

Daniel Clearfield
717.237.7173
dclearfield@eckertseamans.com

July 5, 2022

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
400 North Street
Harrisburg, PA 17120

RE: Philadelphia Gas Works, Supplement No. 151
Docket No. R-2022-XXXXXXX

Dear Secretary Chiavetta,

Enclosed for electronic filing, pursuant to the Emergency Order issued on July 1, 2022 at Docket No. P-2022-3033477, please find Supplement No. 151 to the Gas Service Tariff – Pa. P.U.C. No. 2 of Philadelphia Gas Works. A Statement of Reasons and other data required to be filed pursuant to 52 Pa. Code § 53.52, are attached as Appendix A. Copies are being served in accordance with the attached Certificate of Service.

Sincerely,



Daniel Clearfield

Enclosure

cc: Cert. of Service w/enc.

CERTIFICATE OF SERVICE


I hereby certify that this day I served a copy of Supplement No. 151 of Philadelphia Gas Works upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

Richard Kanaskie, Esq.
Bureau of Investigation & Enforcement
PA Public Utility Commission
400 North Street
Harrisburg, PA 17120
rkanaskie@pa.gov

Patrick Cicero, Esq.
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1921
pcicero@paoca.org

Teresa Reed Wagner
Executive Director
Office of Small Business Advocate
Forum Place Building
555 Walnut Street, 1st Fl.
Harrisburg, PA 17101
tereswagne@pa.gov


+_____
Daniel Clearfield, Esq.

Dated: July 5, 2022

WEATHER NORMALIZATION ADJUSTMENT CLAUSE

Provision For Adjustment

The Weather Normalization Adjustment shall be applied to each Mcf (1,000 cubic feet) used for heating purposes under Rate Schedules GS, MS, and PHA (“heating” and “heating only” customers), except for Gas usage under the Special Provisions – Air Conditioning of those rates. The Weather Normalization Adjustment will be applied to customer usage during the period of October 1 through May 31 of each year for each billing cycle (except for the ~~202102-202203~~ heating season when the Weather Normalization Adjustment will be applied to customer invoices rendered during the period of December 1 through exclude May 1 through May 31 billing cycles to the extent that the application would produce a charge to the customer).

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment surcharge or credit shall be computed to the nearest one-hundredth cent (0.01cent) in accordance with the formulas set forth below:

$$HL = TU - (BL * BC)$$

$$WNA = DC * [(HL * \frac{NHDD \pm (NHDD * 1\%)}{AHDD}) - HL]$$

Definitions

TU – Total Usage for the billing cycle. TU measured in Mcf.

BL – base load Mcf per billing day is the number of Mcf per Customer used per day for non-heating purposes based on usage by Customers to which this adjustment applies. It is determined separately for each individual customer and will be revised annually to reflect the non-temperature sensitive usage of Customers to which the adjustment applies reflected in the prior heating season’s sales. If an individual customer base load is not available, the base load for the related customer class will be applied.

BC – billing cycle is the actual number of days shown on the bill that the Customer receives for service.

DC – Delivery Charge.

NHDD – normal heating degree days for any given calendar day within a month are based on the normal weather determination applied in the Company’s most recent base rate case, currently twenty years, as approved at Docket No. R-2017-2586783. The NHDD provided for in the formula are the total number of NHDD for the billing cycle. The degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport. (C)

AHDD – actual experienced heating degree days for the billing cycle. The degree day data is provided by the National Weather Service and measured at the Philadelphia International Airport.

Operation of Weather Normalization Adjustment

The Weather Normalization Adjustment will be applied to a Customer’s bill on a cents per Mcf basis when actual heating degree days vary from normal heating degree days during the period for which the Customer is billed. The Weather Normalization Adjustment will be applied to the Customer’s space

(C) - Change

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heating consumption except for air conditioning usage billed under the air conditioning rate. The Weather Normalization Adjustment for a billing cycle will apply only if the actual heating degree days (AHDD) for the billing cycle are lower than 99 percent or higher than 101 percent of the normal heating degree days (NHDD) for the billing cycle and will only apply to the extent that the variation is lower than 99 percent or higher than 101 percent of the normal heating degree days for that billing cycle. A new weather adjustment will be calculated for each billing cycle.

Under the formulas, the Weather Normalization Adjustment surcharge or credit is calculated by:

- 1) Normal HDD are calculated for each day of the fiscal year based upon the normal weather determination applied in the Company's most recent base rate case, currently twenty years as approved at Docket No. R-2017-2586783. (C)
- 2) At the start of the fiscal year, an average daily base load (non-heating) usage is calculated for each individual customer based upon actual base load usage.
- 3) The average daily base load (non-heating) amount is multiplied by the number of days in the billing cycle.
- 4) The total billing cycle base load amount is subtracted from the actual cycle usage of the customer in order to derive the usage applicable to heating.
- 5) The WNA factor is multiplied times the heating usage in order to derive the normalized heating usage.
 - a) The WNA factor is calculated by first adjusting the Normal HDD (NHDD) for the billing cycle by the deadband percentage (1 %). The deadband percentage is multiplied by the NHDD and then added to NHDD for the billing period when the weather is colder than normal (i.e., AHDD > NHDD) or subtracted from NHDD for the billing period when the weather is warmer than normal (i.e., AHDD < NHDD).
 - b) The adjusted NHDD are then divided by the AHDD.
- 6) The actual heating usage is subtracted from the normalized heating usage and then multiplied by the delivery charge. The result is a surcharge or credit.

Reporting Requirements

The Company will file all Weather Normalization Adjustments with the Commission on an annual basis. On or about January 10 of each year beginning in 2018, the Company shall submit an annual report for the most recent fiscal year ending August 31 detailing the actual charges or credits that resulted from the application of this clause and the actual number of heating degree days (HDDs). (C)

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Appendix A

**Philadelphia Gas Works
Weather Normalization Adjustment (“WNA”) Tariff
Docket No. R-2022-XXXXXXX**

STATEMENT OF REASONS

Philadelphia Gas Works (“PGW”) hereby submits its proposed revision to Gas Service Tariff – Pa P.U.C. No. 2, Page Nos. 149-150, effective May 1, 2022, pending further investigation by the Pennsylvania Public Utility Commission (“PUC” or “Commission”). Through this proposed revision, PGW would not apply its PUC-approved Weather Normalization Adjustment (“WNA”) Clause for usage from May 1, 2022 through May 31, 2022 billed as a charge in June 2022 residential and commercial billing cycles. As a result, PGW would reverse the previous WNA bills to customers if the customer was billed for the WNA for May usage. If application of the WNA would/did result in a credit to the customer, the customer would still receive the benefit of the credit. This proposal would allow PGW to return approximately \$12.4 million¹ to ratepayers that was billed pursuant to the formula set forth in the WNA in PGW’s Commission-approved Gas Service Tariff, Pa P.U.C. No. 2, Page Nos. 149-150.

PGW’s WNA is an automatic adjustment clause that adjusts billings to customers based upon the degree to which actual weather in its service territory varies from “normal” weather levels. The adjustment is applied to customer usage during the period of October 1 through May 31. As established by the Tariff, the charges or credits are calculated on the basis of a formula that considers normal heating degree days (“NHDD”) and actual experienced heating degree days (“AHDD”) for the billing cycle’s usage.

¹ As not all customers have been billed on the basis of May usage, this is an estimate.

A significant anomaly occurred in the application of the WNA to May 2022 usage, which produced unusually large and unanticipated charges to customers in the majority of billing cycles with May usage. In several days of the billing cycle, the actual number of HDDs was far lower than the “normal” level, resulting in large WNA charges to affected customers. These impacts have prompted a large number of inquiries and concerns from customers.

To address this anomaly and any possible issues over the longer-term, PGW will institute an internal investigation into the WNA formula, input data and current information about weather trends as it effects May. PGW has determined that it is not fair or reasonable to PGW’s customer to have to bear these unprecedented and unusually large charges while this review is underway. Therefore, in the short-term, PGW seeks to reverse the WNA charges that were applied to May usage billings. If this request is approved, PGW anticipates providing these credits to customers in the next several weeks, after the billing system changes are tested and made.

Philadelphia Gas Works

**Section 53.52 Filing Requirements for Proposed Tariff Modifications Regarding PGW's
Weather Normalization Adjustment**

**Supplement No. 151 to
Gas Service Tariff – Pa P.U.C. No. 2**

July 5, 2022

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(1): The specific reasons for each change.

RESPONSE:

The Company has summarized the specific reasons for the tariff modification in its Statement of Reasons that is included as part of the Company's filing.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(2): The total number of customers served by the utility.

RESPONSE:

PGW has approximately 520,005 customers as of May 31, 2022.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(3): A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

RESPONSE:

The WNA is applied to Rate Schedules GS, MS, and PHA ("heating" and "heating only" customers), except for Gas usage under the Special Provisions – Air Conditioning of those rates. There are 501,233 customers on the applicable Rate Schedules as of May 31, 2022. Please see the attached table for the number of customers by tariff subdivision.

The majority of customers who have the WNA applied to their bill saw a WNA charge and will receive a post application bill adjustment. A smaller number of customers who have the WNA applied to their bill saw a WNA credit and their bill will remain unchanged.

PGW notes that the impacted bill cycles are still being processed and the number of impacted customers is increasing.

WNA Customers as of May 31, 2022

| Tariff Subdivision | # of Customers Subject to the WNA |
|----------------------------------|--|
| Non-Heating | |
| Residential | n/a |
| Residential-AC | n/a |
| CRP | n/a |
| Commercial | n/a |
| Commercial-AC | n/a |
| BUS NH | n/a |
| NGS | n/a |
| Industrial | n/a |
| Municipal | n/a |
| Municipal-AC | n/a |
| PHA | n/a |
| NGV | n/a |
| TED | n/a |
| Subtotal Non-Heating | 0 |
| Heating | |
| Residential | 400,545 |
| Residential-AC | 0 |
| Special Residential | 0 |
| CRP | 53,692 |
| PHA GS | 2,025 |
| PHA GS AC | 0 |
| Commercial | 18,029 |
| Commercial-AC | 0 |
| BUS H | 0 |
| Industrial | 359 |
| Municipal | 644 |
| PHA | 1,039 |
| TED | 0 |
| Subtotal Heating | 476,333 |
| Total Firm Service | 476,333 |
| FTR - Non Heat | n/a |
| FTC - Non Heat | n/a |
| FTI - Non Heat | n/a |
| FTM - Non Heat | n/a |
| FTNGV - Non Heat | n/a |
| FTR - Heat | 22,112 |
| FTC - Heat | 2,528 |
| FTI - Heat | 88 |
| FTM - Heat | 15 |
| FTPHA Heat | 0 |
| PHA/GS | 157 |
| Total Firm Transportation | 24,900 |
| GRAND TOTAL | 501,233 |

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(4): The effect of the change on the utility's customers.

RESPONSE:

The proposed change would not apply the WNA charge for applicable customers for usage from May 1, 2022 through May 31, 2022 residential and commercial billing cycles, which has a cumulative impact of approximately \$12.4 million through cycles billed.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(5): The direct or indirect effect of the proposed change on the utility's revenue and expenses.

RESPONSE:

The proposed change would reduce PGW's revenue by approximately \$12.4 million through waiver of WNA charge revenue for usage from May 1, 2022 through May 31, 2022 billed in residential and commercial billing cycles.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(6): The effect of the change on the service rendered by the utility.

RESPONSE:

The changes will have no effect on the service rendered by the utility.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(7): A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

RESPONSE:

PGW recognized that the large difference between normalized and actual Heating Degree Days that occurred for billing cycles covering usage in May 2022 produced large WNA charges. PGW also recognized that customers who received WNA credits for the same period should not be made worse off through any changes.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(8): Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.

RESPONSE:

No studies were undertaken.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(9): Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

RESPONSE:

No customer polls or other documentation regarding customer acceptance and desire for the proposed changes exist or were undertaken.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(10): Plan the utility has for introducing or implementing the change with respect to its ratepayers.

RESPONSE:

PGW will provide a bill message to impacted customers. Additionally, PGW will utilize print, social media, and the internet to inform customers of the change.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(a)(11): FCC, FERC or Commission orders or rulings applicable to the filing.

RESPONSE:

There are no FCC or FERC orders or rulings applicable to this filing.

The Commission addressed PGW's WNA in Pa. Public Utility Commission v. Philadelphia Gas Works, Docket No. R-2017-2586783 (Order entered November 8, 2017, at Pages 17-18 and Ordering Paragraph No. 3). On July 2, 2022, the Commission issued an Emergency Order at Docket No. P-2022-3033477 addressing this proposed change to PGW's WNA.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(1): The specific reasons for each increase or decrease.

RESPONSE:

The Company has summarized the specific reasons for the decrease in its Statement of Reasons that is included as part of the Company's filing.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(2): The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.

RESPONSE:

Please see attached.

UNAUDITED
PGW
STATEMENT OF INCOME
12-MONTH PERIOD - JUNE 1, 2021 THROUGH MAY 31, 2022
(Thousands of Dollars)

| <u>Line No.</u> | | <u>Actual</u> |
|-----------------|--|-------------------|
| | <u>Operating revenues</u> | |
| 1 | Non-heating | \$ 29,952 |
| 2 | Gas transport service | 70,211 |
| 3 | Heating | 640,614 |
| 4 | Unbilled gas adjustment | 4,173 |
| 5 | Appropriation for uncollectible reserve | (4,695) |
| 6 | Total gas revenues | <u>740,255</u> |
| 7 | Appliance & other revenues | 6,908 |
| 8 | Other operating revenues | 26,865 |
| 9 | Total operating revenues | <u>774,028</u> |
| | <u>Operating expenses</u> | |
| 10 | Natural gas | 258,627 |
| 11 | Other raw material | 25 |
| 12 | Sub-total fuel | <u>258,652</u> |
| 13 | CONTRIBUTION MARGIN | 515,376 |
| 14 | Gas processing | 24,178 |
| 15 | Field operations | 80,093 |
| 16 | Collection | 4,613 |
| 17 | Customer services | 13,872 |
| 18 | Account management | 9,525 |
| 19 | Marketing | 4,399 |
| 20 | Administrative & general | 70,706 |
| 21 | Health insurance | 24,703 |
| 22 | Capitalized fringe benefits | (11,994) |
| 23 | Capitalized admin. charges | (22,542) |
| 24 | Pensions | 125 |
| 25 | Other post-employment benefits | (20,906) |
| 26 | Taxes | 9,037 |
| 27 | Total operating expenses | <u>185,809</u> |
| 28 | Operating income before depreciation | 329,567 |
| 29 | Net depreciation | 69,457 |
| 30 | Total operating expenses | 513,918 |
| 31 | Operating income gain | 260,110 |
| 32 | Investments (loss) and other income | (819) |
| 33 | Income before interest | <u>259,291</u> |
| | Interest | |
| 34 | Long-term debt | 47,660 |
| 35 | Other | (7,818) |
| 36 | Allowance for funds used during construction | (799) |
| 37 | Net interest expense | <u>39,043</u> |
| 38 | Net income gain | <u>\$ 220,248</u> |

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(3): A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

RESPONSE:

Based on the change requested, no customers should see their bills increased.

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(4): A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

RESPONSE:

Not applicable. Please see response to Section 53.52(b)(3).

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(5): A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

RESPONSE:

Please see response to Section 53.52(a)(3).

Philadelphia Gas Works' Weather Normalization Adjustment ("WNA") Tariff Filing
52 Pa. Code § 53.52 Filing Requirements

Section 53.52(b)(6): A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

RESPONSE:

PGW projects that the proposed change would result in approximately \$12.4 million in total decreases, through waiver of WNA charge revenue for usage from May 1, 2022 through May 31, 2022 billed in residential and commercial billing cycles, for customers in Rate Schedules GS, MS, and PHA ("heating" and "heating only" customers), except for Gas usage under the Special Provisions – Air Conditioning of those rates, that pay the WNA.