

COMMONWEALTH OF PENNSYLVANIA



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September 1, 2022

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

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

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Comments in Response to Philadelphia Gas Works' Report on the Operation of its Weather Normalization Charge in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Aron J. Beatty

Aron J. Beatty

Senior Assistant Consumer Advocate

PA Attorney I.D. # 86625

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Certificate of Service

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CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Comments, upon parties of record in this 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 1st day of September 2022.

SERVICE BY E-MAIL ONLY

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Dated: September 1, 2022
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to conduct an investigation into the failure of the WNA mechanism and provide a report by August 15, 2022 with its findings.²

On August 2, 2022, PGW filed a Petition requesting modifications to its WNA on an expedited basis (Modification Petition).³ The Company's Petition requested that the Commission approve tariff modifications on less than the statutorily established sixty days' notice, which it asserted were designed to limit the harm that is possible due to operation of its WNA. Specifically, PGW sought 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. Modification Petition at 1.

On August 12, 2022, the Company filed its Weather Normalization Adjustment Report ("Report") as required by the Commission's July 14 Ratification Order. In its Report, PGW acknowledges that its application of the WNA resulted in unintended rate shock in May 2022 for customers in the amount of approximately \$11.3 Million. Report at 12. The Report provides an explanation of its WNA formula as found in its tariff, with example calculations. Report at 3-7. It further explains the impact that May 2022 weather had on the output of its WNA formula. Report at 8-10. Next, the Report highlights the disparate impact that the WNA has had on residential customers depending on what billing cycle they are served under. Report at 10-11. Finally, the Report identifies PGW's August 2nd Modification Petition in which the Company

² 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.

³ Petition of Philadelphia Gas Works for Approval on Less than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment, Docket No. P-2022-3034264 (Modification Petition). The OCA filed its Answer to the Modification Petition on August 22, 2022.

proposes to cap WNA credits and charges at 25 percent of the total delivery charges. Report at 12-13.

The OCA appreciates PGW's efforts in developing this Report and submits that it provides a sound basis for understanding how the May 2022 WNA anomaly occurred. The OCA notes, however, that the Report does not propose any modifications to the WNA formula itself. The Company has proposed adding to its tariff what it termed a "circuit breaker." The circuit breaker is the subject of the proceedings at the Modification Petition and, if approved, would cap WNA charges (and credits) to no more than 25% of a customer's monthly distribution bill.

As the OCA addressed in its August 22, 2022 Answer to the Modification Petition, the WNA has been shown to produce unjust, unreasonable, and discriminatory billings among residential customers. The Report does not study the WNA formula nor discuss ways to correct the WNA so that the secondary protections outlined in the Modification Petition are not needed. PGW has proposed to cap the harm to customers (Report at 12) rather than correct the problem.

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. 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. The May 2022 WNA rate shock produced excessive rates that were far above anything imagined for an “adjustment.”

As it has done in response to PGW’s Emergency Petition as well as its Answer to the Modification Petition, the OCA continues to urge the Commission to suspend operation of the WNA until it can be shown to produce just and reasonable results for customers. The Company’s Report does not identify what part of the WNA formula failed or what inputs need to be modified to ensure its proper operation. PGW’s circuit breaker limiting harm does not eliminate the harm that the WNA can produce and does nothing to cure the fact that the WNA produces discriminatory rates depending on when a customer is billed. Furthermore, there has been 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 August 12, 2022 WNA Report provides a sound basis for understanding how the WNA failed in May 2022. The Commission must ensure that further steps are taken, however, in order 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. COMMENTS

The Company’s Report outlines the failure of its WNA to produce just and reasonable charges in May 2022. Report 10-12. As PGW details, residential customers on certain billing cycles were charged extremely high WNA charges for May 2022 usage. Report at 11. For this subset of customers, PGW’s WNA produced potentially discriminatory and excessive charges.

In particular, the OCA has 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. The Company’s WNA

formula uses inputs derived from billing cycle data to calculate the heating load (“HL”), as well as for determining actual heating degree days (“AHDD”) and normal heating degree days (“NHDD”). Report at 3-4. The bolded inputs are billing cycle dependent:

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

The Company included the following table showing the impact of the billing cycle inputs on the WNA as follows:

Table 4. May 2022 Residential Customer Impact by HDD Period

Heating Degree Day Period	NHDD	AHDD	Total WNA Charges	Average WNA Charge
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
5/10/22 – 6/8/22	53	3	\$860,550.81	\$50.05
5/11/22 – 6/9/22	50	2	\$1,020,933.48	\$53.86
5/12/22 – 6/10/22	47	1	\$1,924,011.72	\$87.28
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

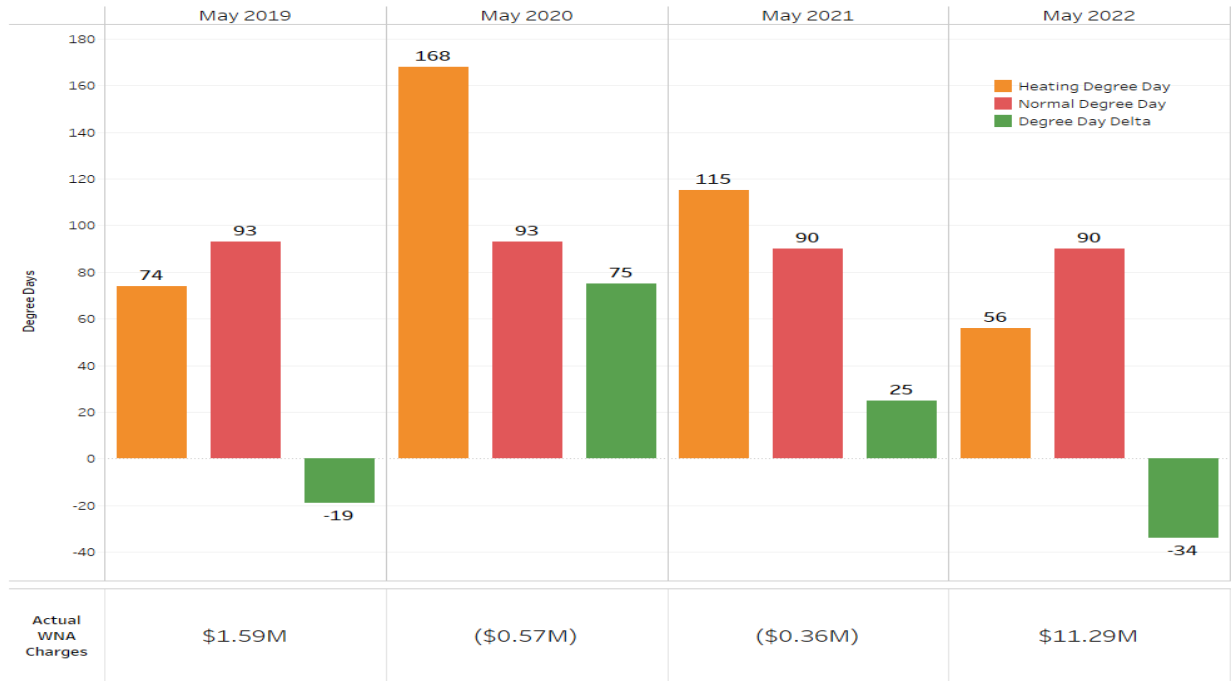
Report at 11. As this chart demonstrates, the WNA charges varied widely, as low as \$2.19 and as high as \$87.28 on average.

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.

While no customer was charged their WNA on a monthly basis, the Report provides the average and actual heating degree days for May 2022, as follows:

Table 5. Historical May Heating Degree Day and WNA Chart



As the Report shows, in May 2022 there were 56 heating degree days, or 34 fewer than normal. Yet for customers on the May 10 through June 8 billing cycle (see table four above) there were 50 fewer heating degree days than normal. If customers’ WNA charges were calculated on a monthly (rather than billing cycle) basis, the most extreme charges would not have occurred.

Regarding the proposal contained in the Modification Petition, PGW does not provide evidence as to how it determined that a 25% cap was the appropriate level of protection for customers. The Company recognizes that the May 2022 bill “anomaly” may happen again. Report at 1, 12-14. PGW has not, however, conducted any studies to determine that the WNA mechanism

will produce just and reasonable rates if a 25% cap is applied. 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, Modification Petition (Statement of Reasons at 1). 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.

To implement the 25% cap, PGW stated that billing system changes would be necessary. Modification Petition at 1-2. On the issue of cost recovery of those billing system modifications, the Report is silent. 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.

PGW should be required to suspend its WNA before the charge is applied in the autumn of 2022. Once the Commission has completed its review of the Company’s Report and all Comments filed in this docket, the Commission should Order PGW to file a corrected WNA formula that is not subject to potential rate shocks and discriminatory rates. Once the Company has demonstrated that the WNA problem has been corrected, a revised WNA could be put into operation. 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 until such time that it the flaws in its formula are corrected. The WNA mechanism should not be reinstated until the formula is corrected to ensure that such rate shocks do not occur in the future.

Respectfully submitted,

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