

Deanne M. O'Dell, Esq.
717.255.3744
dodell@eckertseamans.com

May 10, 2023

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission, Office of Consumer Advocate and Office of
Small Business Advocate v. Philadelphia Gas Works (1307(f))
Docket Nos. R-2023-3038069; C-2023-3038375; C-2023-3038286; C-2023-3038722

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works, enclosed for electronic filing please find its Reply Brief with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww

Enclosure

cc: Hon. Arlene Ashton w/enc. (via email)
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the PGW's Reply Brief upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email Only

Allison C. Kaster, Esq.
Scott B. Granger, Esq.
Bureau of Investigation & Enforcement
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
akaster@pa.gov
sgranger@pa.gov

Aron J. Beatty, Esq.
Christopher M. Andreoli, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
abeatty@paoca.org
candreoli@paoca.org

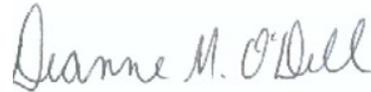
Sharon E. Webb, Esq.
Office of Small Business Advocate 555
Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101
swebb@pa.gov

Charis Mincavage, Esq.
Adeolu A. Bakare, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com

Dennis A. Whitaker, Esq.
Kevin J. McKeon, Esq.
Todd S. Stewart, Esq.
Hawke McKeon & Sniscak LLP
100 N 10th Street
Harrisburg, PA 17101
dawhitaker@hmslegal.com
kjmckeon@hmslegal.com
tsstewart@hmslegal.com

Craig W. Berry, Esq.
Philadelphia Gas Works
800 W. Montgomery Avenue
Philadelphia, PA 19122
Craig.berry@pgworks.com

Dated: May 10, 2023



Deanne M. O'Dell, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2023-3038069
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2023-3038375
Office of Small Business Advocate	:	Docket No.	C-2023-3038286
Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc.	:	Docket No.	C-2023-3038722
	:		
	:		
v.	:		
	:		
Philadelphia Gas Works			

**REPLY BRIEF OF
PHILADELPHIA GAS WORKS**

Craig Berry, Senior Attorney
Legal Department
Philadelphia Gas Works
800 W. Montgomery Ave
Philadelphia, PA 19122
(215) 684-6049
Craig.berry@pgworks.com

Norman J. Kennard, Esquire
(PA Atty I.D. 29921)
Deanne M. O'Dell, Esquire
(PA Atty I.D. 81064)
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
(717) 237-6000 (phone)
(717) 237-6019 (fax)

Date: May 10, 2023

Attorneys for Philadelphia Gas Works

Table of Contents

I. INTRODUCTION.....	1
II. PROCEDURAL HISTORY.....	1
III. LEGAL STANDARDS	1
IV. STATEMENT OF ISSUES	1
A. IS THE PROPOSED GCR JUST AND REASONABLE AND CONSISTENT WITH STATUTORY AND COMMISSION REQUIREMENTS?	1
B. SHOULD PGW BE FORCED TO RELEASE CAPACITY NEEDED TO MAINTAIN FIRM SERVICE TO GCR CUSTOMERS AND THAT HELPS MAINTAIN LOW GCR RATES FOR THE SOLE BENEFIT OF GFCP/VEPI?	2
V. SUMMARY OF ARGUMENT	2
VI. ARGUMENT.....	2
A. PROPOSED GCR RATE.....	2
B. GRAYS FERRY/VICINITY ISSUES.....	3
1. Grays Ferry/Vicinity’s Need for Capacity.....	3
a. GFCP/VEPI Have Conceded That They Desire ARS Before They Would Take Recalable Capacity.....	3
b. ARS Continues Under the Existing Tariff Rate GTS-F	4
c. PGW Has Complied With The Commission April 20 Order By Filing A New Tariff Rate for GFCP/VEPI.....	5
2. Availability of Capacity For Release.....	7
a. There Has Been No Showing of Excess Capacity.....	7
b. GFCP/VEPI Present No PUC Authority To Force A Release.....	9
3. Effect On Other Customers	10
VII. CONCLUSION	13

I. INTRODUCTION

Philadelphia Gas Works (“PGW” of “Company”) hereby submits its Reply Brief in support of its 2023–2024 Gas Cost Rate (“GCR”) and in response to the briefs of Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. (collectively “GFCP/VEPI”) and the Office of Small Business Advocate (“OSBA”).

In this proceeding, GFCP/VEPI have filed testimony requesting, as they did in the Complaint case,¹ that the Commission order PGW to release 21,000 Dth of transportation capacity on TETCO. However, in their Main Brief, GFCP/VEPI now present a modified proposal whereby GFCP/VEPI seeks assurance that PGW will continue providing Alternative Receipt Service (“ARS”), rather than capacity release. PGW previously stated that it would continue providing ARS to GFCP/VEP and has, in fact, in its current rate case, has made a proposal for an ARS rate element within a proposed new tariff rate – Rate GS-XLT.² Therefore, GFCP/VEPI’s complaint in this proceeding should be dismissed as moot.

II. PROCEDURAL HISTORY

PGW fully addressed the Procedural History in its Main Brief.

III. LEGAL STANDARDS

PGW fully addressed the Legal Standards in its Main Brief.

IV. STATEMENT OF ISSUES

A. IS THE PROPOSED GCR JUST AND REASONABLE AND CONSISTENT WITH STATUTORY AND COMMISSION REQUIREMENTS?

Proposed Answer: Yes.

¹ Formal Complaint of Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc., Docket No. C-2021-3029259 (“GFCP/VEPI Complaint Proceeding”).

² See discussion *infra*.

B. SHOULD PGW BE FORCED TO RELEASE CAPACITY NEEDED TO MAINTAIN FIRM SERVICE TO GCR CUSTOMERS AND THAT HELPS MAINTAIN LOW GCR RATES FOR THE SOLE BENEFIT OF GFCP/VEPI?

Proposed Answer: No

V. SUMMARY OF ARGUMENT

PGW fully addressed the Summary of Argument in its Main Brief.

VI. ARGUMENT

A. PROPOSED GCR RATE

As noted in PGW’s Main Brief,³ the proposed GCR rate has not been opposed by any party to this proceeding. OSBA confirmed in Main Brief that the proposed GCR rate is “just and reasonable.”⁴ The Office of Consumer Advocate (“OCA”) and PGW have executed a settlement, also pending before Your Honor, that requests approval. The Bureau of Investigation and Enforcement (“I&E”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) have not opposed the proposed GCR rate either. GFCP/VEPI take no position.⁵

Therefore, the 2023–2024 GCR and related Tariff Supplements (No. 160 to PGW’s Gas Service Tariff – Pa P.U.C. No. 2 and No. 106 to PGW’s Gas Supplier Tariff – Pa P.U.C. No. 1) should be approved as filed.

³ PGW MB at 5.

⁴ OSBA MB at 3 (Issue A).

⁵ GFCP/VEPI MB at 8 (Issue A).

B. GRAYS FERRY/VICINITY ISSUES

1. Grays Ferry/Vicinity’s Need for Capacity

a. GFCP/VEPI Have Conceded That They Desire ARS Before They Would Take Recallable Capacity

In a remarkable change of position, GFCP/VEPI concede that the Commission April 20 Order⁶ has changed the landscape substantially, and that the circumstances that existed when they filed their complaint and testimony have been affected, such that they are now interested first and foremost with ARS, not capacity release:

*Because of the Commission’s order in the Complaint Case, and PGW’s position as presented in pre-filed testimony and during the hearing, GFCP/VEPI have adopted a modified and prophylactic approach to this matter and accept that the continuation of ARS – which has been proposed by PGW – will address GFCP/VEPI’s concerns and provide positive benefits to PGW’s GCR customers.*⁷

As PGW stated in Main Brief: “The issue of capacity release has been raised here by GFCP/VEPI only in the event that the yet-be-decided rate case order determines ARS rate and terms that are less favorable than the cost of TETCO capacity.”⁸

While GFCP/VEPI ask for assurance *in this case* that the ARS rate established by the Commission *in a separate case* will be favorable from their perspective,⁹ the rates, terms, and conditions of ARS have been explicitly referred by the Commission to PGW’s pending base rate

⁶ GFCP/VEPI Complaint Proceeding, Opinion and Order dated April 20, 2023 (“Commission April 20 Order”).

⁷ GFCP/VEPI MB at 2 (emphasis added).

⁸ PGW MB at 19.

⁹ GFCP/VEPI MB at 10 (“Therefore, to achieve a mutually acceptable decision in this case Vicinity would agree to continue to receive ARS, if the terms and conditions, including the price, are reasonable.”).

case.¹⁰ GFCEP/VEPI will have to participate in the base rate case, develop a record, file briefs, and await the Commission decided outcome, as all parties will.

For its part, “OSBA is agnostic as to whether PGW achieves that market value by entering into a modified arrangement with Vicinity that is priced at market (including a modified ARS arrangement) or by releasing the capacity to third parties.” Either avenue is acceptable. The OSBA only asks that “the large subsidies to Vicinity must end, and the value of the capacity should be maximized.”¹¹

Thus, it appears that all three litigating parties are willing to defer their arguments in this proceeding to the pending base rate case and further development of ARS. Your Honor should follow these recommendations.

b. ARS Continues Under the Existing Tariff Rate GTS-F

OSBA believes that ARS was discontinued in the Commission’s Order in the Complaint case.¹² PGW respectfully disagrees with that reading.

All services, rates terms and conditions which underlay Rate GTS-F, the tariff under which PGW and GFCEP/VEPI have operated since PGW became jurisdictional to the Commission, will continue until the Commission directs otherwise. As the Commission stated in its April 20 Order: “Tariff Rate GTS-F, established at PGW Gas Service Tariff – Pa. P.U.C. No. 2 at Pg. No. 118, Effective September 1, 2003, which remains in effect until the Commission issues an order approving a new rate to take effect.”¹³

¹⁰ See Commission April 20 Order at 51–52.

¹¹ OSBA MB at 10.

¹² OSBA MB at 7 (“The gas supply contractual agreements, including the ARS, are not covered by PGW’s Commission-approved tariff for Rate GTS. PGW Gas Service Tariff – Pa PU.C No. 2, pages 118-123. As such, the OSBA respectfully submits that these arrangements expired with the contract and have not been renewed.”)

¹³ Commission April 20 Order at 34.

The Commission expressly rejected the notion that, the tariff's application was limited to the duration of the 1996 contract, which expired on December 31, 2022:

The rates and terms of service were derived by reference to the Agreement and fixed on the effective date of PGW Tariff Rate GTS-F, September 1, 2003. PGW and Vicinity are required to continue to operate under those rates and terms of service, unless and until changed by Commission order.¹⁴

In other words, ARS was provided to Rate GTS-F customers via the (now terminated) 1996 Contracts. As such that service was “derived by reference” into Rate GTS-F.

PGW and GFCP/VEPI have interpreted this to mean that ARS is continuing during the pendency of the base rate case.

c. PGW Has Complied With The Commission April 20 Order By Filing A New Tariff Rate for GFCP/VEPI

Two weeks after entry of the *Commission April 20 Order*, on May 5, 2023, PGW complied with the directive to propose new rates for GFCP/VEPI¹⁵ by submitting supplemental testimony and a tariff that expressly includes the continuation of ARS (as well as the other services that GFCP/VEPI have indicated that they wish to be continued).

PGW has proposed a new special tariff rate class: General Service – Extra Large Transportation (“Rate GS-XLT”). There are three basic service components for this Rate: Local Gas Transportation Service, Alternative Receipt Service, and Sales Service. As explained by a PGW witness in the base rate case:

Alternative Receipt Service (“ARS”) is a continuation of the displacement service that PGW has provided to GFCP/VEPI for the last twenty-five years and which they have stated elsewhere they would like to continue...Pricing is based upon PGW's TETCO

¹⁴ *Id.* at 34–35 n.23.

¹⁵ *See* PGW MB at 18.

release history updated annually, and a floor is set at the TETCO maximum tariff rate.¹⁶

A copy of Rate GS-XLT, as proposed on May 5, 2023, is attached to this Reply Brief.

PGW, therefore, also respectfully disagrees with the OSBA position that PGW should have proposed ARS at this docket.¹⁷ This GCR case is limited to a discussion of capacity release as an alternative to ARS and contains no record whatsoever relating to ARS rates, terms, and conditions. ARS is not a capacity release service; it is a hybrid service which requires use of PGW's distribution system as well as capacity on TETCO's Philadelphia Lateral.

PGW views as preemptive, inconsistent with the PUC's Order in the Complaint case, and not supported on the record here, GFCP/VEPI's attempt to obtain a ruling in this case "[t]hat PGW shall be required to continue to provide ARS to Vicinity indefinitely at rates, terms and conditions that are currently in effect."¹⁸

The continuation of ARS cannot be granted in this proceeding. GFCP/VEPI are well ahead of themselves. As PGW stated in Main Brief: "This speculation about what the Commission may or may not decide on the question of the 'future rates and terms' is premature . . . Addressing this issue now is a waste of the parties' and Commission resources because GFCP/VEPI may well

¹⁶ *PA Public Utility Commission v. Philadelphia Gas Works*, R-2023-3037933, Supplemental Direct Testimony of Florian Teme at 4.

¹⁷ OSBA MB at 9 ("Unfortunately, PGW has not made any specific proposal regarding changes to the terms, conditions or compensation associated with continuing the ARS service in some modified form in this proceeding. The OSBA considers PGW's lack of a specific position on this matter in this proceeding to be puzzling if not irresponsible.").

¹⁸ GFCP/VEPI MB at 22, Proposed Ordering Paragraph 2; *See also id.* at 15–16 ("[GFCP/VEPI] seek[] here an order concluding that PGW will continue to provide ARS using its Philadelphia Lateral capacity and that in the absence of ARS service, PGW holds excess capacity and should be required to release 21,000 Dth/day of its full capacity rights to Vicinity on a recallable basis.").

decide, after reading the Commission’s base rate case order in November of this year [end of base rate case suspension period], that ARS is cheaper than capacity release.”¹⁹

Your Honor should not rule on the capacity issue, but rather defer it to the base rate case where the parties are already working to fully develop a record on the just, reasonable and non-discriminatory terms and conditions for ARS.

2. Availability of Capacity For Release

a. There Has Been No Showing of Excess Capacity

Despite agreeing to defer its issues to the base rate proceeding, GFCP/VEPI nevertheless recite a limited review of the record on capacity release to maintain its position that PGW has “excess capacity.” It argues that: “PGW has provided ARS over the past 25 winters and has not once refused to provide capacity to Vicinity even though it has the ability to do so”²⁰ This is the sole argument made by GFCP/VEPI, in a brief that spends less than a full page on the topic, to “demonstrate” that PGW’s capacity is unneeded and should be released to it.²¹ There were many flaws in Mr. Crist’s analysis of PGW’s capacity holdings and system demand,²² and, perhaps, this is why GFCP/VEPI now rely on rhetorical arguments and not record evidence.

PGW’s Main Brief fully summarized the evidence in the record regarding PGW’s capacity rights, the assets that it has to meet the Design Day, the flexibility those assets provide in support of reliable service, how it enhances the ability to keep gas supply costs low, and the favorable prices that it receives for capacity released into the FERC secondary market.²³ Importantly, PGW

¹⁹ PGW MB at 20.

²⁰ GFCP/VEPI MB at 13.

²¹ *Id.* at 12–13.

²² PGW MB at 26–28.

²³ *Id.* at 23–31.

submitted an analysis that showed, *if PGW were to permanently release 21,000 Dth/day*, PGW's distribution system would experience *failures in 11 of the 18 scenarios* that were examined. This would require PGW to curtail firm customer load (as well as interrupting all IT customers).²⁴ This study is totally ignored in GFCP/VEPI's Main Brief.

The argument that since ARS has continued uninterrupted for 25 years is overly simplistic. The obvious point to be made is that GFCP/VEPI were not interrupted because ARS has been treated by the parties as firm, not interruptible, service, despite the contractual ability to interrupt under limited circumstances. When others were interrupted, Grays Ferry was not. As Mr. Reeves stated for PGW: "The fact that PGW never interrupted GFCP/VEPI's service is not proof that there is excess capacity. It only shows that we have adequate capacity to serve our firm customers."²⁵

The OSBA see the same problem with GFCP/VEPI's case: "As Mr. Knecht testified, it is unclear whether the excess capacity situation will continue and Vicinity's witness Mr. Crist offers no analysis to that effect."²⁶ Based upon the record, OSBA argues that "it would be imprudent for the Commission to require PGW to make such a release"²⁷ and requests that the Commission "[r]eject Vicinity's proposal, as inconsistent with Section 1318 of the Public Utility Code which mandates that purchased gas costs cannot be determined to be just and reasonable unless such rates result from a least cost fuel procurement obligation. . . ."²⁸

For all of the reasons set forth in its Main Brief, PGW concurs.

²⁴ PGW St. 2R at 11; PGW Exh. RER-1R. Exhibit RER-1R is a summary of a design day failure analysis. This document was also introduced into the record of the *GFCP/VEPI Complaint Proceeding* as part of PGW St. No. 2SR as Exhibit RER-1SR. "The study was ignored by Mr. Crist both there and here." PGW St. 2R at 11 n.15.

²⁵ PGW St. 2RJ at 3.

²⁶ OSBA MB at 6.

²⁷ *Id.*

²⁸ *Id.* at 10.

b. GFCP/VEPI Present No PUC Authority To Force A Release

GFCP/VEPI cite to *Equitable Gas*²⁹ for the proposition that “the Commission may require a utility to modify its purchasing practices” and force a release to them.³⁰ The situations are not comparable, and the ruling is mischaracterized.

In that case, Equitable Gas had available to it, but did not use, low-cost Pennsylvania and West Virginia local production and company-owned production. In affirming the Commission, the Court held that:

Recovery of costs found to be the result of managerial imprudence may properly be denied.

We conclude, therefore, that the PUC had the authority to retroactively examine the reasonableness of gas costs actually incurred. As these costs were found by the PUC to be excessive and imprudently incurred, and therefore unreasonable, the PUC could properly disallow the pass through of these costs to ratepayers.³¹

The *Equitable Gas* case is inapposite to the issues raised by GFCP/VEPI in this case. First, there is no proposed finding nor is there any record support for the notion that PGW has been “imprudent.” GFCP/VEPI simply argue that 21,000 Dth of capacity is unneeded were PGW to no longer offer ARS. More profoundly, however, cost recovery was denied to Equitable Gas, but the Commission never forced Equitable to give the gas to another entity. This is the line – the Commission may deny recovery of a cost in rates but cannot tell management how to dispose of it. As PGW stated in Main Brief: “The Commission does not have the authority to force the City of Philadelphia to release assets to a private enterprise.”³² Nor should it.

²⁹ *Equitable Gas Co. v. Pa. Pub. Util. Com.*, 106 Pa. Commw. 240 (1987).

³⁰ GFCP/VEPI MB at 14.

³¹ *Equitable Gas Co.*, 106 Pa. Commw. Ct. at 261.

³² PGW MB at VIII-1 (COL No. 9).

3. Effect On Other Customers

PGW also expended considerable briefing effort to point out that GFCP/VEPI are offering less revenue per dekatherm to PGW's customers in exchange for the release of 21,000 Dth/day than PGW currently makes in the open bid capacity release market.³³

PGW completely agrees with the OSBA that "PGW has an obligation to maximize the value of its upstream capacity on the Philadelphia Lateral to the benefit of ratepayers."³⁴ PGW further agrees that "[a]ny release of capacity on the Philadelphia Lateral that is released at a below-market rate, should be rejected as inconsistent with the Public Utility Code."³⁵ While PGW would qualify this statement to include only intentional releases at below market, it generally agrees with the direction of the argument. In its Main Brief and pre-filed testimony of PGW's witnesses, PGW explained that it is constantly looking for opportunities to release the capacity that – which PGW has secured to assure system reliability – when its analysis shows that experienced and projected temperatures and customer demand would permit the capacity to be released.³⁶

Revenue maximization would mean a release at market prices. However, GFCP/VEPI have suggested that the rate should be lower at \$0.61 per Dth, equal to TETCO "maximum tariff rate,"³⁷ rather than the open market bid price of \$3.25 per Dth testified to by Mr. Reeves.³⁸

³³ PGW MB at 29–31.

³⁴ OSBA MB at 11 (Relief sought). PGW also agrees with OSBA that "PGW's ratepayers have been providing large subsidies to Vicinity with respect to gas supply costs for many years . . . and the gas supply subsidies to Vicinity have been borne by PGW's GCR ratepayers." OSBA MB at 7.

³⁵ OSBA MB at 8.

³⁶ PGW MB at 29–31.

³⁷ *Id.* at 21–22, 30 n.97. As PGW clarified in its Main Brief, GFCP/VEPI witness Crist miscalculated the maximum tariffed TETCO rate as being \$0.80/Dth when the actual, correct TETCO tariffed rate is \$0.61/Dth. *See Id.* at 26–28.

³⁸ PGW MB at 30.

Instead of PGW's suggested average of all TETCO capacity releases, GFCP/VEPI argue that the relevant market should be limited to only transactions on the Philadelphia Lateral. GFCP/VEPI misinterpret an interrogatory answer provided by PGW³⁹ to reach the conclusion that "ARS is worth far less ..., somewhere between the \$0.35/Dth day average price over the past 5 years," particularly noting that the "Paulsboro transaction was for 15,708 Dth/Day at a rate of \$0.10/Dth...."⁴⁰ There are two problems here.

First, the exhibit relied upon, GFCP/VEPI Exhibit JC-8, includes many *short term* releases for the summer months or for only one month, April or October only, for example. These are not a relevant comparison for GFCP/VEPI, who are requesting a *full one year* release that includes *all* of the winter months when capacity release is much more expensive. Indeed, revenues for the winter month releases (October through March) shown in Exhibit JC-8 were much more valuable, priced at \$1.010, \$1.600, and \$1.691/Dth, well above GFCP/VEPI's offered price of \$0.61.

Secondly, GFCP/VEPI Exhibit JC-8 includes Philadelphia Lateral releases that were for short haul distances within a single, regional TETCO "market zone."⁴¹ In its Main Brief, GFCP/VEPI carefully (and repeatedly) specified that they wish a release of the full length of TETCO – "*full, long haul, capacity rights*" so they can source their gas nationally.⁴² Mr. Crist's

³⁹ GFCP/VEPI relies upon Exhibit JC-8 shows all PGW releases for the last five years of TETCO capacity that involved the Philadelphia Lateral. GFCP/VEPI Exh. JC-8 reformats PGW's original response which was marked as GFCP/VEPI Exh. JC-9.

⁴⁰ GFCP/VEPI MB at 11.

⁴¹ TETCO capacity pricing is stated in terms of zones (point of origin to point of termination as defined by the zone). Obviously, the longer the haul, the higher the price of transportation. FERC Gas Tariff Eighth Revised Volume No. 1.

⁴² GFCP/VEPI MB at 12 (emphasis added); See also, *Id.* at 13, 14 and 16.

\$0.61/Dth rate is for the long haul on TETCO from West Louisiana (WLA)⁴³ to Pennsylvania (M3).⁴⁴

When GFCP/VEPI seize upon the Paulsboro Refining release to argue that the \$0.61 offered by GFCP/VEPI is a good deal⁴⁵ compared to the \$0.10/Dth received from Paulsboro, they ignore the fact that this is a short haul transaction within a single zone -- M3 (i.e., M3 to M3).⁴⁶ M3 is a regional, short haul zone that encompasses predominantly Pennsylvania.⁴⁷ So, again, the point of comparison falls well short of what GFCP/VEPI are requesting (and the basis of calculating the \$0.61/Dth TETCO tariff rate), skewing prices downward by treating short haul and long haul pricing as if it were the same.

The OSBA suggests that the most accurate way to identify the real value of the “full, long haul, capacity rights” sought by GFCP/VEPI, were there additional capacity to release, would be to place the 21,000 Dth in an auction “through a competitive bidding process in which Vicinity can participate.”⁴⁸

In any event, it is worth noting that none of the statutory parties took the position that PGW was not attempting to maximize the market price for capacity releases or acting imprudently. Providing this capacity to GFCP/VEPI directly (which cannot be done legally⁴⁹)

⁴³ FERC Gas Tariff Eighth Revised Volume No. 1, Part 1, Subpart 4 (<https://etariff.ferc.gov/TariffBrowser.aspx?tid=590>).

⁴⁴ PGW St. 2RJ at 6.

⁴⁵ GFCP/VEPI MB at 11.

⁴⁶ This was explained in the original interrogatory response. GFCP/VEPI Exh. JC-9.

⁴⁷ And a little bit of northern Virginia and Maryland. FERC Gas Tariff Eighth Revised Volume No. 1, Part 1, Subpart 3 (<https://etariff.ferc.gov/TariffBrowser.aspx?tid=590>).

⁴⁸ OSBA MB at 11.

⁴⁹ PGW MB at 22 and 30 (footnote 97).

would not in any way “maximize” its value and GFCP/VEPI’s self-serving arguments should be rejected.

VII. CONCLUSION

For the reasons stated herein, Philadelphia Gas Works respectfully requests that the Commission:

- (a) approve the proposed 2023–2024 GCR;
- (b) find that PGW’s proposed 2023–2024 GCR, claimed realized natural gas expense, GCR Expense, and prior years’ over-/under-collections are just, reasonable, and in pursuit of a least cost fuel procurement and other standards set forth in 66 Pa. C.S. §§ 1307(f), 1317 and 1318;
- (c) find that PGW’s proposed Tariff Supplement No. 160 to PGW’s Gas Service Tariff – Pa P.U.C. No. 2, adjusting the GCR, and making corresponding adjustments to the Price-to-Compare, Efficiency Cost Recovery Surcharge, and Universal Service and Energy Conservation Surcharge, and to the proposed Tariff Supplement No. 106 to PGW’s Gas Supplier Tariff – Pa P.U.C. No. 1 to adjust the load balancing charge, are just, reasonable and otherwise consistent with law; and
- (d) deny GFCP/VEPI’s proposal and dismiss GFCP/VEPI’s complaint; and (e) take any other action determined to be in the public interest.

Respectfully submitted,



Craig Berry, Senior Attorney
Legal Department
Philadelphia Gas Works
800 W. Montgomery Ave
Philadelphia, PA 19122
(215) 684-6049
Craig.berry@pgworks.com

Norman J. Kennard, Esquire
(PA Atty I.D. 29921)
Deanne M. O'Dell, Esquire
(PA Atty I.D. 81064)
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
(717) 237-6000 (phone)
(717) 237-6019 (fax)

Date: May 10, 2023

Attorneys for Philadelphia Gas Works

PHILADELPHIA GAS WORKS

GENERAL SERVICE EXTRA LARGE TRANSPORTATION - RATE GS-XLT**AVAILABILITY**

This Rate GS-XLT is only available to Customer(s) who share a common point of interconnection that collectively consumes gas and whose natural gas throughput to its Facilities on the PGW system is greater than 9 Bcf annually or, if a new customer, that can demonstrate to the Company's satisfaction such future use and throughput.

The term "Facilities" means the gas burning equipment of the Customers. Facilities that operate in a coordinated fashion among affiliated (commonly owned) entities on a contiguous parcel of land and receive service through a common point of interconnection shall be treated as a single customer for purposes of this rate schedule.

CHARACTER OF SERVICE

Transportation Service under this rate schedule is firm and shall be interrupted only in cases of operating emergencies experienced by the Company or instances of Force Majeure. The Company assumes no liability for interruptions caused by failure of supply sources or upstream transportation by third parties and shall not be obligated to deliver Gas under this rate schedule on any day that Gas is not received at its gate station for the Customer's account.

MONTHLY RATE

The Monthly Charge shall be the sum of the following:

1. **CUSTOMER CHARGE:** \$1,100.00 per month per meter.
2. **LOCAL GAS TRANSPORTATION SERVICE:**

"Local Gas Transportation Service" shall mean the local Gas transportation service provided by the Company, pursuant to this Rate GS-XLT, from Gate Station 060 to the Facility metering station.

PGW will provide firm non-interruptible Local Gas Transportation Service to the Customer's Facility for up to 50,000 Dekatherms per Day. Customer, at PGW discretion, may balance its daily purchases, nominations, and deliveries in the interstate pipeline(s) and PGW shall have no responsibility for banking or balancing Customer's transportation deliveries.

The Local Gas Transportation Charge shall be an amount equal to \$0.11067 per Dth, as measured by PGW at the Customer's metering station(s).

The Customer shall reimburse Company for any expense actually incurred for Customer's benefit from third party sources in the provision of this Service, such as directly assignable taxes, pipeline balancing penalties, governmentally imposed charges, and contingent liability for external transportation charges and fuel requirements. Additionally, for existing Customers, any unavoidable Gas supply costs (e.g., pipeline demand charges) incurred on the Customer's behalf. Such charges shall be in addition to charges specified elsewhere in this Rate GS-XLT. Minimum annual quantity is 9 Bcf.

Issued: May 5, 2023

Effective:

PHILADELPHIA GAS WORKS

3. ALTERNATIVE RECEIPT SERVICE

Rate GS-XLT Customers shall pay PGW a rate per Dth equal to the greater of (1) the average revenue per Dth received by the Company from all releases, excluding choice capacity releases and asset management agreement associated release, of recallable capacity on Texas Eastern Transmission ("TETCO") during PGW's prior fiscal year, which shall be annually updated by PGW with the Commission by September 15 of each year following; or (2) the max TETCO tariff rate. The Minimum ARS Quantity provided by the Company shall be 5,000 Dth per day. The minimum monthly charge shall be the above rate times 5,000 Dth times the number of days in the month regardless of whether the Customer uses less. The Maximum ARS Quantity provided by the Company shall be 21,000 Dth/day.

Definitions Relevant to ARS

"Day" shall mean a period of time consisting of twenty-four hours and including the solar day and the night.

"Gate Station 060" shall mean the new gate station, referred to by TETCO as Point of Delivery No. 73060, to be installed pursuant to the TETCO Precedent Agreement near the interconnection of the PGW Liquids Pipeline and the TETCO Philadelphia Lateral.

"Gate Station 034" shall mean the gate station, referred to by TETCO as Point of Delivery No. 70034, located at an interconnection of PGW's distribution system and TETCO's pipeline system in Montgomery County, Pennsylvania.

"Maximum ARS Quantity" shall mean 21,000 Dth of gas daily; provided.

Description of ARS

PGW will, (i) accept at PGW's facilities at the outlet of Gate Station 034 delivery of a quantity in Dth of Gas nominated by the Rate GS-XLT Customer and actually delivered by TETCO (the "ARS Quantity") for such Day up to the Maximum ARS Quantity for such Day, and (ii) in exchange for such Gas, deliver to PGW's facilities at the outlet of Gate Station 060 on such Day a quantity of Gas in Dth equal to the ARS Quantity for such Day; provided however, that at its election, PGW shall be excused from its ARS obligations on any Day.

ARS, as described above, is a displacement service. Rate GS-XLT Customers are obligated to notify PGW thirty (30) days in advance of the first of every month they will accept ARS service of the volume of ARS they are accepting for the entire month up to the Maximum ARS Quantity without adjustment throughout the month. PGW, at its discretion, may use such unclaimed ARS volume's up to the Maximum ARS Quantity, at its discretion, for another purpose.

PHILADELPHIA GAS WORKS

The Alternative Receipt Service rights granted to Rate GS-XLT Customers pursuant to the Service shall not be assignable by Rate GS-XLT Customers, and any Gas delivered by PGW to the Facility pursuant to ARS shall be used only in the Facility.

4. **SALES SERVICE:**

PGW will make Sales Service available to the Customer on a "best efforts" basis solely for use at the Customer's Facility, Rate GS-XLT Customers acknowledge that, from time to time on any given day, a request for Sales Service may be denied or limited by PGW in its sole judgment for economic or operational reasons.

The rate for such service shall be composed of a transportation component and a commodity component, as follows:

Transportation component:	The lowest applicable Interruptible Service Rate
Commodity component:	The current GCR Rate per Dth

For purposes of calculating Sales Service and transportation quantities, the first Gas recorded through the meters at the Facility Delivery Point on each Day for which Sales Service Gas has been nominated shall be considered Sales Service Gas.

5. **SURCHARGES**

The Universal Service and Energy Conservation Surcharge; the Efficiency Cost Recovery Surcharge; Other Post Employment Benefit Surcharge; and Distribution System Improvement Charge shall apply to the Local Gas Transportation Service applied under this Rate GS-XLT.

6. **MINIMUM MONTHLY CHARGE:**

The minimum monthly charge shall be the Customer Charge per meter, and the minimum monthly ARS charge.

TERMS OF PAYMENT

Bills will be rendered and payment terms applied in accordance with this Tariff.

CONDITIONS OF USE

1. The Company shall not be obligated to incur the cost of additional facilities to provide Transportation Service hereunder for existing load. Nonetheless, in the event the Company elects to provide additional facilities, which in the Company's sole judgment are required to provide Transportation Service, the cost of such facilities shall be the responsibility of the Customer. Customers may appeal the Company's judgment to the Commission. The Company shall provide, install, own and maintain such facilities. Where applicable, extensions and enlargements of Gas supply facilities for qualifying new load shall be in accordance with Section 10.

PHILADELPHIA GAS WORKS

2. The Customer warrants and will provide satisfactory documentation, upon request, that it has good and merchantable title for all Gas delivered to the Company for transportation hereunder. Title shall be free and clear of all liens, encumbrances and claims whatsoever. Customer will indemnify Company and hold the Company harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of the adverse claims of any or all persons to said Gas and/or to royalties, taxes, license fees or charges thereon, including pipeline transportation and service charges, which are applicable to such Gas and/or the delivery of such Gas to the Company.
3. The Company may retain for line loss and unaccounted-for Gas a percentage of the total volume of Gas delivered into its system for Customer's account. The percentage of Gas to be retained by the Company shall be equivalent to the percentage for total system line loss and unaccounted-for, as utilized in the Company's annual operating budget. This condition may, at the Company's discretion, be revised as appropriate, where the transported Gas can be delivered directly to the Customer without commingling with other distribution system supplies. If circumstances change, the Company will notify the Customer in writing thirty (30) days prior to any change.
4. In the event that the Company declares an emergency situation it may, at its discretion, divert Customer's Gas for such purposes as Company deems appropriate and Customer will be compensated for such Gas at the cost at which the Customer acquired the Gas, at the Customer's cost of the alternate fuel utilized or at the Company's avoided cost of Gas during the billing month, whichever is highest. The Customer shall demonstrate its cost of Natural Gas or replacement fuel by making a copy of its purchase contract available to Company upon request. All Gas purchased by the Company will be credited to the Customer's account.
5. Rate GS-XLT is subject to the provisions of the Daily Balancing Service – Rate DB in this Tariff (pgs. 101-109). For purposes of Rate DB, Rate GS-XLT customers with a common point of interconnection will be deemed by the Company to meet the qualifications for Rate DB regardless of how they structure their natural gas purchases. This condition may, at the Company's discretion, be waived or revised as appropriate, where the transported Gas can be delivered directly to the Customer without commingling with other distribution system supplies. If circumstances change, the Company will notify the Customer in writing thirty (30) days prior to any change.

UNAUTHORIZED USE

If a Customer uses Rate GS-XLT service after being notified that service under this schedule is not available, uses gas at other than the specified Facilities allowed under this tariff or uses this service in excess of authorized limitations when established and duly notified, all such unauthorized usage shall be billed a penalty charge of seventy five dollars (\$75.00) per Dth on the positive difference between the amount consumed by Customer and the amount delivered to the Company. Failure to comply with an Operational Flow Order (OFO) will result in a penalty charge of seventy-five dollars (\$75.00) per Dth plus all incremental costs incurred by the Company as a result of the failure to comply with the OFO.

LIABILITY

The Company shall not be liable for curtailment of service under this rate schedule or loss of Gas of the Customer as a result of any steps taken to comply with any law, regulation or order of any governmental agency with jurisdiction to regulate, allocate or control Gas supplies or the rendering of service hereunder, and regardless of any defect in such law, regulation or order.

PHILADELPHIA GAS WORKS

The Company reserves the right to commingle transport Gas with its other supplies but Gas is and remains the property of the Customer while being transported and delivered by the Company. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such Gas before, during and after receipt by the Company.

The Company shall not be liable for any loss to the Customer or any other entity or person(s) arising from or out of service under this rate schedule, including loss of Gas in the possession of the Company or any other cause.

COMPANY RULES

The provisions of this Tariff GS-XLT shall govern the service under this classification except where noted herein.