

COMMONWEALTH OF PENNSYLVANIA



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May 11, 2023

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

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works
1307(f) Proceeding
Docket No. R-2023-3038069

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of Partial Settlement in the above-referenced proceeding.

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

Respectfully submitted,

/s/ Christopher M. Andreoli
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Enclosures:

cc: The Honorable Arlene Ashton (**email only**)
Certificate of Service

*345937

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
:
v. : Docket No. R-2023-3038069
:
Philadelphia Gas Works 1307(f) Proceeding :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Statement in Support of Partial Settlement, 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 11th day of May 2023.

SERVICE BY E-MAIL ONLY

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Dated: May 11, 2023
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On February 13, 2023, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 14, 2023, the Philadelphia Industrial and Commercial Users Group (PICGUG) filed a Petition to Intervene in this proceeding. Also on February 14, 2023, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 21, 2023, the OCA filed a Formal Complaint, Public Statement and Verification with the Commission. On March 2, 2023, Administrative Law Judge Arlene Ashton issued a Prehearing Conference Order. On March 3, 2023, the Joint Complaint of Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. (Vicinity) was filed.

The OCA retained Jerome D. Mierzwa¹ to provide technical assistance and to review the Company's gas purchasing practices and operations. Mr. Mierzwa reviewed the Company's preliminary and definitive filing in this matter. In addition, the OCA served extensive discovery on the Company and reviewed all Company responses. Upon completion of its review, the OCA did not identify any issues relevant to this proceeding that warranted the filing of testimony.

Subsequently, in accordance with the Commission's Rules and Regulations at 52 Pa. Code § 5.321, the parties undertook discussions in an attempt to reach settlement. On May 9, 2023, the parties informed the ALJ that a partial settlement had been reached and filed this Joint Petition for Partial Settlement. The OCA submits that the Company has met the requirements of 66 Pa. C.S. §§ 1307(f) and 1318, and the Partial Settlement is in the public interest for the reasons set forth below.

¹ Mr. Mierzwa is a Principal with and Vice President of Exeter Associates, Inc. ("Exeter"). Since joining Exeter in 1990, he has specialized in evaluating the gas purchasing practices and policies of natural gas distribution companies ("NGDCs"), utility class cost of service and rate design analysis, sales and rate forecasting, performance-based incentive regulation, revenue requirement analysis, the unbundling of utility services and the evaluation of customer choice natural gas transportation programs.

II. TERMS AND CONDITIONS OF SETTLEMENT

The Commission encourages parties in contested, on-the-record proceedings to settle cases. See 52 Pa. Code § 5.231. A Settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement suits the public interest. *Pa. Public Utility Commission v. CS Water and Sewer Associates*, 74 Pa. PUC 767, 711 (1991). When the settling parties submitted their joint settlement petition for approval, the principal issue for the Commission is whether the agreement serves the public interest. *Pa. Public Utility Commission v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

The settling parties (PGW and OCA) agree to accept the underlying data and calculations submitted by PGW in its February 1, 2023 Pre-filing and its March 1, 2023 Annual Filing subject to the terms and conditions contained in the Partial Settlement. The OCA submits that the GCR rates in Appendix A accurately represent the implementation of the terms of the Partial Settlement. Supplement No. 160 to PGW's Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 106 to PGW's Gas Supplier Tariff – Pa P.U.C. No. 1 as filed on March 1, 2023 shall be permitted to go into effect on September 1, 2023. Consistent with past practice, PGW shall file its 3rd Quarter Update prior to September 1, which update will update the GCR rate set forth in Supplements No. 160 and 106.

The Partial Settlement further memorializes the modifications to the Company's purchasing strategy that have resulted from its hedging study. Pursuant to the Commission-approved settlement of its 2022 PGC proceeding, PGW conducted a study to determine if hedging gas purchases could reduce price volatility. In this proceeding, PGW proposed expansion of its hedging program after completion of this study. The Partial Settlement provides that PGW will

modify its purchasing targets to hedge 5% to 50% of its monthly baseload purchases as conditions permit. Under the settlement, PGW's proposed hedging program as described in Exhibit RR-1 will be approved. The OCA submits that gas prices have been extremely volatile throughout Pennsylvania over the past 3-year period. The hedging program approved in the Partial Settlement is a step in the right direction toward reducing price volatility to the benefit of residential ratepayers.

IV. CONCLUSION

The Office of Consumer Advocate submits that the terms of the Partial Settlement are in the public interest and in the interest of PGW's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the proposed Partial Settlement should be approved.

Respectfully Submitted,

/s/ Christopher M. Andreoli

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