

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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August 22, 2022

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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-2022-3034264

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer to Philadelphia Gas Works' Weather Normalization Adjustment Petition in the above-referenced proceeding. 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.

Respectfully submitted,

/s/ Aron J. Beatty  
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Certificate of Service

\*334305

CERTIFICATE OF SERVICE

Petition of Philadelphia Gas Works for Approval :  
On Less than Statutory Notice of Tariff : Docket No. P-2022-3034264  
Supplement Revising Weather Normalization :  
Adjustment :

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' Weather Normalization Adjustment Petition, proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 22<sup>nd</sup> day of August 2022.

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works for Approval :  
On Less than Statutory Notice of Tariff : Docket No. P-2022-3034264  
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ANSWER OF THE  
OFFICE OF CONSUMER ADVOCATE

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I. INTRODUCTION

On June 30, 2022, Philadelphia Gas Works (PGW or Company) filed a Petition for Emergency Order (Emergency Petition), Docket No. P-2022-3033477, with the Pennsylvania Public Utility Commission (Commission). The Company's Emergency Petition requested that the Commission approve tariff modifications designed to suspend operation of PGW's Weather Normalization Adjustment (WNA) for May 2022 because its application of the WNA during that month resulted in unintended rate shock for customers of more than \$11.3 Million. The OCA filed an Answer to PGW's Emergency Petition on July 1, 2022, supporting the suspension of the WNA as applied to May 2022 bills and urging the Commission to open an investigation and suspend the WNA until it can be thoroughly evaluated. That same day, Chairman Dutrieuille issued an Emergency Order granting PGW's requested relief.<sup>1</sup> The Commission ratified Chairman Dutrieuille's order at its July 14, 2022 Public Meeting, and further ordered PGW to conduct an

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<sup>1</sup> Petition of Philadelphia Gas Works for Emergency Order, Docket No. P-2022-3033477 (Emergency Order of Chairman Gladys Brown Dutrieuille entered July 1, 2022).

investigation into the failure of the WNA mechanism and provide a report on August 15, 2022 with its findings.<sup>2</sup>

On August 2, 2022, PGW filed the instant Petition requesting revisions to its WNA on an expedited basis (Petition). The Company's Petition requests that the Commission approve tariff modifications on less than the statutorily established sixty days' notice, which it asserts are designed to limit the harm that is possible due to operation of its WNA. Specifically, PGW seeks to revise PGW's Gas Service Tariff – Pa. P.U.C. No. 2, Page Nos. 149-150, effective October 1, 2022, by adding a control cap to its WNA so that customers would not be billed a WNA charge or credit that is greater than 25% of total delivery charges, excluding the WNA, on any given bill. Petition at 1.

The Company's Petition acknowledges that its application of the WNA resulted in unintended rate shock in May 2022 for customers in the amount of \$11.3 Million. Petition at ¶24. Despite this, the Company does not propose any modifications to the WNA formula itself other than adding this circuit breaker that would cap charges (and credits) to no more than 25% of a customer's distribution bill. Petition at ¶22. While the Company asserts that application of the cap would be a "reasonable and prudent interim step," Petition at ¶ 22, it does not indicate that it is committed to a full re-evaluation of the WNA or its formula. In contrast to this statement, PGW also argues that, with approval of its proposed 25% cap, "investigation beyond that which has already been undertaken is neither necessary nor required." Petition at ¶26. Thus, even though the WNA has been shown to produce unjust, unreasonable, and discriminatory billings among residential customers, PGW has proposed to cap the harm to customers, rather than seek a thorough

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<sup>2</sup> Petition of Philadelphia Gas Works for Emergency Order, Docket No. P-2022-3033477 (Ratification Order entered July 14, 2022). The Company filed its Weather Normalization Adjustment Report at Docket P-2022-3033477 on August 12, 2022.

investigation that would limit future harm. Limiting WNA charges to 25% of delivery charges does not change the underlying fact that, at least as applied to the May 2022 billing cycle, PGW's WNA formula produces unjust, unreasonable, and discriminatory billing. The Company's suggestion that the 25% cap is sufficient without any further inquiry is without merit.

The OCA recognizes and acknowledges that PGW has taken steps to remedy the harm caused by the May 2022 WNA billings through its decision to refund customers for those charges. As it did in its Answer to the Company's Emergency Petition, the OCA urges the Commission to suspend operation of the WNA pending further investigation into the operation of the WNA formula as required under the Emergency Order. While PGW's proposal would cap the dollar amount of harm that customers could face in the future when the weather produces fewer heating degree days than PGW's WNA anticipates being "normal", the solution arrived at by PGW does not eliminate the harm and there is no showing that the 25% cap is related to the purpose of the WNA or itself is just and reasonable. The OCA submits that the requested relief by PGW to implement the 25% cap in the interim is a second-best solution at this time, and then only if the Commission, PGW, and the parties further investigate the WNA formula to determine whether it should be changed or abandoned. To ensure that a similar price spike is not seen in the autumn of 2022 or beyond, the WNA must be suspended in its entirety until it can be shown to be just, reasonable, and non-discriminatory among residential customers.

## II. ANSWER

The Company's Petition outlines the failure of its WNA calculation and the problem that it seeks to have addressed. Petition at ¶¶ 5-9. As PGW details, residential customers on certain billing cycles were charged extremely high WNA charges for May 2022 usage. 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 ¶4. 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.

For a subset of customers, PGW’s WNA produced potentially discriminatory and excessive charges for some May/June billing cycles. Petition at ¶5. Important to the discussion about how to remedy this problem is the fact that the Company reiterates that it “correctly calculated” the WNA for May 2022 usage. Petition at ¶5. 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.<sup>3</sup> Standing alone, the \$92 WNA charge exceeded the average distribution charges of residential customers for May usage. Thus, it appears that the problem is with the formula itself and further investigation by the Commission is warranted.

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 OCA submits that the Company’s WNA tariff as currently applied potentially violates Pennsylvania law and must be suspended.

Regarding the proposal contained in the instant Petition, PGW does not provide evidence as to how it determined that a 25% cap was the appropriate level of protection for customers. The

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<sup>3</sup> This information was provided in the Company’s publicly filed June 30 Emergency Petition at ¶12 at Docket No. P-2022-3033477.

Company recognizes that the May 2022 bill “anomaly” may happen again. See, Tariff filing at 9 (response to Section 53.52(a)(7)). PGW did not, however, conduct any studies to determine that the WNA mechanism will produce just and reasonable rates if a 25% cap is applied. See, Tariff filing at 10 (response to Section 53.52(a)(8)). There is simply no way of knowing if 25% is an appropriate cap, given the magnitude of the May 2022 rate shock.

More importantly, the Company has acknowledged that the May 2022 rate shock was an anomaly, yet at that same time acknowledges that it *may happen again*. See, Statement of Reasons at 1; see also, Tariff filing at 9 (response to Section 53.52(a)(7)). The fact that customers are exposed to the same “anomaly” in future months is tacit recognition that the current mechanism is flawed. The OCA submits that the only reasonable approach is to suspend the WNA mechanism until a revised formula, free from its current defects, can be developed.

The OCA has additional concerns that the WNA mechanism has produced discriminatory rates. As the company has acknowledged, the magnitude of the May 2022 WNA charged to residential customers was tied directly to a customer’s billing cycle. That is, while all PGW customers experienced the same warmer than average weather in May 2022, the impact of the WNA charge varied depending on where those warmer days fell in a customer’s billing cycle.

In its August 12<sup>th</sup> Report to the Commission filed at Docket No. P-2022-3033477, the Company included the following table showing the impact of the WNA varied significantly

depending on which of the seven billing periods a customer was billed.

**Table 4. May 2022 Residential Customer Impact by HDD Period**

<b>Heating Degree Day Period</b>	<b>NHDD</b>	<b>AHDD</b>	<b>Total WNA Charges</b>	<b>Average WNA Charge</b>
5/6/22 – 6/6/22	68	44	\$53,386.72	\$2.19
5/7/22 – 6/7/22	63	35	\$83,765.64	\$3.95
<b>5/10/22 – 6/8/22</b>	<b>53</b>	<b>3</b>	<b>\$860,550.81</b>	<b>\$50.05</b>
<b>5/11/22 – 6/9/22</b>	<b>50</b>	<b>2</b>	<b>\$1,020,933.48</b>	<b>\$53.86</b>
<b>5/12/22 – 6/10/22</b>	<b>47</b>	<b>1</b>	<b>\$1,924,011.72</b>	<b>\$87.28</b>
5/24/22 – 6/22/22	8	1	\$102,765.92	\$4.71
5/25/22 – 6/23/22	7	1	\$80,589.03	\$3.38

Report of Philadelphia Gas Works on Weather Normalization Adjustment, Docket P-2022-3033477 at 11, Table 4.

Thus, while all customers experienced the same weather during the month of May, only some customers bore the brunt of excessively high WNA charges because of the manner in which the WNA formula works. Putting a 25% cap on the hardship caused to customers in billing groups 3-5 (those in bold in the chart above) would mitigate the harm to those customers but would not remove the harm that they faced compared to similarly situated residential customers who just so happen to fall in another billing group. The disparate treatment of customers in this manner is a clear flaw in the WNA calculation that must be corrected before it resumes operation. The proposed 25% cap does not address this issue.

On the issue of cost, the current Petition is largely silent. To implement the 25% cap, PGW states that billing system changes will be necessary. Petition at 1-2. The Company has not estimated the cost of such changes. It is the OCA's view that costs should not be incurred now to provide interim relief that will not cure the problem. The better approach is a total suspension of the WNA pending an investigation by the Commission and a revision of the WNA formula.

The Commission required the Company to provide a report of its investigation into the WNA. That report was filed on August 12, 2022. The Commission further provided a Comment period for all interested parties to provide responses to the Company's filing. The OCA is reviewing the August 12 report and will be filing Comments at the appropriate time. PGW should be required to suspend its WNA until the Commission has completed its review of the Company's investigation and all Comments filed in that docket (June 30 Emergency Petition at ¶ 6). At that time, the Commission must ensure that the errors contained in the existing WNA formula are corrected before the charge is re-instated.

### III. CONCLUSION

For the reasons set forth above, the Office of Consumer Advocate submits that PGW's Weather Normalization Adjustment should be suspended pending resolution of the investigation and Comment process ordered by the Commission in its July 14 Ratification Order. The WNA mechanism should not be reinstated until the Commission's investigation is completed to ensure that such rate shocks do not occur in the future.

Respectfully submitted,

/s/ Aron J. Beatty

Aron J. Beatty

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

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VERIFICATION

I, Patrick M. Cicero, hereby state that the facts set forth in the Office of Consumer Advocate's Answer to Philadelphia Gas Works' Weather Normalization Adjustment Petition, 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: August 22, 2022  
\*334319

Signature:



\_\_\_\_\_  
Patrick M. Cicero  
Consumer Advocate

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