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August 15, 2022

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Via Electronic Filing

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

RE: Philadelphia Gas Works – Supplement No. 152 to Tariff Gas Pa. P.U.C. No. 2
Docket No. R-2022-3034229

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Responses of Philadelphia Gas Works to the Data Requests, Set I, of the Bureau of Technical Utility Services in the above-captioned matter. Copies are being served in accordance with the attached Certificate of Service.

Sincerely,

/s/ Karen O. Moury

Karen O. Moury

Enclosure

cc: Certificate of Service (with Enclosures)
Jordan Van Order (jvanorder@pa.gov) (with Enclosures)

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing Responses 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

Karen O. Moury, Esq.

Dated: August 15, 2022

Bureau of Technical Utility Services
Data Requests to Philadelphia Gas Works
Docket No. R-2022-3034229

TUS-1 Reference Tariff Supplement No. 152. Please provide a redline copy of the proposed tariff supplement.

Response:

A redlined copy is attached.

Provided by: Joseph F. Golden, Jr., Executive Vice President and Acting Chief Financial Officer
for Philadelphia Gas Works

Date: August 15, 2022

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

Supplement No. 152
Redline

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

TABLE OF CONTENTS (PAGE Nos. 6-7)

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.

TABLE OF CONTENTS

	<u>Page Number</u>
	One Hundred Forty FifthFourth Revised
List of Changes Made By This Tariff _____	2
Description of Territory Served _____	5
	One Hundred Forty FourthThird Revised
Table of Contents _____	6
Definitions _____	Second Revised 10
<u>RULES and REGULATIONS:</u>	
1. The Gas Service Tariff _____	First Revised 15
2. Application and Contract for Gas Service _____	Sixth Revised 17
3. Credit and Deposit _____	Third Revised 21
4. Billing and Payment _____	Second Revised 26
5. Termination and/or Discontinuance of Gas Service _____	Second Revised 30
6. Termination of Service for Safety Reasons and Curtailment of Service/ Service Continuity _____	First Revised 38
7. Inquiry, Review, Dispute, and Appeals Process _____	First Revised 41
8. Customer's Responsibility for Company's Property _____	First Revised 44
9. Conditions of Service, Point of Delivery, and Application of Rates _____	Third Revised 47
10. Extensions and Rights-Of-Way _____	First Revised 50
11. Meters: Measurements, Readings, Errors, and Tests _____	First Revised 53
12. Service Charges and Miscellaneous Fees and Provisions _____	Second Revised 57
13. Universal Service And Energy Conservation Programs _____	Second Revised 59
14. Gas Choice Enrollment and Switching _____	First Revised 63
15. Supplier of Last Resort _____	First Revised 63

	<u>Page Number</u>
RATES (Cover Page) _____	66
Gas Cost Rate _____	Ninety First Revised 67
Revenue Reconciliation Adjustment (RAA) Rider _____	70
Senior Citizen Discount _____	First Revised 72
Exit Fee Rider _____	77
Merchant Function & Gas Procurement Charges; Price to Compare _____	Forty Eighth Revised 78
Efficiency Cost Recovery Mechanism _____	Fifty Ninth Revised 80
Universal Services Surcharge _____	Ninety Fourth Revised 81
Other Post Employment Benefit Surcharge _____	Nineteenth Revised 82
General Service – Rate GS _____	One Hundred Sixth Revised 83
Municipal Service – Rate MS _____	One Hundred Sixth Revised 87
Philadelphia Housing Authority Service – Rate PHA _____	One Hundred Sixth Revised 90
Daily Balancing Service – Rate DB _____	101
Interruptible Transportation Service – Rate IT _____	111
Gas Transportation Service – Rate GTS – Firm Service _____	118
Gas Transportation Service – Rate GTS – Interruptible _____	124
Cogeneration Service – Rate CG _____	Fifth Revised 131
Developmental Natural Gas Vehicle Service – Rate NGVS Firm Service _____	Seventy Fourth Revised 135
Developmental Natural Gas Vehicle Service – Rate NGVS Interruptible Service _____	139
SPECIAL PROVISION – Air Conditioning Rider _____	143
SPECIAL PROVISION – Compressed Natural Gas Rider _____	145
SPECIAL PROVISION – Emergency/Unauthorized Use Gas Rider _____	147
Weather Normalization Adjustment Clause _____	Sixth Fifth Revised 149
Distribution System Improvement Charge _____	Twenty Fourth Revised 151
Backup Service – Rate BUS _____	First Revised 154
Technology and Economic Development Rider and Micro-Combined Heat and Power Incentives _____	First Revised 155
Negotiated Liquefied Natural Gas Service – Rate LNG-N _____	First Revised 156

WEATHER NORMALIZATION ADJUSTMENT CLAUSEProvision 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)).

(C)

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

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)

Bureau of Technical Utility Services
Data Requests to Philadelphia Gas Works
Docket No. R-2022-3034229

TUS-2 Reference Tariff Supplement No. 152, Appendix A. Please provide a detailed explanation as to how the 25% Weather Normalization Adjustment cap was determined.

Response:

The 25% Weather Normalization Adjustment (“WNA”) cap (“cap”) was determined based on a number of factors, including (i) protecting customers from a similar anomaly in the next WNA period (starting October 1) as that experienced for May 2022 while, at the same time, (ii) ensuring that PGW (and its ratepayers) continues to benefit from the objective of a WNA - to permit PGW substantially to receive the revenue levels determined to be reasonable in its’ last base rate case. Allowing this provides a number of positive results, including reducing the incremental need for costly short-term financing, supporting PGW's currently positive bond rating and reducing the frequency and size of base rate increases.¹

To provide some context for this response, PGW is not investor owned. 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. PGW’s WNA is an automatic adjustment clause that adjusts billings by billing cycles, thus ensuring cash flow.

PGW filed a Petition for Emergency Order on June 30, 2022, at Docket No. P-2022-3033477, seeking Commission approval to immediately revise its Tariff to reverse the WNA charges that were applied to May 2022 usage billings. In order to address the possibility that another significant variance could potentially occur, PGW sought to avoid any similar occurrence in the future and, as a result, filed a proposed addition to its WNA on August 2, 2022 to control or cap the WNA at 25 percent of the total of the Customer Charge, the Distribution Charge (including the Distribution System Improvement Charge), and if applicable, the Gas Adjustment Charge (including the Interruptible Revenue Credit).

As part of its determination, PGW decided to file the Petition on August 2, 2022 for approval on less than the statutory sixty day notice so that it would have sufficient time to obtain PUC approval of the modification before the restart of the WNA period on October 1, 2022. PGW also filed on August 2, 2022 in order to ensure it has time to work on the system-related upgrades that need to be made to implement this change.

¹ The rating agencies have viewed PGW’s WNA favorably, describing it as a key to the utility’s financial stability. See Moody’s Investor Service Credit Opinion (June 10, 2019) at 4; S&P Global, Philadelphia; Gas; Joint Criteria (May 8, 2019) at 3-4; Fitch Rating Outlook (July 5, 2018) at 1. These rating agency reports are part of the record in PGW’s last rate case (R-2020-3017206, Exh. JFG-3).

In analyzing the WNA to develop an immediate cap to prevent the anomaly that occurred in May 2022, PGW focused on avoiding extraordinary WNA charges to the customer (with a simple design), while, at the same time, retaining the value of the WNA. A WNA cap offers a simple and effective solution to avoid occurrences similar to May 2022 usage.

In order to determine what the appropriate cap would be, PGW utilized data analytics to review customer billings and evaluated percentage caps that would eliminate an anomaly while not putting PGW in a financial position that could have serious, negative ramifications. Variances in revenue from the WNA before and after applying the cap were examined and it was determined that 25% would protect customers from a future anomaly and not risk the financial solvency of PGW.

Tables 1-5 below provide a summary of various cap percentage levels. It provides the respective WNA billings with the cap, the variance from the actual WNA charges, and the estimated average impact per affected customer service agreement.

Table 1. Estimated Impact of a Percent WNA Cap on Fiscal Year 2022 Charges excluding May 2022

Percentage Cap	Actual Billing	With % Cap		
		Estimated FY22 (excluding May) WNA Billings	Variance	Estimated Average Impact per Affected Customer SA with % Cap
No Cap	\$23,084,787	\$23,084,787	\$0	\$0
30%	\$23,084,787	\$22,354,055	\$(730,732)	\$(15.03)
25%	\$23,084,787	\$22,168,839	\$(915,948)	\$(13.61)
20%	\$23,084,787	\$21,914,058	\$(1,170,729)	\$(12.16)
15%	\$23,084,787	\$21,097,176	\$(1,987,611)	\$(9.63)

Table 2. Estimated Impact of a Percent WNA Cap on Fiscal Year 2022 Charges including May 2022

		With % Cap		
Percentage Cap	Actual Billing	Estimated FY22 WNA Billings	Variance	Estimated Average Impact per Affected Customer SA with % Cap
No Cap	\$34,373,495	\$34,373,495	\$0	\$0
30%	\$34,373,495	\$24,560,207	\$(9,813,288)	\$(58.34)
25%	\$34,373,495	\$24,103,688	\$(10,269,807)	\$(54.16)
20%	\$34,373,495	\$23,558,859	\$(10,814,636)	\$(49.43)
15%	\$34,373,495	\$22,419,496	\$(11,953,999)	\$(39.03)

Table 3. Estimated Impact of a Percent WNA Cap on Fiscal Year 2021 Charges

		With % Cap		
Percentage Cap	Actual Billing	Estimated FY21 WNA Billings	Variance	Estimated Average Impact per Affected Customer SA with % Cap
No Cap	\$11,668,061	\$11,668,061	\$0	\$0
30%	\$11,668,061	\$11,656,172	\$(11,888)	\$(3.78)
25%	\$11,668,061	\$11,631,071	\$(36,990)	\$(4.03)
20%	\$11,668,061	\$11,523,361	\$(144,700)	\$(4.31)
15%	\$11,668,061	\$10,978,938	\$(689,122)	\$(5.29)

Table 4. Estimated Impact of a Percent WNA Cap on Fiscal Year 2020 Charges

		With % Cap		
Percentage Cap	Actual Billing	Estimated FY20 WNA Billings	Variance	Estimated Average Impact per Affected Customer SA with % Cap
No Cap	\$10,339,902	\$10,339,902	\$0	\$0
30%	\$10,339,902	\$10,343,082	\$3,180	\$0.74
25%	\$10,339,902	\$10,439,654	\$99,752	\$3.48
20%	\$10,339,902	\$10,744,740	\$404,838	\$4.23
15%	\$10,339,902	\$10,965,306	\$625,404	\$2.76

Table 5. Estimated Impact of a Percent WNA Cap on Fiscal Year 2019 Charges

		With % Cap		
Percentage Cap	Actual Billing	Estimated FY19 WNA Billings	Variance	Estimated Average Impact per Affected Customer SA with % Cap
No Cap	\$1,592,512	\$1,592,512	\$0	\$0
30%	\$1,592,512	\$354,334	\$(1,238,178)	\$(13.30)
25%	\$1,592,512	\$(48,055)	\$(1,640,567)	\$(12.37)
20%	\$1,592,512	\$(628,428)	\$(2,220,940)	\$(11.79)
15%	\$1,592,512	\$(1,445,321)	\$(3,037,833)	\$(11.60)

Provided by: Joseph F. Golden, Jr., Executive Vice President and Acting Chief Financial Officer for Philadelphia Gas Works

Date: August 15, 2022

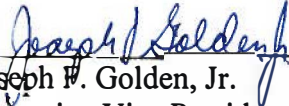
**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Philadelphia Gas Works	:	Docket No. R-2022-3034229
Tariff Supplement No. 152	:	
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 Responses to the Data Requests, Set I, of the Bureau of Technical Utility Services; (3) the facts set forth in the foregoing Responses are true and correct to the best of my knowledge, information and belief; and (4) I expect to be able to prove the same at a hearing in this matter. 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 15, 2022



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