warmer than average weather, and customers use less units of gas to heat their homes, PGW's WNA should produce a charge to offset lost revenues needed to run the distribution system. Conversely, when there is colder than average weather, customers use more units of gas than rates are designed for and a credit is applied to customer bills for those excess revenues. In both cases, the purpose of PGW's WNA is to provide a revenue stream that is sufficient to ensure the proper operation of the distribution system at revenue levels approved in a base rate proceeding.

In the present case, for a subset of customers, PGW's WNA has produced excessive charges far above average distribution revenues for the June billing cycles. The Company states that it has reviewed the application of its WNA, and no errors were found. Petition at 1. Despite the correct application of the tariffed WNA formula, PGW states that residential customers on its billing cycle 6 paid, on average, a \$92 WNA charge. Petition at ¶12. Standing alone, the \$92 WNA charge exceeds the average distribution charges of residential customers for May usage. Stated differently, rather than adjust distribution bills to average usage, the WNA itself was more than a typical customer's average distribution charges.

The WNA formula contained in PGW's tariff can no longer be deemed to produce just and reasonable rates. Further, the WNA formula has produced unreasonably discriminatory results among residential customers, as those on certain billing cycles were unaffected by its operation while others experienced significant harm.

The Company has stated that it will begin an investigation into its WNA charge. The OCA supports this review. The Commission must require that the Company provide a report of its investigation, and provide interested parties an opportunity to comment on the report. The OCA is willing and ready to work with the Company as it seeks to modify its proposal. It may be appropriate to suspend the WNA until the Company's next base rate proceeding. A base rate proceeding would provide the opportunity to fully review the distribution of the Company's revenues over a twelve month period, as impacted by recent weather trends.

The OCA fully supports the Company's determination that the present situation requires emergency treatment. See Petition ¶¶13-19. To properly address the current emergency, the OCA recommends the following actions:

- The issuance of an emergency order to modify the WNA tariff to not have it be applicable in May 2022 and so as to refund all customers who were assessed a charge;
- The order should require PGW to not terminate service for non-payment of WNA charges while it is issuing all refunds and applying them to a customer's bill;
- PGW should be required to suspend this tariff until the conclusion of the Company's investigation and subsequent review of the Company's investigation (Petition at ¶ 6). Specifically, PGW should be required to file a report in this docket concerning the results of its investigation;
- PGW should be required to file a revised tariff before it is permitted to re-implement the WNA and provide detailed workpapers in support of any future WNA charges at the time that it is implemented.

The OCA submits that the Company's WNA tariff as currently applied potentially violates Pennsylvania law and must be suspended. Customers that paid these charges should receive a

refund, as proposed by the Company. In addition, customers must not be terminated as a result of the application of May 2022 WNA charges. The OCA requests expedited treatment for these corrective actions.

III. CONCLUSION

For the reasons set forth above, the Office of Consumer Advocate submits that PGW must suspend operation of its WNA for billings in May 2022. PGW's customers are entitled to a refund of WNA charges for the May 2022 period. Importantly, the WNA mechanism should not be reinstated until a thorough investigation is completed to ensure that such rate shocks do not occur in the future.

Respectfully Submitted,

/s/ Aron J. Beatty

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Dated: July 1, 2022

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works :
For Emergency Order : Docket No. P-2022-3033477

VERIFICATION

I, Christine Maloni Hoover, hereby state that the facts set forth in the Office of Consumer Advocate's Answer to Philadelphia Gas Works Petition for Emergency Order, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: July 1, 2022

Signature: *Christine Maloni Hoover*
Christine Maloni Hoover
Deputy Consumer Advocate

Address: Office of Consumer Advocate
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