

August 2, 2022

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**Via Electronic Filing**

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

RE: Petition of Philadelphia Gas Works for Approval on Less than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment  
Docket No. P-2022-\_\_\_\_\_

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Petition of Philadelphia Gas Works (“PGW”) for Approval on Less than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment. By this Petition, PGW is seeking to implement a revision to its Tariff so that starting on October 1, 2022, the Weather Normalization Adjustment (“WNA”) will be capped at 25 percent of the total Delivery Charges, excluding the WNA. **Therefore, PGW is requesting approval of this Petition on or before the Public Meeting scheduled for September 15, 2022.**

Copies are being served in accordance with the Certificate of Service.

Sincerely,

*/s/ Karen O. Moury*

Karen O. Moury

Enclosure

cc: Certificate of Service (with Enclosures)

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing Petition upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

### Via Email only

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*Karen O. Moury*

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Karen O. Moury, Esq.

Dated: August 2, 2022

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works : Docket No. P-2022-  
For Approval on Less than Statutory :  
Notice of Tariff Supplement Revising :  
Weather Normalization Adjustment :

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**PETITION OF PHILADELPHIA GAS WORKS  
FOR APPROVAL ON LESS THAN STATUTORY NOTICE OF  
TARIFF SUPPLEMENT REVISING  
WEATHER NORMALIZATION ADJUSTMENT**

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Pursuant to 66 Pa. C. S. § 1308(a) and 52 Pa. Code § 5.41, Philadelphia Gas Works (“PGW”) files this Petition for Approval by the Pennsylvania Public Utility Commission (“Commission” or “PUC”) of Tariff Supplement 152 on less than the statutorily established sixty days, subject to any complaints or investigation as directed by the Commission. Supplement No. 152 would revise PGW’s Gas Service Tariff – Pa. P.U.C. No. 2, Page Nos. 149-150, effective October 1, 2022. Through the proposed revision, which, in addition to being filed as a proposed Tariff Supplement, is attached as Appendix A, PGW would add a control (“cap”) to its previously-approved Weather Normalization Adjustment (“WNA”) Clause so that customers would not be billed a WNA charge or credit of greater than 25 percent of total delivery charges,<sup>1</sup> excluding the WNA, on any given bill. If approved, PGW would make changes to its billing system as quickly as possible. Prior to those changes being implemented, to the extent any WNA charges or credits are billed to usage starting October 1, 2022 that exceed the cap, PGW

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<sup>1</sup> Total delivery charges as described herein include the Customer Charge, the Distribution Charge (including the Distribution System Improvement Charge), and if applicable, the Gas Adjustment Charge (including the Interruptible Revenue Credit), and the Weather Normalization Adjustment (collectively “Delivery Charges”).

will reconcile the excess amount on a subsequent bill. Upon implementation of changes to its billing system, PGW would not assess WNA charges or credits that exceed the cap. The factor driving the filing of this proposed Tariff revision is the large WNA charge on many PGW bills for mid to late May 2022 usage which are being credited back to customers. This proposal is for a modification that limits the potential for a similar occurrence in a future month. This proposed “circuit breaker” approach will ensure that there is a control on the amount of a customer’s WNA charge/credit going forward.

An important feature of the WNA is its effect on reducing volatility of revenues, allowing both PGW and its customers to benefit. Traditionally, the base rates of a natural gas utility have been established on a “weather normalized” basis, such that rates are set to permit the utility to earn at levels determined to be reasonable assuming that the sales and revenues were at “normal” levels. A WNA is designed to balance out the effects of “abnormal” weather by permitting the natural gas utility to essentially true-up its revenues when experienced heating degree days are less than or more than “normal” levels. Notably, for a cash flow regulated utility like PGW, the WNA permits the authorized level of liquidity.

By stabilizing cash flow from year-to-year, the WNA can reduce the need for short-term borrowing, positively affect PGW’s credit rating, reduce the need for costly base rate proceedings, and reduce the potential for emergency rate relief in an extremely warmer than normal scenario. Under the cash flow method of ratemaking, ratepayers provide revenues to cover the entire costs of service – but only the cost of service. Any revenue shortfalls or windfalls ultimately inure to the ratepayers. The WNA minimizes the degree to which such shortfalls or windfalls occur.

Given the value of the WNA in enabling PGW to keep its base rates as low as possible, while remaining financially stable, it is essential to PGW's fiscal health to keep the mechanism in effect. Nonetheless, as evidenced by PGW's Petition for Emergency Order filed on June 30, 2022, PGW seeks to ensure that customers do not experience significant WNA charges as a result of the application of the Tariffed formula. Further, PGW seeks to protect its financial position, from a cash flow standpoint, which in turn benefits ratepayers. Therefore, it is in the public interest for the Commission to permit PGW to revise its Tariff to impose a cap on the WNA so that neither charges nor credits exceed 25 percent of the total Delivery Charges, excluding the WNA.

## **I. BACKGROUND**

1. PGW is owned by the City of Philadelphia and provides public utility services as a city natural gas distribution operation in the City of Philadelphia, consistent with Section 2212 of the Public Utility Code. 66 Pa.C.S. § 2212. PGW came under the Commission's jurisdiction on July 1, 2000.

2. 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, which, based on a settlement reached in PGW's 2017 base rate case, is currently determined on the basis of a twenty year average of heating degree days ("HDDs"). *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). The settling parties agreeing to the twenty year normal included PGW, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Retail Energy Supply Association, the Philadelphia Industrial and Commercial Gas Users Group, the Coalition for

Affordable Utility Services and Energy Efficiency in Pennsylvania, and Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia.

3. The Commission-approved WNA is applied to customer usage from October 1 through May 31. As established by the Tariff, the charges or credits are calculated on the basis of a formula that considers historic normal HDDs and actual experienced HDDs for the billing cycle's usage.

4. PGW's WNA was originally authorized by the Commission in 2002 and has worked more or less as anticipated over the past twenty years. *Pa. Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-00017034 (Order entered on August 8, 2002, Ordering Paragraph 5). It has been instrumental in helping PGW to become a financially stable and strong Company, while assuring that weather related charges to customers were fair and reasonable. Prior to the WNA, PGW experienced years in which warmer than normal weather severely reduced PGW's cash flow and debt service coverages, negatively affecting PGW's bond rating and creating a consistent need to request additional rate relief to stave off financial crisis.<sup>2</sup> Accordingly, it is extremely important to PGW's financial stability that the WNA continue. PGW's financial stability and health, in turn, benefits ratepayers.

5. However, an anomaly occurred with the WNA for May 2022 usage, which produced unusually large charges to customers in many billing cycles with May usage. PGW determined that PGW's customers should not bear these unprecedented and unusually large charges, albeit correctly calculated. Therefore, PGW filed a Petition for Emergency Order on June 30, 2022 at Docket No. P-2022-3033477 seeking Commission approval to immediately

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<sup>2</sup> *Pa. Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-00017034 (Order entered on August 8, 2002).

revise its Tariff to reverse the WNA charges that were applied to May 2022 usage billings. The customers will retain any credits related to the WNA for May usage. In addition, the Petition for Emergency Order explained that to address the May 2022 anomaly and any possible issues over the longer-term, PGW instituted an internal investigation into the WNA formula.

6. The Commission issued an Emergency Order on July 1, 2022 authorizing PGW to implement the proposed Tariff revision. The Emergency Order was ratified by Ratification Order at the Public Meeting held on July 14, 2022. The Ratification Order also directed that PGW submit a report of its findings to date regarding the WNA by August 15, 2022.

7. PGW filed the Tariff revision on July 5, 2022, which was approved by Secretarial Letter issued on July 15, 2022.

8. PGW has begun providing the required credits to customers by bill cycle and will complete the full process as promptly as possible.

9. Consistent with the Ratification Order entered on July 14, 2022, PGW will submit a report to the Commission on August 15, 2022 outlining the outcome of its initial WNA investigation. Whether the results of PGW's review will result in a formal request for a further change to the underlying WNA formula remains to be seen.

10. Due to the unexpected WNA charges that occurred with respect to some customers' May 2022 usage, PGW seeks to avoid any possibility of a recurrence of a significant anomaly.

11. To put this mechanism in place soon, PGW is petitioning the Commission to approve the Tariff change on less than statutory notice, that is, at its Public Meeting of

September 15, 2022 (or sooner, if possible).<sup>3</sup> If PGW is not able to implement the change by October 1, 2022, to the extent any WNA charges or credits are billed to usage starting October 1, 2022 that exceed the cap, PGW will reconcile the excess amount on a subsequent bill.

12. If any complaints are filed against the proposed Tariff change, or if the Commission determines that further investigation is necessary, such process can occur after the Tariff Supplement is permitted to go into effect; the Tariff Change would be subject to the outcome of any such further investigation or complaint proceeding.

## II. APPLICABLE LEGAL STANDARDS

13. Section 1308(a) of the Public Utility Code states that:

Unless the commission otherwise orders, no public utility shall make any change in any existing and duly established rate, except after 60 days notice to the commission, which notice shall plainly state the changes proposed to be made in the rates then in force, and the time when the changed rates will go into effect. ... All proposed changes shall be shown by filing new tariffs, or supplements to existing tariffs filed and in force at the time.

14. Section 1308(a) goes on to state that such a proposed tariff supplement can go into effect on less than the statutorily mandated sixty days: “The commission, for good cause shown, may allow changes in rates, without requiring the 60 days notice, under such conditions as it may prescribe.” Id.

15. Petitions for relief under the Public Utility Code must be in writing, state clearly and concisely the interest of the petitioner in the subject matter, the facts and law relied upon, and the relief sought. 52 Pa. Code § 5.41(a).

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<sup>3</sup> Because PGW has and continues to apply its Tariff precisely as it has been authorized, PGW cannot simply voluntarily limit the WNA charges and requires PUC approval of its proposed Tariff change to do so.



16. Under the regulations, a copy of the petition must be served on all persons directly affected and on other parties whom petitioner believes will be affected. Copies are also required to be served upon the Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”) and the Office of Small Business Advocate (“OSBA”). 52 Pa. Code § 5.41(b).

17. PGW is serving this Petition on I&E, OCA and OSBA, along with all other parties in its 2017 base rate proceeding, which are listed in Paragraph 2.

### **III. BASIS FOR RELIEF**

18. The justification for issuing an Order approving PGW’s proposed Tariff revision establishing additional ratepayer protections for the WNA is that, given the unprecedented experience in May 2022, a potential exists for the WNA to produce an extreme result in a future month.

19. PGW has relied upon the WNA for twenty years to moderate the effects of the weather on its revenues, which has been instrumental in enabling PGW to become a financially stable and strong company, while assuring that weather related charges to customers were fair and reasonable. An important value of the WNA is that PGW’s cash flow is more predictable and thus PGW’s current rates can remain lower than they would otherwise need to be to guard against the receipt of declining revenues compared to the level of “normal” revenues assumed when PGW’s base rates are established. Prior to the WNA, PGW found itself facing numerous financial challenges when winter heating seasons turned out to be warmer than the level of “normal” used in the rate case. These reductions in cash flow severely challenged PGW, negatively affected its bond rating and, forced it to rely heavily on short-term lines of credit

(which are both costly to ratepayers and uncertain) in order to have sufficient resources to pay its bills on time.

20. As previously stated, PGW is in the midst of an internal review of the WNA. Consistent with the directive from the Commission, PGW will submit the results of this initial review on or before August 15, 2022.

21. Although this past May's experience was unprecedented, in order to address the possibility that another significant variance could potentially occur, PGW seeks to avoid any similar occurrence. Although PGW always has the opportunity to seek emergency relief and, if relief is granted, to return funds to customers as is currently underway for the May 2022 WNA charges, that scenario is not ideal from the standpoint of the Commission, PGW, or its customers.

22. The proposed Tariff revision would cap WNA charges at 25 percent of total Delivery Charges, excluding the WNA, for the WNA usage period. The WNA surcharge applied to a customer's bill would not exceed 25 percent of the Delivery Charges for the WNA usage period, excluding the WNA. It is a reasonable and prudent interim step that will protect customers from incurring a large WNA charge in a particular month while continuing to permit the WNA to operate to protect the company from having to absorb 100% of the revenue losses caused by warmer than normal weather.

23. The proposed Tariff revision would likewise cap WNA credits at 25 percent of total Delivery Charges for the WNA usage period, excluding the WNA, (in the same manner as described in Paragraph 22) to ensure that the cap on WNA charges will not have an unreasonably adverse effect on PGW's continued financial stability and will not diverge significantly from the

current expectations of PGW’s bondholders or the rating agencies. Maintaining PGW’s financial integrity and current bond rating keeps financial costs low, which, in turn, benefits ratepayers.

24. The proposed percentage cap is reasonable because a control on WNA charges and credits at 25 percent of total Delivery Charges, excluding the WNA, ensures that no significant changes will occur. Table 1 below illustrates the estimated impact on prior fiscal year WNA charges with the application of a 25 percent cap, along with the estimated average impact per customer service agreement (“SA”) for those affected by the 25 percent WNA cap.

**Table 1. Estimated Impact of 25 Percent WNA Cap on Prior Fiscal Year Charges**

Fiscal Year	(A) WNA Billings (Actual) <sup>4</sup>	(B) Estimated WNA Billings (25% Cap)	(C) = (B) – (A) Estimated Dollar Impact (25% Cap)	Estimated Average Impact per Affected Customer SA with 25% Cap	Fiscal Year
FY 2019	\$1,592,512	\$(48,055)	\$(1,640,567)	\$(12.37)	FY 2019
FY 2020	\$10,339,901	\$10,439,654	\$99,752	\$3.48	FY 2020
FY 2021	\$11,668,061	\$11,631,071	\$(36,990)	\$(4.03)	FY 2021
FY 2022 <sup>5</sup>	\$34,373,495	\$24,103,688	\$(10,269,668)	\$(54.16)	FY 2022 <sup>6</sup>

25. Authorizing PGW to put in place its proposed Tariff revisions, effective October 1, 2022, and giving PGW the opportunity to begin to implement the revision through billing

<sup>4</sup> WNA billings are from data analysis of WNA charges from PGW’s billing system and vary from the totals reported in PGW’s Weather Normalization Adjustment (WNA) Annual Reports. Adjustments to report totals may include, but are not limited to out of period adjustments and timing of billings.

<sup>5</sup> FY 2022 numbers are through June 2022 billings and inclusive of approximately \$11.3 million in WNA charges related to May 2022 usage.

<sup>6</sup> FY 2022 numbers are through June 2022 billings and inclusive of approximately \$11.3 million in WNA charges related to May 2022 usage.

system changes would enable a seamless process to address any potential future anomalies stemming from the application of the WNA formula. The use of a percentage cap on the WNA for each bill is a straightforward solution that will be utilized while keeping the WNA otherwise intact.

26. PGW requests that the Commission permit it to implement its proposed Tariff revision immediately on October 1, 2022, subject to any complaint filed against the Tariff proposal or any further investigation ordered by the Commission. If complaints are filed against the proposal, or if the Commission orders the Tariff to be put in place subject to investigation, and the Commission ultimately determines to modify PGW's proposed Tariff or take any other additional actions, it can do so at the conclusion of its investigation or review and order any such revisions to be applicable as of the date of implementation of the new Tariff Supplement.<sup>7</sup> PGW respectfully suggests, however, that in light of the proposed action to voluntarily limit the extent to which PGW will bill customers under its Commission approved WNA, which has been in place for some twenty years, investigation beyond that which has already been undertaken is neither necessary nor required.

#### **IV. CONCLUSION**

Based upon the foregoing, PGW's Petition For Approval on Less Than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment should be granted.

**WHEREFORE**, Philadelphia Gas Works respectfully requests that the Pennsylvania Public Utility Commission: (a) issue an Order permitting PGW to immediately implement Tariff Supplement No. 152; and (b) grant any other relief in the public interest.

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<sup>7</sup> As an automatic adjustment clause initiated pursuant to 66 Pa. C.S. § 1307(a), questions of retroactive application of a base rate change are not presented.

Respectfully submitted,

*Karen O. Moury*

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Attorneys for Philadelphia Gas Works

Date: August 2, 2022


**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works : Docket No. P-2022-  
For Approval on Less Than Statutory :  
Notice of Tariff Supplement Revising :  
Weather Normalization Adjustment :

**VERIFICATION**

I, Joseph F. Golden, Jr., hereby state that: (1) I am Executive Vice President and Acting Chief Financial Officer for Philadelphia Gas Works (“PGW”); (2) I have reviewed the statements set forth in PGW’s Petition For Approval on Less Than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment; and (3) the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief. I understand that statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: August 2, 2022

  
\_\_\_\_\_  
Joseph F. Golden, Jr.  
Executive Vice President &  
Acting Chief Financial Officer  
Philadelphia Gas Works

# **Appendix A**

PGW  
Gas Service Tariff  
Pa. P.U.C. No. 2

Supplement No. 152



**PHILADELPHIA GAS WORKS**  
**GAS SERVICE TARIFF**



Issued by: Seth Shapiro  
President and CEO

PHILADELPHIA GAS WORKS  
800 West Montgomery Avenue  
Philadelphia, PA 19122

Proposed rates to become effective October 1, 2022 in accordance with Philadelphia Gas Works' Petition for Approval On Less Than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment, filed August 1, 2022.

**List of Changes Made by this Tariff Supplement**

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Updated to reflect revised page numbers for each of the changes listed below on this page.

**Weather Normalization Adjustment Clause (PAGE Nos. 149-150)**

The Weather Normalization Adjustment surcharge or credit applied to a customer's bill shall not exceed 25% of the total of the Customer Charge plus the Distribution Charge and, if applicable, plus the Gas Adjustment Charge plus the Interruptible Revenue Credit.

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## 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 2021-2022 heating season when the Weather Normalization Adjustment will exclude May 1 through May 31 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:

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

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

### 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.

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**

PHILADELPHIA GAS WORKS

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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.
- 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).

WNA Cap

The Weather Normalization Adjustment surcharge or credit applied to a customer's bill shall not exceed 25% of the total of the Customer Charge plus the Distribution Charge and, if applicable, plus the Gas Adjustment Charge plus the Interruptible Revenue Credit.

(C)

(C) - Change

**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 October 1, 2022, pending further investigation by the Pennsylvania Public Utility Commission (“PUC” or “Commission”). Through this proposed revision, PGW would add a control (“cap”) to its previously-approved Weather Normalization Adjustment (“WNA”) Clause so that customers would not be billed a WNA charge or credit of greater than 25 percent of total Delivery Charges, excluding the WNA, on any given bill. Total Delivery Charges include the Customer Charge, the Distribution Charge, if applicable, the Gas Adjustment Charge and the Interruptible Revenue Credit, and the WNA.

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 and actual experienced heating degree days for the billing cycle’s usage.

The factor driving the filing of this proposed Tariff revision is the large WNA charge on many PGW bills for mid to late May 2022 usage which are being credited back to customers consistent with the Commission’s Emergency Order issued on July 1, 2022, the Ratification Order entered on July 14, 2022 and the Secretarial Letter issued on July 15, 2022, all at Docket No. P-2022-3033477. In light of that anomaly, the proposed Tariff provision would limit the potential for a similar occurrence in a future month. This proposed “circuit breaker” approach

will assure that there is a control on the amount of a customer's WNA charge/credit going forward.

Given the value of the WNA in enabling PGW to keep its base rates as low as possible, while remaining financially stable, it is essential to PGW's fiscal health to keep the mechanism in effect. Nonetheless, PGW seeks to ensure that customers do not experience significant WNA charges as a result of the application of the Tariffed formula. Further, PGW seeks to protect its financial position, from a cash flow standpoint, which in turn benefits ratepayers. Therefore, it is in the public interest for the Commission to permit PGW to revise its Tariff to impose a cap on the WNA so that neither charges nor credits exceed 25 percent of the total Delivery Charges, excluding the WNA.



**Philadelphia Gas Works**

**Section 53.52 Filing Requirements for Proposed Tariff Supplement Revising  
PGW's Weather Normalization Adjustment**

**Supplement No. 152 to  
Gas Service Tariff – Pa P.U.C. No. 2**

August 2, 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 517,247 customers as of June 30, 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 498,289 customers on the applicable Rate Schedules as of June 30, 2022.

All of these customers will be affected by the change in that they will not be billed a WNA charge or credit of greater than 25 percent of total Delivery Charges, excluding the WNA, on any given bill.

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:**

Under the proposed change, customers will not be billed a WNA charge or credit of greater than 25 percent of total Delivery Charges, excluding the WNA, on any given bill.

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 will not indirectly or directly affect PGW's expenses. The direct or indirect effect of the proposed change on PGW's revenues will not be known until after the conclusion of each heating season when a comparison can be made between the revenues PGW would have received without the cap and the revenues PGW received with the cap in place.

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:**

After the large WNA charge on many PGW bills for mid to late May 2022 usage, PGW recognized the potential for this to occur in a future month. The proposed cap assures that there is a control on the amount of a customer's WNA charge/credit.



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). The Commission also addressed PGW's WNA by Emergency Order issued on July 1, 2022 and a Ratification Order entered on July 14, 2022 at Docket No. P-2022-3033477. In addition, the Commission issued a Secretarial Letter on July 15, 2022 noting that Supplement No. 151 revising the WNA is effective by operation of law, without prejudice to any formal complaints timely filed against said tariff revision.

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:**

PGW 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:**

Total decreases will depend on the amount of WNA charges and credits that are assessed as compared to the amount of charges and credits that would have been assessed without the 25% cap.