EARTHJUSTICE
BECAUSE THE EARTH NEEDS A GOOD LAWYER

July 27, 2023

Via Electronic Filing

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

Re: *Pa. PUC v. Philadelphia Gas Works,* Docket No. R-2023-3037933

Dear Secretary Chiavetta,

Enclosed for filing in the above-referenced proceeding, please find POWER Interfaith's Main Brief. As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document via email. Should you have any questions, please do not hesitate to contact me. Thank you.

Sincerely,

/s/ Devin McDougall
PA Attorney ID No. 329855
Senior Attorney
Earthjustice
1617 John F. Kennedy Blvd., Suite 2020
Philadelphia, PA 19103
dmcdougall@earthjustice.org
(917) 628-7411

cc:
Certificate of Service
Secretary Chiavetta (via electronic filing)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-2023-3037933
v.	:	
	:	
Philadelphia Gas Works	:	
	:	

MAIN BRIEF OF POWER INTERFAITH

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page(s)

Cases

Commission Cases

Statutes & Other Authorities

I. INTRODUCTION AND PROCEDURAL HISTORY

A. Introduction

Pursuant to 52 Pa. Code § 5.501, POWER Interfaith ("POWER") respectfully submits this Main Brief in support of its positions in the above-captioned proceeding ("Proceeding") of the Pennsylvania Public Utility Commission (the "Commission") regarding the $85.8 million annual rate increase sought by Philadelphia Gas Works ("PGW").[1] Consistent with the Briefing Order, this brief is organized according to a common outline agreed upon by all parties.[2]

It would be neither just nor reasonable for PGW to raise its rates without the implementation of rate adjustments to protect affordability as recommended in POWER's expert testimony. Serious energy affordability challenges already exist in Philadelphia. As PGW's own Business Diversification Study noted, "Philadelphian households on average spend around 6.7% of their income on energy, about double the national average, making Philadelphia one of the most energy-burdened cities in the United States."[3]

These burdens fall heaviest on low-income households. The American Council for an Energy-Efficient Economy ("ACEEE") found in a 2020 report that median energy burden in Philadelphia is 9.5% for low-income households, with median energy burden at 3.2% for all households, indicating a higher energy burden in low-income households.[4] "ACEEE also notes that 6% is considered by researchers to be a 'high' energy burden, and 10% is considered a

---

[1] PGW 2023 Base Rate Case Filing, Volume I, Part 1 of 3, Statement of Reasons at 1, PA PUC Docket No. R-2023-3037933 (Feb. 27, 2023).
[2] Briefing Order, PA PUC Docket No. R-2023-3037933 (July 17, 2023).
[3] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 3:15–17 (May 31, 2023), citing Exh. MDK-2, PGW, Business Diversification Study, at 8.
[4] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 3:17–20 (May 31, 2023), citing Exh. MDK-3, Ariel Drehobl, et al., American Council for an Energy Efficient Economy, *How High Are Household Energy Burdens*?, at 16 (Sept. 2020).

'severe' energy burden."[5] As an indicator of these burdens, in 2022, PGW terminated service to 14,410 residential customers, of which 9,548 (66%) were confirmed low-income.[6]

The burdens of PGW's current rates were given vivid expression at the Public Input Hearing in this Proceeding. As Reverend Chris Kimmenez testified, "[t]he vast majority of my congregation . . . are low income people already struggling with food and housing security."[7] Members of Mr. Kimmenez's congregation who are seniors "are already choosing between food and medicine and can barely maintain their homes as it is[.]"[8] As Mr. Shawmar Pitts testified, "I myself and community members, we are definitely poor people. We live in a poor neighborhood. We work hard every day, and paying our bills is mainly what consumes us . . . For most of us, we come up short most of the time. Right? And you have to choose."[9] Additionally, Jan Chanin, speaking with the experience of "a retired Philadelphia school district employee . . . personally attest[ed] to the fact that entirely too many students and their families can barely afford the bare necessities of life. These families are already suffering from high energy bills."[10]

If granted as requested, PGW's rate increase will only exacerbate these existing challenges. PGW's request would result in an average 9.9% increase of $12.35 per month, which is $148.26 annually.[11] This would constitute a substantial increase for moderate income households, but it will fall especially hard on low income households.[12] As Reverend Kimmenez testified, with his congregation members already struggling, "$150 could literally make or break

[5] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 3:20–4:2 (May 31, 2023), citing Exh. MDK-3, Ariel Drehobl, et al., American Council for an Energy Efficient Economy, *How High Are Household Energy Burdens?* (Sept. 2020).
[6] CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 12:5–12:10 (May 31, 2023).
[7] Public Input Hearing Tr., at 23:6–23:8 (May 23, 2023).
[8] Public Input Hearing Tr., at 23:14–23:17 (May 23, 2023).
[9] Public Input Hearing Tr., at 44:18–45:4 (May 23, 2023).
[10] Public Input Hearing Tr., at 85:3–8 (May 23, 2023).
[11] PGW Statement No. 1, Direct Test. of Denise Adamucci, at 15:4–7 (Feb. 27, 2023).
[12] CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 8:17–8:20 (May 31, 2023).

them."[13] As he elaborated, "With rising inflation, increasing costs of everything from fuel to eggs, we cannot keep squeezing the poor and expecting them to survive. They're already trying to figure out how to do more with less, and this is just adding to their burden."[14] As Anlin Wang testified, "A ten percent rate hike for a city where people routinely experience shut offs is likely to exacerbate that problem."[15]

In light of these affordability struggles—which will worsen if PGW's requested rate increase is approved—it is urgent that the Commission act. The expert testimony presented by POWER in this proceeding provides a set of rate adjustments that will, if implemented, help to mitigate the effects of any rate increase and reduce costs in order to reduce pressure for future rate increases.[16]

With regard to mitigating the affordability impacts of a rate increase resulting from this Proceeding, the Commission should not approve any increase in the residential fixed charge, because fixed charge increases disproportionately burden low-income ratepayers and disincentivize conservation and energy efficiency.[17] Additionally, the Commission should direct an increase in spending on PGW's Low-Income Usage Reduction Plan ("LIURP") program that is proportional to any approved residential rate increase in order to help low-income customers reduce their bills by reducing consumption through energy efficiency measures.[18] Finally, the

---

[13] Public Input Hearing Tr., at 23:8–23:9 (May 23, 2023).
[14] Public Input Hearing Tr., at 23:9–23:13 (May 23, 2023).
[15] Public Input Hearing Tr., at 79:19–21 (May 23, 2023).
[16] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected) (May 31, 2023); POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD (May 31, 2023); POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki (May 31, 2023).
[17] *See infra* at IV.C; POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 2:3–6 (May 31, 2023).
[18] *See infra* at IV.F; POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 29:8–10 (May 31, 2023).

Commission should exclude from PGW's revenue requirement its proposed lobbying expenditures, which are not rate recoverable.[19]

It is also essential that PGW take action now to reduce costs in order to reduce pressure for rate increases in the future that will add to ratepayer burdens. To start, the Commission should direct PGW to begin to integrate consideration of non-pipeline alternatives ("NPAs") as a potential means of reducing cost of service through a collaborative working group and reporting process.[20] Next, the Commission should direct PGW to prepare and submit comprehensive annual reports on incurred and projected costs of its pipeline replacement work, to enable better tracking, management, and reduction of those costs.[21]

These rate adjustments recommended by POWER's three expert witnesses provide a practical set of measures that can help mitigate near-term and long-term drivers of unaffordability of gas service in PGW's service territory. To the extent that the Commission approves a rate increase in this Proceeding, it should also direct PGW to implement these measures.

B. Procedural History

On February 27, 2023, Philadelphia Gas Works ("PGW") filed proposed Supplement No. 105 to PGW Gas Supplier Tariff Pa. P.U.C. No. 1 and proposed Supplement No. 159 to PGW Gas Service Tariff Pa. P.U.C. No. 2 to become effective April 28, 2023. The filing contains proposed changes in rates, rules, and regulations calculated to produce $85.8 million (10.3%) in

---

[19] *See infra* at IV.H.2; POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna, at 29:20–30:3 (May 31, 2023).
[20] *See infra* at IV.G; POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna, at 26:22–27:12 (May 31, 2023).
[21] *See infra* at IV.H.1; POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 30:11–31:20 (May 31, 2023).

additional annual revenues, an increase in residential customer's bills using 71 Mcf/year from $125.38 to $137.73/month (9.9%). Within the general rate increase filing, PGW filed a Petition for Waiver seeking waiver of the application of the statutory definition of the fully projected future test year, so as to permit PGW to use a fully projected future test year beginning on September 1, 2023, in this proceeding.

By Order entered April 20, 2023, the proposed Tariffs were suspended by operation of law until November 28, 2023. The Commission ordered an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Tariffs. The Commission also ordered an investigation into the reasonableness of PGW's existing rates, rules, and regulations.

A Prehearing Notice was issued, and a Prehearing Conference Order was entered on April 20, 2023, scheduling a telephonic prehearing conference for Friday, April 28, 2023, at 1:30 P.M.

On April 24, 2023, a Motion for Protective Order ("Protective Order") was filed by PGW. On May 1, 2023, Administrative Law Judges Vero and Ashton granted the Protective Order, assigning two categories of "Proprietary Information": "CONFIDENTIAL" and "HIGHLY CONFIDENTIAL."

On April 25, 2023, POWER Interfaith ("POWER") filed a Petition to Intervene in this proceeding ("Petition to Intervene").[22] The prehearing conference was held as scheduled on April 28, 2023. On May 11, 2023, a Prehearing Order was issued granting POWER's Petition for Intervention.[23]

---

[22] POWER Interfaith, Petition to Intervene, PA PUC Docket No. R-2023-3037933 (April 24, 2023).
[23] Prehearing Order, PA PUC Docket No. R-2023-3037933 (May 11, 2023).

On May 26, 2023, PGW served PGW-POWER-I-1-26 Set I Interrogatories ("Set I") on POWER. On May 31, 2023, POWER served the Direct Testimony of Mark D. Kleinginna,[24] Doris Seavy, PhD.,[25] and Ben Havumaki.[26]

On June 15, 2023, POWER filed a Motion for Extension requesting an extension of the discovery deadlines, including deadlines relating to PGW's Set I interrogatories for POWER. On June 15, 2023, PGW filed an Answer to the Motion for Extension agreeing to a further extension of discovery deadlines relating to PGW's Set I and requesting a process for the delivery of supplemental rebuttal testimony and supplemental surrebuttal testimony. On June 20, 2023, an Order was issued granting the Motion for Extension, extending the discovery deadline for POWER to respond to PGW's Set I by 7 days to June 22, 2023, and setting a schedule for supplemental rebuttal testimony and supplemental surrebuttal testimony.

On June 22, 2023, POWER served Written Objections to PGW's Set I, as well as partial responses to 16 of the 26 interrogatories included in PGW Set I. Parties served rebuttal testimony on June 26, 2023, and surrebuttal testimony was served on July 7, 2023.[27]

On June 26, 2023, PGW filed a Motion to Dismiss the objections of POWER and Compel Complete Replies to PGW's Set I. On June 29, 2023, POWER filed an Answer to the Motion to Compel. On July 3, 2023, a Pre-Hearing Order was granted to dismiss the Written Objections of POWER, requiring POWER to file full and complete answers to PGW Set I by July 5, 2023. On July 5, 2023, POWER served Supplemental Responses to PGW's Set I. On July 10, 2023, PGW filed a motion to remove the Proprietary Information designations POWER placed on its Supplemental Responses in accordance with the Protective Order. On July 17,

[24] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (May 31, 2023).
[25] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD (May 31, 2023).
[26] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki (May 31, 2023).
[27] Prehearing Order, PA PUC Docket No. R-2023-3037933 (May 11, 2023).

2023, POWER informed Administrative Law Judges Vero and Ashton that a settlement had been reached with PGW regarding the Proprietary Information designations. PGW subsequently withdrew the July 10 motion in accordance with that settlement. On July 17, 2023, Administrative Law Judges Vero and Ashton directed that the deadline for Main Briefs be July 27, 2023, and the deadline for Reply Briefs be August 7, 2023.

II. LEGAL STANDARDS

A. Burden of Proof

PGW bears the burden to show, by substantial evidence, that its proposed rate increase is just and reasonable.[28] "[T]he utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding.[29] "Substantial evidence is that quantum of evidence which a reasonable mind might accept as adequate to support a conclusion."[30] Substantial evidence requires "more than a mere scintilla of evidence or suspicion of the existence of a fact to be established."[31]

---

[28] 66 Pa. C.S. § 315(a); Pennsylvania Pub. Util. Comm'n Nat'l R.R. Passenger Corp. Ronald J. Serafin v. PPL Elec. Utils. Corp., No. C-2016-2580526, 2017 WL 3872543, at *7–9 (Pa. PUC Aug. 14, 2017); Lower Frederick Twp. Water Co. v. Pennsylvania Util. Comm'n, 409 A.2d 505, 507 (Pa. Commw. Ct. 1980) ("It is well-established that the evidence adduced by a utility to meet this burden [of proving the justness and reasonableness of a proposed rate hike] must be substantial").

[29] Pennsylvania Pub. Util. Comm'n Off. of Consumer Advoc. Off. of Small Bus. Advoc. v. Wellsboro Elec. Co., No. C-2019-3011959, 2020 WL 2487415, at *4 (Pa. PUC Apr. 29, 2020).

[30] Norfolk & W. Ry. Co. v. Pennsylvania Pub. Util. Comm'n, 413 A.2d 1037, 1047 (Pa. 1980).

[31] Murphy v. Pennsylvania, Dept. of Pub. Welfare, White Haven Ctr., 480 A.2d 382, 386 (Pa. Commw. Ct. 1984).

B. Just and Reasonable Rates

1. PGW's Rates Must Be Just and Reasonable

The Commission is provided by the Public Utility Code with the duty and powers to execute and enforce provisions of the Public Utility Code consistent with the public interest.[32] Although PGW is a city gas distribution operation, it is well-settled that it falls within the Commission's ratemaking jurisdiction.[33] The General Assembly expressly provided that, but for Chapters 11 (certificates of public convenience), 19 (securities and obligations), and 21 (affiliated interests), "public utility service being furnished or rendered by a city natural gas distribution operation within its municipal limits shall be subject to regulation and control by the commission with the same force as if the service were rendered by a public utility."[34]

Pennsylvania courts have recognized that the purpose of the Public Utility Code "is not to establish a monopoly or to guarantee the security of investment in public service corporations, but first and at all times to serve the interests of the public."[35] To that end, the Commission is responsible for ensuring that all public utilities "furnish and maintain adequate, efficient, safe, and reasonable service and facilities" and "make all such repairs, changes, alterations, substitutions, extensions, and improvements" to service and facilities as needed for the accommodation and safety of its patrons and the public.[36]

---

[32] 66 Pa. C.S. § 501.
[33] 66 Pa. C.S. § 2212(b).
[34] 66 Pa. C.S. §§ 2212(b)–(c).
[35] Colombo v. Pennsylvania Pub. Util. Comm'n, 48 A.2d 59, 61 (Pa. Super. Ct. 1946); accord Highway Exp. Lines, Inc. v. Pennsylvania Pub. Util. Comm'n, 169 A.2d 798 (Pa. Super. Ct. 1961).
[36] 66 Pa. C.S. § 1501; *see also* 66 Pa. C.S. § 2212 (providing that public utility service furnished by a city natural gas distribution operation "shall be subject to regulation and control by the commission with the same force as if the service were rendered by a public utility").

The Commission regularly observes that "[t]here is no single way to arrive at just and reasonable rates."[37] Indeed, "the [C]omission has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates."[38] Generally, the Commission has explained that an "objective evaluation of reasonableness is whether the record provides sufficient detail to objectively determine whether the expense is prudently incurred."[39] If the record shows instead that "expenses are not incurred, imprudently incurred, or abnormally overstated . . . they should be disallowed and found not recoverable through rates."[40] Throughout this exercise, it must be remembered that "[r]ate setting is a process which necessarily involves valuation of economic elements in the future tense. Because 'rates must be fixed for the future as well as for the present,' such future 'estimates . . . must necessarily enter into the disposition of any rate case.'"[41]

The Commission is required to investigate all general rate increase filings to ensure that any resulting rates are just and reasonable.[42] Section 1301(a) of the Public Utility Code requires that "[e]very rate made, demanded, or received by any public utility . . . shall be just and reasonable, and in conformity with [the] regulations or orders of the commission."[43] As part of

---

[37] *See e.g.,* Pennsylvania Pub. Util. Comm'n Office of Consumer Advocate Office of Small Bus. Advocate v. Wellsboro Elec. Co., Docket No. C-2019-3011959, 2020 WL 2487415, at *3 (Pa. PUC Apr. 29, 2020).
[38] *Popowsky v. Pennsylvania Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Commw. Ct. 1996).
[39] Pennsylvania Pub. Util. Comm'n Office of Consumer Advocate Office of Small Bus. Advocate v. Wellsboro Elec. Co., Docket No. C-2019-3011959, 2020 WL 2487415, at *3 (Pa. PUC Apr. 29, 2020) (citing Popowsky v. Pennsylvania Pub. Util. Comm'n, 683 A.2d 958,1153–54 (Pa. Commw. Ct. 1996)).
[40] Pennsylvania Pub. Util. Comm'n Office of Consumer Advocate Office of Small Bus. Advocate v. Wellsboro Elec. Co., Docket No. C-2019-3011959, 2020 WL 2487415, at *3 (Pa. PUC Apr. 29, 2020).
[41] Cohen v. Pennsylvania Pub. Util. Comm'n, 468 A.2d 1143, 1146 (Pa. Commw. Ct. 1983), *order aff'd and remanded sub nom.* Barasch v. Pennsylvania Pub. Util. Comm'n, 493 A.2d 653 (Pa. 1985) (quoting Peoples Nat. Gas Co. v. Pennsylvania Pub. Util. Comm'n, 14 A.2d 133, 138 (Pa. Super. Ct. 1940)).
[42] *Popowsky v. Pennsylvania Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Commw. Ct. 1996); 66 Pa. C.S. § 2212 (providing that public utility service furnished by a city natural gas distribution operation "shall be subject to regulation and control by the commission with the same force as if the service were rendered by a public utility").
[43] 66 Pa. C.S. § 1301(a).

that inquiry, the Commission has a duty to consider PGW's performance, including service quality and reliability, effects on universal service, as well as "management quality, efficiency and effectiveness."[44]

The setting of just and reasonable rates requires considering the needs of both the utility and customers. Such just and reasonable rates must "reflec[t] a balance of consumer and investor interests."[45] The Commission has also expressly recognized that rate affordability is properly considered as part of setting just and reasonable rates.[46]

2. In the Course of Ratemaking, the Commission Must Protect the Public Interest

The Public Utility Code entrusts the Commission with the duty to protect the public interest through regulation of monopoly utilities.[47] Without the disciplining effects of competition, monopoly utilities have a diminished incentive to control costs. The Commission's principal role is to broadly protect the public interest, ensuring that utilities are afforded a reasonable degree of security in their investments and customers are provided adequate service at reasonable rates. In short, the Commission is "a watchdog for the public and against unreasonable rates."[48]

---

[44] 52 Pa. Code § 69.2703.

[45] *Popowsky v. Pennsylvania Pub. Util. Comm'n*, 542 Pa. 99, 107-108 (Pa. 1995).

[46] Pennsylvania Pub. Util. Comm'n Off. of Consumer Advoc. Off. of Small Bus. Advoc. Philadelphia Area Indus. Energy Users Grp. v. PECO Energy Co., No. C-2020-3022400, 2021 WL 2645922, at *20 (Pa PUC June 22, 2021) ("While these ratemaking norms provide a rational and methodical way to analyze and determine the utility's cost of service, they also permit the consideration and weighing of important factors or principles in setting just and reasonable rates, such as quality of service, gradualism, and rate affordability."); Pennsylvania PUC et. al v. Twin Lakes Util., Inc., Docket No. R-2019-3010958 (Order entered March 26, 2020) at 48, 80 (upholding recommended decision considering affordability as part of setting just and reasonable rates).

[47] *See e.g.*, *Pennsylvania Pub. Util. Comm'n v. Philadelphia Elec. Co.*, 561 A.2d 1224, 1226 (Pa. 1989); *Duquesne Light Co. v. Pennsylvania Pub. Util. Comm'n*, 715 A.2d 540, 546 (Pa. Commw. Ct.1998) ("It is the Commission's duty to determine the public interest and to protect the rights of the public.") (internal citations omitted).

[48] Pennsylvania Pub. Util. Comm'n v. Philadelphia Elec. Co., 561 A.2d 1224, 1226 (Pa. 1989)

III. SUMMARY OF ARGUMENT

POWER's claims in this proceeding are centered around the need to take action to advance and protect affordability as part of ensuring just, reasonable, and affordable rates for gas service from PGW. As noted above, PGW's customers, and especially low-income customers, are already facing serious affordability challenges.[49] Philadelphia is already one of the most energy-burdened cities in the country, and increasing rates by 10%, as PGW proposes, will only worsen that problem.[50]

As a condition of any rate increase, POWER respectfully requests that the Commission order implementation of POWER's recommended rate adjustments to advance and protect affordability.[51] POWER's recommended rate adjustments fall into two categories: (1) measures that can help mitigate the affordability impacts of a rate increase in the near term, and (2) measures that can help improve affordability in the medium to long term by taking steps to ensure all cost reduction opportunities relating to infrastructure spending are appropriately considered and implemented.

Within the first category, POWER's witness Mr. Ben Havumaki recommends that PGW's proposed increase to its residential fixed charge be denied.[52] PGW proposes to increase its residential fixed charge from $14.90 to $19.50, which would make it the highest fixed charge in the state.[53] As Mr. Havumaki notes, such a large increase violates the principles of gradualism and rate stability.[54] The increase should also be rejected because it will cause disproportionate

---

[49] *See supra* at I.A
[50] *See supra* at notes 4–5.
[51] Pursuant to the Briefing Order, attached hereto as Attachment 1, there is a rate case table designed to reflect the denial of PGW's requested rate increase in its entirety.
[52] *See Infra* at IV.C.; POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 10:18–22 (May 31, 2023).
[53] PGW Statement No. 1, Direct Test. of Denise Adamucci, at 13 (Feb. 27, 2023)
[54] *See Infra* at IV.a.; POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 5:15–6:2 (May 31, 2023).

impacts to low-income customers, and will have a negative impact on energy conservation and energy efficiency efforts.[55]

The effects of any approved rate increase should also be mitigated through an increase to LIURP funding proportional to any approved residential rate increase, as POWER's witness Dr. Dorie K. Seavey recommends.[56] An increase would take effect in a context already characterized by both serious affordability challenges and rising costs of other living expenses due to inflation. PGW's LIURP budget presently has been set using its prior rates and must be updated to account for any rate increase that results from this Proceeding. Helping low-income customers to access energy efficiency investments that can lower their consumption and bills while maintaining the same level of comfort in their home is an essential means of mitigating the effects of a rate increase from this Proceeding.

Any rate increase considered from approval in this Proceeding should also exclude PGW's lobbying costs, as POWER's witness Mr. Mark D. Kleinginna recommends, including both direct expenditures on lobbying as well as the portion of trade industry dues that is, by PGW's own invoice documents, allocable to lobbying.[57] While this reduction, $116,615 in total, may be modest in comparison to the annual $85.8 million increase requested, all opportunities to reduce unnecessary cost burdens on ratepayers should be pursued.

POWER's expert witnesses also presented recommended adjustments designed to protect and advance affordability in the long term by implementing processes that support identifying cost-reductions relating to infrastructure spending. To start, Mr. Kleinginna recommends that

---

[55] *See Infra* at IV.C.b,c; POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 13:8–14 (May 31, 2023).
[56] *See Infra* at IV.H.2; POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 31:21–23 (May 31, 2023).
[57] *See Infra* at IV.H.3; POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 34:6–8 (May 31, 2023).

PGW fully integrate into its infrastructure planning consideration of cost-reduction opportunities from the use of NPAs. In order to implement that consideration, Mr. Kleinginna recommends two specific measures: 1) convening a collaborative working group to develop appropriate screening criteria to use to evaluate potential testing of NPA initiatives on a pilot basis, and 2) regular reporting on PGW's NPA initiatives. These measures will help ensure that where NPAs offer safe, reliable, and cost-effective means to reduce infrastructure expenditures, they are fully considered and utilized in order to ensure that infrastructure dollars go as far as possible.

Additionally, Dr. Seavey recommends that PGW prepare annual comprehensive reports on its past and projected pipeline replacement spending.[58] As Dr. Seavey noted, critical cost information relating to PGW's pipeline replacement program, which she projects will cost between $6 and $8 billion by 2058, is inaccessible, scattered in different places, and often bears inconsistencies and inaccuracies.[59] Producing regular, integrated reports on pipeline replacement spending will help support transparency, accountability, and better management, and will help regulators and the public better track and contextualize progress on this extremely large public works project.

This portfolio of expert recommendations, taken together, will help mitigate the affordability effects of any rate increase approved in this Proceeding and help lay the ground for a more affordable future. Philadelphia need not remain one of the most energy-burdened cities in the country, but it will take concerted action, in the near, medium, and long term to address the serious affordability challenges facing PGW's customers. It would be in the public interest for the Commission to direct PGW to take such action.

---

[58] *See Infra* at IV.H.1; POWER Interfaith Statement No. 2, the Direct Testimony of Dorie K. Seavey, PhD, at 30:11–14 (May 31, 2023).
[59] *See Infra* at IV.H.1.; POWER Interfaith Statement No. 2, the Direct Testimony of Dorie K. Seavey, PhD, at 12:17–13:5 (May 31, 2023).

IV. ARGUMENT

A. Revenue Requirement

The Commission should not approve any rate increase for PGW unless the affordability protections POWER has advocated in testimony are implemented. Philadelphia's affordability challenges are serious enough, and it would not be just and reasonable to worsen them. PGW customers have seen the average residential monthly bill rise by 23% just since 2021 – and now PGW proposes a further 9.9% hike.[60] At the May 23, 2023 Public Input Hearings, every single speaker opposed the rate increase, giving powerful testimony of how the increase would harm Philadelphia's most vulnerable citizens.[61] Philadelphia's affordability challenges are serious enough, and it would not be just and reasonable to exacerbate them when means exist to mitigate them.

B. Expenses

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

C. Rate Structure

1. Cost of Service

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

---

[60] OCA Statement No. 4, Direct Test. of Roger D. Colton, at 4 (May 31, 2023).
[61] Public Input Hearing Tr. (May 23, 2023).

2. Revenue Allocation

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

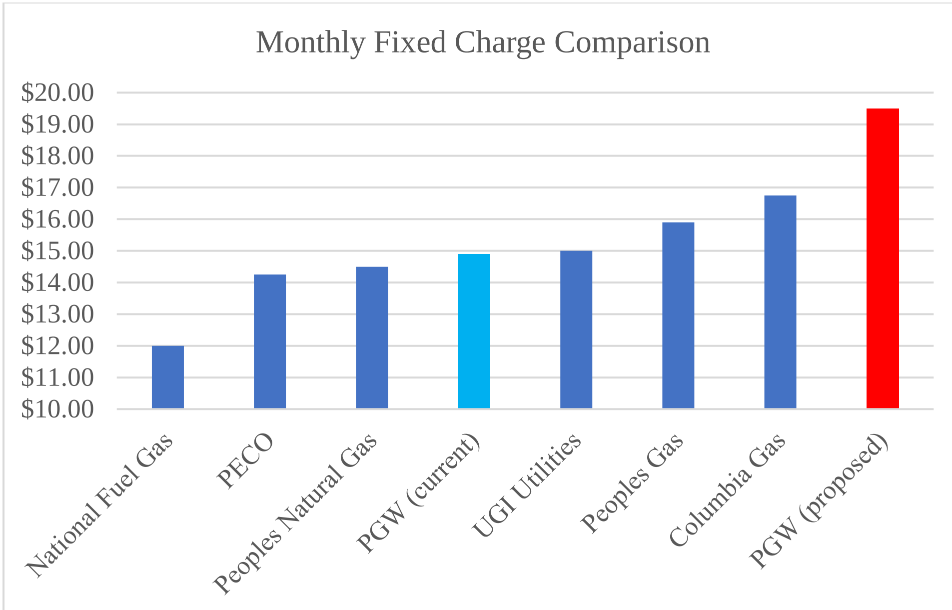
3. Rate Design

a. Customer Charge

i. The Commission Should Reject PGW's Unreasonable Residential Fixed Charge Hike, Which Would Result in the Highest Such Charge in the State

PGW has asked the Commission for permission to hike its residential fixed charge from $14.90 monthly, at the median for Pennsylvania gas distribution utilities, to $19.50 monthly. This would be the highest fixed rate in the state – imposed on a group of customers who can least afford it.[62] This proposal is not just and reasonable and should be rejected.[63]

[62] PGW's recent Business Diversification Study identified that Philadelphia has "a higher-than-average share of both low-income households and old, poorly insulated homes," and that the energy burdens borne by Philadelphian households were roughly "double the national average, making Philadelphia one of the most energy-burdened cities in the United States." Exh. MDK-2, PGW, Business Diversification Study, at 8, 16; CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 6:18–7:1 (May 31, 2023) ("PGW's service territory of Philadelphia has a poverty rate nearly double the statewide poverty rate.").
[63] 66 Pa. C.S. § 1301.



Source: POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 4:17–5:5 (May 31, 2023); PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 7, Table 1 (June 26, 2023).

PGW's Senior Vice President for Regulatory Affairs, Denise Adamucci, acknowledges that it is appropriate to compare the proposed fixed charge to that of other Pennsylvania gas distribution companies. Her testimony includes a "Residential Customer Charge Comparison" chart showing that PGW's existing rate is in line with other fixed charges, but PGW's proposed fixed charge would be significantly higher than the existing or proposed rates from all other Pennsylvania gas distribution companies.[64]

Many of those companies recently proposed significant fixed charge increases, none of which came to pass. PGW witness Dr. Peach highlights the "concurrence" between PGW's requested fixed charge hike, and those failed proposals.[65] Dr. Peach does not provide any good

[64] PGW Statement No. 1, Direct Test. of Denise Adamucci, at 13 (Feb. 27, 2023); POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 4:13–5:5 (May 31, 2023); PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 7, Table 1 (June 26, 2023); PGW witness Florian Teme, on the other hand, rejects that comparison, stating that "It is unrealistic to expect all Pennsylvania natural gas utilities to have the same customer charges." PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 14:3–4 (June 26, 2023). PGW's witnesses are divided on whether the comparison is appropriate.

[65] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 7:14–15, Table 1 (June 26, 2023); POWER Interfaith Statement No. 3-SR, Surrebuttal Test. of Ben Havumaki, at 5 (July 7, 2023).

reason why PGW's proposed fixed charge hike should succeed where those proposals failed. Yet, Dr. Peach argues for an even steeper fixed charge hike than PGW or any other gas distribution company has proposed: "I would request a return to the Commission practice of 2003 when the customer charge was $12.00, which is equivalent to $21.75 in dollars in April 2023."[66] Dr. Peach calls a 46% fixed charge hike from $14.90 to $21.75 "inherently reasonable."[67] In Dr. Peach's myopic view, any utility can hike its fixed charge to the highest point (adjusted for inflation) that the utility has ever charged, and the Commission must approve the fixed charge hike as "inherently reasonable." Dr. Peach's position must be rejected as it relies on imperfect tools, used incorrectly.

Dr. Peach picks PGW's fixed charge from April 2003, and claims that it is "inherently reasonable" for PGW to hike its fixed charge to the April 2003 figure, adjusted for inflation. To calculate that adjusted figure, Dr. Peach uses the generic national Consumer Price Index calculator.[68] The Consumer Price Index tracks changes in price over time, over the whole country, for a variety of goods and services. This is not an appropriate analog for the change in costs in PGW's customer-related costs in PGW's service territory. Dr. Peach provides "no basis for assuming that the customer charge should track with the CPI . . . The key question that the CPI cannot answer is how PGW's costs have changed over the period 2003–2023, and more specifically how PGW's customer-related costs have changed over the same time."[69] Dr. Peach knows this, because he testified about the "three structural factors that cause PGW's residential heating bills to be relatively high" compared to other Pennsylvania gas distribution companies,

---

[66] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 11:9–10 (June 26, 2023).
[67] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 11:9–10 (June 26, 2023)
[68] Dr. Peach did not provide an accurate citation or a working link for the CPI Inflation Calculator - we assume Dr. Peach is referring to the Calculator here: U.S. Bureau of Lab. Stats., CPI Inflation Calculator, https://www.bls.gov/data/inflation_calculator.htm.
[69] POWER Interfaith Statement No. 3-SR, Surrebuttal Test. of Ben Havumaki, at 3–4 (July 7, 2023).

or to the cost of goods and services tracked by the CPI calculator.[70] Dr. Peach also applies this tool incorrectly, inputting the wrong figures into the Calculator. Dr. Peach picked PGW's fixed charge from April 2003,[71] but input the date "January 2000" in the calculator itself.[72] The mistake undercuts Dr. Peach's conclusion on whether "Recovery Of The Requested $4.60 Additional Fixed Customer Costs [Is] Consistent With Past Regulatory Practice In Pennsylvania."[73]

To sum up: PGW cannot provide any good reason why PGW's proposed fixed charge hike is reasonable or affordable when very similar proposals from other gas distribution utilities have been rejected.

ii. PGW's Proposed Fixed Charge Hike Violates this Commission's Ratemaking Principles

The parties agree that the proportion of the fixed charge recovery to variable charge should send the proper price signals to customers.[74] The parties disagree on what the proper signals are. PGW's proposal is skewed towards the goal of revenue surety for PGW.[75] As explained in the seminal ratemaking text of James Bonbright, the Commission must balance that PGW aim against the "various desiderata of rate-making policy."[76] In this case, the Commission should follow its recent precedents on this question, that customer rates should be set to signal

[70] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 25–26 (June 26, 2023).
[71] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 11:9–10 (June 26, 2023).
[72] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 6, Figure 1(June 26, 2023).
[73] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 6:5–6:8(June 26, 2023).
[74] PGW Statement No. 6, Direct Test. of Florian Teme, at 9:1 (Feb. 27, 2023).
[75] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 8 (May 31, 2023).
[76] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 9, n.25 (May 31, 2023).

rate stability, encourage energy conservation, and mitigate energy burden (especially for low-income customers).[77]

a. PGW's Fixed Charge Hike Would Violate the Principles of Gradualism and Rate Stability

Mr. Teme acknowledges that bill impact must incorporate gradualism and avoid rate shock, and must "appropriately recognize the principles of gradualism to restrain increases for some classes verses [sic] their cost of service."[78] However, Mr. Teme does not apply these principles correctly. He simply states, without citing any source or authority, that he personally believes that a nearly $150 annual increase for residential customers, with the highest fixed charge for any Pennsylvania gas distribution company, "will not result in rate shock" and is "affordable for customers."[79]

By contrast, several expert witnesses and many public commenters provided well-cited explanations, with real-world examples, for why a sudden 31% fixed charge hike, as part of an overall $150 annual average bill increase, would violate the principle of gradualism and cause rate shock.[80] In 2020, the Commission rejected Columbia Gas' fixed charge hike similar to the

[77] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 14:1–5 (May 31, 2023); Exh. BH-11, Pa. Pub. Util. Comm'n, Recommended Decision, PA PUC Docket No. R-2020-3018835, at 401 (December 4, 2020); Exh. BH-6, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264–65 (Feb. 18, 2021).

[78] PGW Statement No. 6, Direct Test. of Florian Teme, at 6:24–25(Feb. 27, 2023); PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 12:1–4 (June 26, 2023). Mr. Teme's rebuttal testimony claims that he had previously addressed the concept of rate stability in his prior Direct Testimony, but that is not true; Mr. Teme's Direct Testimony clearly explains that the purpose of the fixed charge hike is to provide "revenue stability" to PGW. PGW Statement No. 6, Direct Test. of Florian Teme, at 7–8 (Feb. 27, 2023); In Mr. Teme's rebuttal, he refers to that specific section of this testimony, but falsely states that the purpose of the fixed charge hike was to provide "rate stability" to PGW customers. PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 11:18–19 (June 26, 2023). Revenue stability for PGW, versus rate stability for PGW customers, are two completely distinct concepts: Mr. Teme cannot conflate them.

[79] PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 12. (June 26, 2023).

[80] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 5:15 (May 31, 2023); OCA Statement No. 3, Direct Test. of Glenn A. Watkins, at 20–23 (May 31, 2023); OCA Statement No. 4, Direct Test. of Roger D. Colton, at 24–25, 33–38 (May 31, 2023).

one PGW proposes, endorsing the ALJ's finding "that the proposed increase to the residential customer charge violates the principle of gradualism."[81] In 2021, the Commission adopted the ALJ's recommendation to slash UGI's proposed fixed charge hike by more than 90%, finding that fixed charge increases that violate gradualism can cause unacceptable "rate shock."[82]

b. The Fixed Charge Hike Would Cause Disproportionate Harm to Low-Income Customers, Low-Use Customers, and Customers on Fixed Incomes

PGW recognizes that a fixed charge hike would hit certain vulnerable customers the hardest: low-income households, energy users that have made the sacrifice to lower their energy use, and customers on fixed incomes.[83] PGW's Customer Responsibility Program does not adequately protect these customers from the fixed charge hike: it covered less than thirty percent of the estimated number of low-income customers,[84] and an even lower, undetermined percentage of low-use and fixed-income customers.[85] The Commission has recently rejected fixed charge hikes when low-income programs only protected a minority of low-income customers from "feeling the impact of the increased customer charge."[86]

Dr. Peach provides misleading testimony on the CRP program, claiming that "a low-income customer can completely avoid the customer charge by enrolling in CRP."[87] This is a

---

[81] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 6:3–11 (May 31, 2023); Exh. BH-6, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264–65 (Feb. 18, 2021). The Commission rejected a 37% fixed charge hike; in this case PGW proposes a 31% hike.

[82] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 6:3–11 (May 31, 2023); Exh. BH-12, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2021-3023618, at 30 (Oct. 28, 2021).

[83] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 11:4–7 (May 31, 2023); Exh. BH-2, PGW Interrogatory Responses, Response to POWER-01-62.

[84] As of 2021. OCA Statement No. 4, Direct Test. of Roger D. Colton, at 29, Table 7 & 31, Table 8 (May 31, 2023); PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 19:19 (June 26, 2023).

[85] PGW callously dismisses the customers unprotected by CRP as "moot." PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 19:19 (June 26, 2023).

[86] Exh. BH-6, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2020-3018835, at 264 (Feb. 18, 2021).

[87] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:18–19 (June 26, 2023).

gross exaggeration. A few pages later in the same piece of rebuttal testimony, Dr. Peach acknowledges that OCA Witness Mr. Colton is "accurate" when he states that "too few customers are identified as low-income and enrolled in CRP."[88] Dr. Peach and OCA witness Mr. Colton provides a long list of reasons why enrollment is too low, for example:

- Low-income households with income from 151-250% of the federal poverty level do not qualify for CRP.[89]
- PGW only extends the CRP program's benefits to "confirmed" low-income customers. "PGW's success in confirming the status of its low-income customers continues to decline."[90] In 2017, 84.7% of the estimated low-income customers in PGW's service territory were confirmed.[91] By 2021, that percentage had slipped to 58.9%.[92]
- It is "not unusual" for PGW to declare an application incomplete, leaving a low-income customer outside of the program.[93]
- Customers must "recertify" their low-income status over and over.[94] Mr. Colton explains that "PGW has a high 'default' rate . . . which includes in substantial part those customers who are removed from the CRP due to a failure to recertify."[95]
- Customers are automatically removed from the program for any missed payment.[96]
- Many low-income customers are not even aware of the program.[97]

---

[88] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 15:7–11(June 26, 2023).
[89] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 15:13–14 (June 26, 2023).
[90]OCA Statement No. 4, Direct Test. of Roger D. Colton, at 30:19–20 (May 31, 2023).
[91] OCA Statement No. 4, Direct Test. of Roger D. Colton, at 29, Table 7 (May 31, 2023).
[92] OCA Statement No. 4, Direct Test. of Roger D. Colton, at 29, Table 7 (May 31, 2023).
[93] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 16:9–10 (June 26, 2023).
[94] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 16:13(June 26, 2023).
[95] OCA Statement No. 4, Direct Test. of Roger D. Colton, at Colton 50:14–16 (May 31, 2023).
[96] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 15:21–16:1 (June 26, 2023).
[97] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 15:15–16 (June 26, 2023).

For all of these reasons, “only a small proportion of eligible households are enrolled in CRP,”[98] and therefore PGW’s witnesses cannot credibly claim that CRP allows any low-income customer to “completely avoid the customer charge.”[99] At the May 23, 2023 10 a.m. hearing, PGW customer Mitchell Chanin highlighted the plight of low-income households excluded from CRP, and asked: “So what will happen to those some 16 thousand households who will now have to pay $150 a year more when they’re obviously barely able to make ends meet in Philadelphia?”[100]

c. The Fixed Charge Hike Would Negatively Impact Energy Conservation and Energy Efficiency

Dr. Peach curiously compares the fixed charge hike to the customer costs for the CRP program, which are unrelated and irrelevant to analysis of the fixed charge.[101] There is one similarity between the two, though: both are a “deadweight cost that cannot be bypassed.”[102] The Commission recently endorsed an explanation from Administrative Law Judge Steven K. Hass, of the harm to customers from a fixed charge that cannot be bypassed: “The ALJ also agreed with the OCA that a lower fixed monthly customer charge will provide an incentive to customers to assert greater control over lowering their bills through conservation and consumption reduction efforts. . . . The ALJ concluded that if more of the increase is attributed to consumption

[98] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 11:5–7 (May 31, 2023).
[99] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:18–19 (June 26, 2023).
[100] Public Input Hearing Tr., at 39:16–19, (May 23, 2023).
[101] “The costs of the CRP program have no bearing on the reasonableness of the proposed fixed charge increase or its impact on low-income customers.” POWER Interfaith Statement No. 3-SR, Surrebuttal Test. of Ben Havumaki, at 8 (July 7, 2023).
[102] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 14:4 (June 26, 2023). Dr. Peach explains that the fixed charge also “cannot by bypassed.” PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:3–6 (June 26, 2023); PGW witness Mr. Teme has a more positive view of the costs of the CRP program: “Social programs are something that all customers, eligible or not, bear some responsibility for funding.” PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 27:5–6(June 26, 2023).

charges rather than fixed charges, customers will have the opportunity to realize greater control over their usage and, consequently, the amount of the monthly bills."[103]

A fixed charge hike "send[s] a price signal that deters energy efficiency,"[104] and "will impede energy conservation efforts"[105] by reducing the impact of those efforts. The fixed charge hike means that energy conservation efforts provide less savings. A customer's decision to conserve energy would yield lower results - and obviously, therefore they are less likely to do so. The fixed charge hike would have harmful effects on the system as a whole, because it actually "encourages *greater* consumption of gas."[106]

PGW Witness Mr. Teme agrees that when setting rates, it is important to "provide customers with an opportunity to save money by lowering energy usage."[107] Dr. Peach, on the other hand, rejects the very idea of energy efficiency. Dr. Peach believes (but provides no citation or source) that "behavioral energy efficiency . . . does not last" and provides savings "more like 2% or 3%."[108] Dr. Peach is wrong – PGW customer data shows that the "low-usage" tier of PGW customers consistently see nearly a 50% savings due to their energy conservation efforts.[109] Dr. Peach's beliefs are contrary to the recent determinations of this Commission, cited

---

[103] Exh. BH-12, Pa. Pub. Util. Comm'n, Opinion and Order, PA PUC Docket No. R-2021-3023618, at 30 (Oct. 28, 2021). In 2016, the Maryland Public Service Commission slashed a proposed fixed charge hike by 95% based on similar reasoning: "Maintaining relatively low customer charges provides customers with greater control over their electric bills by increasing the value of volumetric charges. No matter how diligently customers might attempt to conserve energy . . . they cannot reduce fixed customer charges." POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 14:15–21 (May 31, 2023); Exh. BH-3, Maryland Pub. Serv. Comm'n, Order No. 87884, MD PSC Case No. 9418, at 110 (Nov. 15, 2016).
[104] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 13:18 (May 31, 2023).
[105] Cf. PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 12:9–21 (June 26, 2023).
[106] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 13:14 (May 31, 2023). (emphasis in original)
[107] PGW Statement No. 6-R, Rebuttal Test. of Florian Teme, at 13:12–14 (June 26, 2023); POWER Interfaith Statement No. 3-SR, Surrebuttal Test. of Ben Havumaki, at 6 (July 7, 2023).
[108] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:10–11 (June 26, 2023).
[109] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, 12, Table 2 (May 31, 2023). Havumaki Direct Table 2 shows that "typical usage" customers currently pay $125.38 per month, while "low usage" customers currently pay $63.00 per month.

above, and are contradicted by the lived experiences of PGW customers: "[A]n increase of almost $5 a month is especially bad because there is nothing a customer can to reduce their expense. Turning down the thermostat or caulking our windows won't help since you pay the same fixed charge no matter how much gas you use. This punishes people who do the right thing by trying to winterize their homes."[110]

Dr. Peach also believes, but provides no supporting citation or source, that "structural energy efficiency [steps], like replacing windows, replacing bulbs, or insulating the building shell" are not justified by the resulting cost savings.[111] Dr. Peach's beliefs, unsupported by any outside source or literature, are at odds with the position of his own client, who spent more than $76M on energy efficiency programs from Fiscal Year 2011 through FY2020.[112] In a June 2021 report, PGW explains that the utility "has been a leader among Pennsylvania natural gas distribution companies with respect to offering robust energy efficiency programs . . ." and details PGW's implementation of "energy savings measures . . . such as providing appliances that are more energy efficient, and weatherizing homes."[113] PGW provides statistics that contradict Dr. Peach's unfounded skepticism regarding energy efficiency: "On average, low-income customers are estimated to experience a first year 13 percent usage reduction from pre-weatherization usage. . . . On average, residential customers who received a rebate to replace

[110] OCA Statement No. 4, Direct Test. of Roger D. Colton, at 24:19–30:2(May 31, 2023); Public Input Hearing Tr., at 24:1–24:8 (May 23, 2023)

[111] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:11–13(June 26, 2023). Dr. Peach ignores the most cost-effective energy efficiency option for PGW customers, which is switching to electric appliances; At the public hearing in this case, a PGW customer observed that ". . . some people who can have the means to . . . greatly reduce their use of gas by replacing gas appliances with electricity are doing so . . . ." OCA Statement No. 4, Direct Test. of Roger D. Colton, at 25:21–26:1(May 31, 2023).

[112] Exh. DKS-3: PGW, Methane Reduction Report, at 8 (June 2021).

[113] Exh. DKS-3: PGW, Methane Reduction Report, at 8 (June 2021).

heating equipment are estimated to save over $150 in utility costs during the first year after installation."[114]

iii. The Commission Should Dismiss the Claim of Mr. Teme and Dr. Peach that the Fixed Charge Hike Actually Benefits Customers

Fundamentally, PGW approaches the issue of fixed charges with only the company's own interests in mind, ignoring impacts to PGW's customers. For example, Dr. Peach argues it would be "fair" to hike a household's fixed charge by $4.60 per month, even if that cost was an "insurmountable burden to a household that lacks income to pay another five dollars to the monthly residential bill."[115]

The desirability of the fixed charge hike to PGW is clear: "raising fixed charges would increase the share of revenues that is assured to PGW."[116] Mr. Teme explains that increasing the fixed charge would "provide[] more revenue stability" - for PGW, that is.[117] Dr. Peach succinctly describes the benefit to PGW, and the harm to customers: ". . . the size of the increase is $55.20 per year. If recovered through the customer charge, the $55.20 cannot be bypassed . . . [whereas] if recovered through the variable charge, the customers can bypass a portion by using less energy."[118]

Mr. Teme speculates that at some point in the future, "revenue stability" might improve PGW's cash flow, and ratings agencies might eventually lower PGW's borrowing costs based on improved cash flow, with those savings one day trickling down to investments that benefit

---

[114] Exh. DKS-3: PGW, Methane Reduction Report, at 8 (June 2021).
[115] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 10:3–5 (June 26, 2023).
[116] POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 10:8–13 (May 31, 2023).
[117] PGW Statement No. 6, Direct Test. of Florian Teme, at 8:3–9:4 (Feb. 27, 2023).
[118] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 12:3–6 (June 26, 2023).

customers.[119] Dr. Peach goes even further and claims that the fixed charge hike will directly result in investments in enhanced infrastructure, safety, and resilience – but clearly, that connection is far too attenuated, indirect, and speculative for this Commission to rely on.[120]

Neither PGW witness Dr. Peach or Mr. Teme attempts to predict or quantify when, or how much of, the fixed charge hike will eventually be used for infrastructure. Neither witness provides any evidence that "revenue stability" would improve cash flow or by how much. Neither witness provides any evidence that improved cash flow would spur ratings agencies to lower PGW's borrowing costs, or when, or by how much. And neither witness provides evidence that any saved borrowing costs would ever actually be used for investments that benefit customers – PGW certainly has not made any commitment to do so.

b. Other Tariff Changes

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

D. GFCP/VEPI – Class GS-XLT

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

---

[119] PGW Statement No. 6, Direct Test. of Florian Teme, at 8:3–9:4 (Feb. 27, 2023).
[120] PGW Statement No. 9-R, Rebuttal Test. of H. Gil Peach, at 8:15–26 (June 26, 2023).

E. Customer Service Issues

POWER Interfaith reserves this issue for reply briefing, as appropriate to respond to parties' main briefs.

F. Low-Income Customer Service Issues

POWER Interfaith focuses initially on the Low-Income Usage Reduction Program ("LIURP") budget, but reserves the right to brief other low-income customer service issues on reply, as appropriate to respond to parties' main briefs.

1. Low-Income Usage Reduction Program Budget

Increasing PGW's LIURP budget, as recommended by Dr. Seavey, will help mitigate the detrimental impact of rising rates on PGW's low-income customers.[121] Multiple other parties agree that any increase to PGW's residential rates should be conditioned upon an increase to the LIURP budget.[122] Under the Commission's LIURP regulations, revisions to LIURP program funding must take into account several factors, including "number of eligible customers that could be provided cost-effective usage reduction services," "[e]xpected customer participation rates," "[t]he total expense of providing usage reduction services," and the utility's "plan for providing program services within a reasonable period of time."[123]

As an initial matter, any approved residential rate increase will inherently affect the results of the needs assessment because it will raise the "benefit" side of the cost-benefit analysis in assessing whether an eligible customer "could be provided cost-effective usage reduction

[121] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 29:8–10 (May 31, 2023).
[122] CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 28:11–13 (May 31, 2023); OCA Statement No. 4, Direct Test. of Roger D. Colton, at 56:1–2 (May 31, 2023).
[123] 52 Pa. Code § 58.4(c).

services."[124] PGW performed a needs assessment prior to this rate increase request in its most recent Universal Service and Energy Conservation Plan ("USECP") and determined at that time, under its existing rates, it would take seventeen years to complete LIURP services "for the currently potentially eligible customers."[125]

More realistically, as OCA witness Roger Colton points out, "[a]t the 2022 production rate, it would take 23 years to reach all homes in need (again assuming that none would need to be retreated in that time period)."[126] An increase to residential rates would lengthen this already extensive time horizon as more customers become eligible for cost-effective usage reduction services under the higher rates. It is difficult to reason how more than seventeen years—as an optimistic estimate—is a "reasonable period of time" for PGW to serve its LIURP-eligible customers.

Low-income households make up a significant portion of PGW's customer base. PGW's recent Business Diversification Study identified that Philadelphia has "a higher-than-average share of both low-income households and old, poorly insulated homes," and that the energy burdens borne by Philadelphian households were roughly "double the national average, making Philadelphia one of the most energy-burdened cities in the United States."[127] As PGW witness Denise Adamucci points out, we are currently experiencing "a time when inflation is causing significant cost increases."[128] Ms. Adamucci makes this observation in the context of PGW's cost per household served by LIURP, but PGW's overburdened customers are also experiencing rising costs in every part of their lives due to inflation.

---

[124] 52 Pa. Code § 58.4(c).
[125] Exh. DKS-15, PGW, Universal Service and Energy Conservation Plan, PA P.U.C. Docket No. M-2021-3029323, at 11 (Nov. 1, 2021).
[126] OCA Statement No. 4, Direct Test. of Roger D. Colton, at 57:18–20 (May 31, 2023).
[127] Exh. MDK-2, PGW, Business Diversification Study, at 8, 16 (Dec. 2021).
[128] PGW Statement No. 1-R, Rebuttal Test. of Denise Adamucci, at 28:2–3 (June 26, 2023).

Meanwhile, as CAUSE-PA/TURN witness Harry Geller points out, "PGW's LIURP budget has remained stagnant for the past decade and has only increased by approximately 3.7% since 2013."[129] This is the case even as the Commission has approved additional pilot programs that are funded through the LIURP budget, such as the Repair and Renew Pilot Program approved in PGW's most recent USECP.[130] Increasing the budget for PGW's LIURP will help keep program spending in step with inflation and with increases to PGW's residential rates, enabling PGW to continue to serve as many eligible households as possible.

Increasing the LIURP budget commensurate with the percentage increase to residential rates is a reasonable and appropriate step to mitigate the impact of the rate increase on LIURP-eligible households. The Commission has approved multiple rate case settlements that included similar or identical provisions. For example, in UGI Electric's 2021 rate case, the Commission approved a settlement containing the provision that "LIURP spending will be increased commensurate with the percentage rate increase to the residential class resulting from this case."[131] Similarly, in UGI Gas's 2016 rate case, the Commission approved a settlement that provided that "UGI Gas will increase LIURP funding by the percentage distribution rate increase for the residential customer classes."[132] In the Recommended Decision that the Commission was adopting in that case, the ALJ expressly stated that "[t]his provision is in the public interest because it helps to offset the impact of the rate increase on UGI's low-income customers by allowing UGI to increase the number of weatherization jobs it performs each year while still recovering the costs of the program."[133] The Commission should require a similar increase here.

---

[129] CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 24:10–12 (May 31, 2023).
[130] Order, PA PUC Docket No. M-2021-3029323, at 57–58 (Jan. 12, 2023).
[131] Opinion and Order, PA PUC Docket No. R-2021-3023618, et al., at 20 (Oct. 28, 2021).
[132] Opinion and Order, PA PUC Docket No. R-2015-2518438, at 37, para. 34 (Sept. 1, 2016).
[133] Recommended Decision, PA PUC Docket No. R-205-2518438, at 54 (July 22, 2016).

G. Pipeline Replacement/Alternatives

1. Overview

The affordability of gas service is an integral component of establishing just and reasonable rates for PGW.[134] Cost of service, including infrastructure spending, is a factor that directly influences the affordability of gas service.[135] In order to advance affordability—and begin to correct current affordability challenges—it is necessary to directly address the affordability impacts of PGW's infrastructure spending and begin to develop processes for systematically considering and taking action on all cost-reduction opportunities consistent with safety and reliability needs.

Infrastructure costs are a major category of PGW's spending. As discussed in the Direct Testimony of Mark D. Kleinginna, PGW plans to spend $22,456,000 on gas processing and $140,734,000 on mains in the 2024 fiscal year, according to its PGW's 2024 Capital Budget Forecast.[136] PGW's overall 2024 Capital Budget will be funded with $102,000,000 in debt, $41,000,000 from the Distribution System Improvement Charge ("DSIC"), $10,752,000 from a Pipeline and Hazardous Materials Safety Administration ("PHMSA") grant, and $53,207,000 from internally generated funds ("IGF").[137] The total projected cost of PGW's pipeline

[134] 66 Pa. C.S. § 1301; Pennsylvania Pub. Util. Comm'n Off. of Consumer Advoc. Off. of Small Bus. Advoc. Philadelphia Area Indus. Energy Users Grp. v. PECO Energy Co., No. C-2020-3022400, 2021 WL 2645922, at *20 (Pa PUC June 22, 2021); Pennsylvania Pub. Util. Comm'n et. al v. Twin Lakes Util., Inc., Docket No. R-2019-3010958 at 48, 80 (Order entered March 26, 2020); POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 4 (May 31, 2023).
[135] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 4:3-5:19 (May 31, 2023).
[136] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 4:12-19 (May 31, 2023) (citing PGW, Base Rate Case Filing, Vol. I, Statement of Reasons, at 1 (Feb. 27, 2023); PGW Rate Filing, Vol. II, Statement 1, Direct Test. Of Denise Adamucci, at 4:18–19 (Feb. 27, 2023); PGW Rate Filing, Vol. II, Statement 7, Direct Test. Of Robert Smith, at 7:1–11 (Feb. 27, 2023)).
[137] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 4:12-19 (May 31, 2023); PGW Rate Filing, Vol. II, Statement 1, Direct Test. of Denise Adamucci, at 4:18–19 (Feb. 27, 2023); PGW Rate Filing, Vol. II, Statement 7, Direct Test. of Robert Smith, at 7:1–11 (Feb. 27, 2023).

replacement program is extremely high; as Dr. Dorie K. Seavey estimates, it will reach $6 to $8 billion by 2058.[138] As Dr. Seavey notes, this program may become one of the largest expenditures ever undertaken by the City of Philadelphia.[139]

In order to advance affordability through ensuring that spending is not greater than necessary, Mr. Kleinginna recommended that PGW fully integrate consideration of non-pipeline alternatives ("NPA") investments into its planning to help reduce the cost of service where doing so is cost-effective, safe, and reliable.[140] NPAs are investments that function to reduce design day demand in a portion of the distribution grid, and they can generate savings where the cost of reducing demand is less than cost of capital expenditures on distribution and processing plant than would otherwise be necessary if demand were not reduced.[141] NPAs can generate further savings through reductions to upstream transportation and gas costs.[142]

Mr. Kleinginna recommended that PGW integrate consideration NPAs into its planning processes by implementing two specific mechanisms: 1) PGW should consider opportunities for NPAs on a pilot basis through a collaborative working group that would develop screening criteria for potential pilots, as a learning mechanism to inform future planning changes; and 2) PGW should report regularly on progress on NPA initiatives.[143] This iterative process will lay the groundwork for further integrated consideration of NPAs as part of planning in the future.

The collaborative working group mechanism is well-suited to gathering the data and preparing the analyses necessary for a full and informed consideration of cost-reduction

---

[138] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 2:13–15 (May 31, 2023) (citing Exh. DKS-2, Dorie Seavey, Philadelphia's Gas Pipe Replacement Plan, at 25 (Mar. 2023)).
[139] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 22:17–20 (May 31, 2023)
[140] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 31:20–33:22 (May 31, 2023).
[141] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 6:4–20 (May 31, 2023).
[142] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 6:5–7 (May 31, 2023).
[143] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 26:18–23; 29:1–8 (May 31, 2023).

opportunities from NPAs. Mr. Kleinginna recommends that the working group meet monthly and include PGW, any interested parties, and any interested Commission staff.[144] This inclusive approach ensures that all perspectives are considered and integrated.

The working group would first collaborate on developing screening criteria for determining when and where NPA deployment would be useful and cost-effective, considering safety, savings potential, equity, and other factors as identified by the participants.[145] The collaboratively-developed screening criteria would play a critical role in making sure that only appropriate, impactful NPA investments that will improve affordability move forward.

The next step would be to apply the screening criteria to identify potential targeted NPA investments that could be deployed on a pilot basis, considering cost-effectiveness, safety, reliability, and other concerns raised by participants.[146] Mr. Kleinginna recommends that the working group should work to identify at least ten potential NPA deployment opportunities. However, the extent to which this numerical goal is reached would necessarily depend on the application of the previously-developed screening criteria that Mr. Kleinginna recommends collaboratively developing as a threshold matter. Finally, the working group would work together to develop a process for the deployment of any identified pilot deployment opportunities.[147] It should be emphasized that Mr. Kleinginna is not recommending that any particular NPA must be deployed or that NPAs be deployed where they would not be cost-effective, safe, and reliable, which is why his recommendations lay out a transparent and participatory screening process to

[144] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:1-5 (May 31, 2023).
[145] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:13-28:3 (May 31, 2023).
[146] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 28:4–19 (May 31, 2023).
[147] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 28:10–19 (May 31, 2023).

ensure that any solution that advances through consideration will be suitable for helping reduce costs and advance affordability.

This collaborative and inclusive approach is the best way to combine and leverage the knowledge of all participants to address the analytical and data needs for appropriately considering NPA cost reduction opportunities.[148] This is important because any NPA pilot would both build on existing knowledge and practices and require development of new knowledge and practices. As discussed in further detail below, PGW's existing energy efficiency programming is highly cost-effective, and shows the potential for cost-effectively reducing demand through well-demonstrated, already-deployed measures.[149] However, drawing from the lessons of that programming to develop a targeted NPA deployment of energy efficiency measures requires the extension and application of this knowledge in a new way. This combination of old and new knowledge makes an inclusive and collaborative working group an ideal vehicle for investigation.

The second implementation mechanism that Mr. Kleinginna recommended was biannual reporting about any NPA initiatives undertaken and planned.[150] This is important for promoting transparency and accountability, as well as for helping to lay the groundwork for a competitive market of NPA solution providers. If a particular NPA opportunity moves through the screening and pilot development process, competitive solicitation for providers will help ensure costs are

---

[148] PGW's Business Diversification Study acknowledges the value of stakeholder inputs. Exh. MDK-2, PGW, Business Diversification Study, at 'Foreword' (Dec. 2021) ("[T]he City and PGW leadership commit to stakeholder engagement and transparent decision-making around PGW's future. [They] owe it to PGW workers, ratepayers, and residents of the city to be proactive in understanding the impacts of these changes in order to protect high quality jobs, address the city's high energy burden, and ensure the City of Philadelphia's fiscal health. Listening to the insights, innovative ideas and concerns of a diverse set of stakeholders will ensure that PGW's future plans work for all of Philadelphia now and in the future.").
[149] *See Infra* at IV.G.3.
[150] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 29:1–8 (May 31, 2023).

low as possible. Providing regular reporting on NPA initiatives will help disseminate the information that such a market needs to function optimally.

PGW claims that the adoption of Mr. Kleinginna's collaborative working group and public reporting measures would involve POWER acting as a "super-regulator" and would reduce transparency, but these contentions are inaccurate.[151] Mr. Kleinginna's recommendations are for rate adjustments to be ordered by the Commission, as part of its mandate to ensure just and reasonable rates, which includes consideration of cost of service and rate affordability. Mr. Kleinginna's recommendations would also directly result in more transparency, through including stakeholder engagement in the process of investigating potential NPA pilot opportunities and through more regular public dissemination of information about NPA initiatives than is presently the case.

To sum, Mr. Kleinginna's testimony recommends that NPAs be fully considered as part of PGW's planning process for their potential to reduce cost of service through the implementation of the collaborative pilot working group and reporting process mechanisms that Mr. Kleinginna's testimony describes. It is important to note that Mr. Kleinginna does not recommend requiring any particular NPA to be implemented—the key is simply that the cost reduction opportunities of NPAs receive full consideration. As Mr. Kleinginna notes, the goal of an NPA pilot process would be to "maximize learning" that "can then be applied to future NPA deployment."[152] This iterative learning process provides a reasonable and practical way forward to implement consideration of the cost reduction opportunities from NPA into PGW's overall planning process, and is consistent with examining all least cost opportunities as part of maintaining just and reasonable rates.

---

[151] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 29:12-18 (June 26, 2023).
[152] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 33 (May 31, 2023).

While a potential NPA pilot could build on existing and well-tested initiatives like PGW's energy efficiency programs, investigating the potential for NPAs to deliver value in particular distribution grid locations would necessarily require fact-specific investigation. This is why Mr. Kleinginna developed a detailed proposal for considering NPAs through a working group process that would collaboratively determine the screening criteria by which any potential NPA pilot would be evaluated. Given the existing energy burden in Philadelphia, which would be exacerbated by a rate increase,[153] the potential for realizing savings from NPA deployment should be fully investigated and considered through the process Mr. Kleinginna recommends.

2. Types of NPAs

Mr. Kleinginna's testimony provided an overview of four categories of potential NPAs that warrant investigation and consideration. First, energy efficiency measures can function to reduce the need to consume gas to stay comfortable throughout the heating season. Second, demand response measures can provide a means for those customers who elect to participate to reduce their demand during periods of high demand stress on the system, such as during peak demand periods. Third, advanced control measures like smart thermostats can help lower demand both throughout the heating season and during peak events. Fourth, the deployment of a geothermal energy network can make use of geothermal energy to meet heating needs during the heating season, reducing demand in the portion of the gas system in which it is deployed.[154]

Mr. Kleinginna's recommendations to investigate a variety of types of NPAs build on PGW's existing NPA-related initiatives by recommending that those initiatives be considered by

[153] *See Supra* at IV.C.3.a.
[154] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 11:12-13:5 (May 31, 2023).

the collaborative working group in an integrated fashion and deployed proactively to bring down the cost of service where possible. PGW has acknowledged that its energy efficiency intiatives (Energy Sense and LIURP) can serve an NPA function by advancing efficiency and affordability.[155] PGW is also currently investigating the feasibility of geothermal network deployment and evaluating its potential as an NPA.[156]

While Mr. Kleinginna aimed for a comprehensive overview of all NPA measures that PGW has deployed or is considering deploying, Mr. Kleinginna did not recommend that any specific measure must be used. Rather, Mr. Kleinginna advocated for consideration of whatever NPA measures may be useful and appropriate in a particular area of PGW's distribution grid to help lower the cost of service in a cost-effective, safe, and reliable fashion according to screening criteria developed by the collaborative working group.[157]

3. Potential Savings from NPAs

As discussed above, NPAs can generate savings in circumstances where the cost of an NPA investment is less than the savings on capital costs for distribution and processing plant enabled by the NPA investment.[158] NPAs can also generate savings on upstream transportation and gas costs.[159] Since the savings from any given potential NPA investment will be highly specific to the portion of the distribution grid under consideration, it is difficult to estimate

[155] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 22:1-11 (May 31, 2023); PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 29:9-12 (June 26, 2023).
[156] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 22:1-4 (May 31, 2023).
[157] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:14–28:3(May 31, 2023).
[158] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 6:4–20 (May 31, 2023).
[159] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 6:5–7 (May 31, 2023).

potential savings from NPAs in the abstract, which is why Mr. Kleinginna made the investigation of NPA opportunities through a collaborative working central to his recommendations.[160]

To investigate the potential for savings from NPAs, Mr. Kleinginna prepared an illustrative analysis of the cost-effectiveness of PGW's existing energy efficiency measures using data provided by PGW in discovery regarding those programs' implementation from 2018 to 2022.[161] These measures are currently being deployed under PGW's LIURP and EnergySense energy efficiency programs, but Mr. Kleinginna is not recommending alterations to those programs.[162] Rather, analysis of the cost-effectiveness of measures deployed under those programs can help inform a preliminary assessment of the potential cost-effectiveness of deploying similar types of energy efficiency investments under the rubric of an NPA pilot.

In analyzing PGW's existing energy efficiency measures, Mr. Kleinginna used a cost-effectiveness assessment methodology for energy efficiency measures recommended by Lawrence Berkeley National Laboratory called the Program Administrator Cost of Saved Energy, or PA CSE.[163] Mr. Kleinginna analyzed the energy efficiency measures deployed under PGW's Low-Income Usage Reduction Program ("LIURP") and its EnergySense Program and calculated the cost for each MMBtu of consumption saved.[164] The following table contains his findings:

---

[160] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 14:17–15:2 (May 31, 2023). ("To start, it's important to note that the costs and benefits from NPAs will generally be highly specific to the location in which they are deployed. The nature, vintage, and configuration of distribution infrastructure in a particular area will determine whether and to what degree a potential NPA solution generates savings as compared to traditional capital solutions. So it is actually difficult to estimate in an abstract or generic way. This is why, as I discuss in more detail below, I recommend that PGW convene a collaborative working group to evaluate potential NPA savings opportunities in its service territory.").

[161] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 23:1–8 (May 31, 2023) (citing Exh. MDK-5, PGW, Interrogatory Responses, Response to POWER-01-36, Exh. MDK-5, PGW, Interrogatory Responses, Response to POWER-01-32.)

[162] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna (July 7, 2023)

[163] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 23:5–15 (May 31, 2023) (citing Exh. MDK-14, Steve Schiller, et al., Lawrence Berkeley National Laboratory, *Cost of Saving Natural Gas* Through Efficiency Programs Funded by Utility Customers: 2012–2017 (May 2020)).

[164] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 23:10–24:6 (May 31, 2023); Exh. MDK-15, PA CSE Analysis of PGW Energy Efficiency Initiatives.

Category	Program	Program Administrator Cost of Saved Energy Per MMBTU
LIURP	Home Comfort	$9.83
	Low Income Multifamily Efficiency	$6.73
EnergySense	Residential Equipment Rebates	$3.10
	Efficient Building Grants	$2.69
	Commercial Equipment Rebates	$0.97
	Efficient Construction Grant	$1.62
	Smart Thermostat Marketplace	$0.89
	Low Income Smart Thermostats	$2.25
	Repair and Renew	$14.61

Source: Exh. MDK-15, PA CSE Analysis of PGW Energy Efficiency Initiatives.

As, Mr. Kleinginna noted, the costs of these measures are significantly lower than the cost of delivering gas to the burner tip for all customer classes under PGW's proposed revised tariff.[165] For example, under that tariff, for residential customers, the cost would be $13.33 per MCF.[166] By comparison, an equivalent amount of energy can be saved at much lower cost with application of the above the measures where cost-effective. For example, smart thermostats about generate savings at a cost of about $0.89 per MCF, which is a 93% savings from the cost of delivered gas.[167] Residential equipment rebates could produce savings at a cost of about $3.10 per MCF, which is a 77% savings from the cost of delivered gas.[168]

165 POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 23:12–15 (May 31, 2023) (citing PGW 2023 Base Rate Case Filing, Volume III, Gas Service Tariff - Pa P.U.C., No 2, One Hundred Tenth Revised at 83 (Feb. 27, 2023) (listing a gas cost of $0.49740 per Ccf for Residential and Public Housing, Commercial Customers, and Industrial Customers, and a distribution charge of $0.83603 per Ccf for Residential, $0.77175 per Ccf for Public Housing, $0.59702 per Ccf for Commercial Customers, and $0.61095 per Ccf for Industrial Customers)).

166 The total cost is the sum of the gas cost ($4.97 per MCF) and the distribution charge ($8.36 per MCF).

167 POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 24:1–6 (May 31, 2023). As the U.S. Energy Information Administration has noted, MCF and MMBTUs are nearly equivalent: "One thousand cubic feet (Mcf) of natural gas equals 1.036 MMBtu." U.S. Energy Info. Admin., Frequently Asked Questions, https://www.eia.gov/tools/faqs/faq.php?id=45&t=8.

168 POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 24:3-4 (May 31, 2023).

These findings indicate that based on data from PGW's existing energy efficiency programs, if energy efficiency NPAs were deployed using these measures, they could help serve customers' needs at a much lower cost than simply delivering gas to the customers' burner tip under status quo conditions. The potential for savings shows that load for portions of the distributed grid targeted for NPA investments can potentially be served more efficiently and cost-effectively than under PGW's current approach.

Mr. Kleinginna also analyzed the demand reduction potential of PGW's existing energy efficiency measures, and found that these programs have achieved substantial demand reductions:

Category	Program	MMBtu Saved	Customers	MMBtu Saved Per Customer
LIURP	Home Comfort	221,391.11	11,138	19.88
	Low Income Multifamily Efficiency	4,758.44	32	148.70
EnergySense	Residential Equipment Rebates	34,320.26	2,522	13.61
	Efficient Building Grants	2,460.30	5	492.06
	Commercial Equipment Rebates	58,775.75	298	197.23
	Efficient Construction Grant	19,253.73	218	88.32
	Smart Thermostat Marketplace	1,919.53	405	4.74
	Low Income Smart Thermostats	1,449.83	251	5.78
	Repair and Renew	1,979.00	71	27.87

Source: Exh. MDK-16, MMBtu Reduction Per Customer of PGW Energy Efficiency Initiatives.

If applied in a geotargeted fashion as NPAs, energy efficiency measures similar to those in PGW's existing programs could drive design day demand reduction in a portion of the distribution grid, which can generate savings on distribution and processing plant capital that would otherwise be necessary to serve that load. If NPAs prove cost-effective to deploy in multiple locations, this could, over time and in the aggregate, generate sustained reductions in system-wide design day load, which could unlock further savings on distribution and processing plant capital.

Specifically, NPAs that can cost-effectively reduce design day needs on a portion of PGW's distribution grid could generate capital savings through enabling pipeline replacement to occur with smaller diameter pipes and reduce the need for LNG on PGW's system.[169] Using data provided by PGW in discovery, Mr. Kleinginna calculated, using an illustrative example, that a 10 inch diameter pipe could be replaced with an 8 inch diameter pipe if design day demand is reduced by 36%, and this would lead to savings of $1,003,200 per mile.[170]

To put 36% demand reduction needed to go from a 10 inch to 8 inch pipe into context, Mr. Kleinginna analyzed the average demand reductions achieved by PGW's existing energy efficiency programs. As Mr. Kleinginna noted, the average consumption for a residential account is 71.3 MCF per year.[171] Mr. Kleinginna calculated that the targeted deployment of three existing residential energy efficiency measures (Home Comfort, Residential Equipment Rebates, and Low Income Smart Thermostats) could reduce a residence's consumption by up to 39.26 MMBtu annually, resulting in up to a 53.1% reduction from the average, which would exceed the 36%

[169] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 8:14-19 (May 31, 2023) ("NPAs that function to lower design day volumes can help reduce the potential diameter of distribution pipeline on a gas utility's distribution system and reduce the need for LNG on the PGW system. This means that the typical cost-benefit analysis for NPAs is enhanced on the benefit side due to the higher capital costs associated with deliverability for the PGW system because of PGW's need to continually invest in and maintain the LNG asset. This cumulative effect of a design day reduction makes NPAs all the more compelling for PGW's system.").
[170] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 20:9-13 (May 31, 2023).
[171] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 24:13–16. (May 31, 2023).

reduction required to go from a 10 inch to an 8 inch pipe.[172] Notably, Home Comfort alone can reduce a residence's consumption by 19.88 MMBtu, a 28% reduction.[173]

In response to Mr. Kleinginna's analysis, PGW stated that some of its existing energy efficiency programs have overlapping elements, and so would not necessarily generate fully additive demand reductions if combined.[174] However, this type of practical implementation question could be effectively addressed by the collaborative working group, which could review the most impactful measures deployed across PGW's existing energy efficiency programs and examine ways those measures could be most effectively combined in a targeted NPA initiative. A targeted NPA initiative, building on lessons from these existing energy efficiency programs, could examine ways energy efficiency measures could be deployed synergistically to achieve further cost-effective reductions than those possible under existing programs.

It is also important to note that Mr. Kleinginna has emphasized that all of his recommendations are for voluntary programs.[175] PGW claims that the programs must be mandatory, or it would be impossible to achieve meaningful demand reductions, citing challenges PGW has experienced with LIURP uptake.[176] However, a collaborative working group process that includes community organizations, as Mr. Kleinginna recommends, could help develop means of extending and improving voluntary uptake and ensure maximum benefits to low-income communities.[177]

[172] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 24:10–18. (May 31, 2023).
[173] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 24:9–13 (May 31, 2023); Exh. MDK-16, MMBtu Reduction Per Customer of PGW Energy Efficiency Initiatives.
[174] PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 4:6–10 (July 10, 2023).
[175] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:12–13 (July 7, 2023).
[176] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 4:13–19 (June 26, 2023).
[177] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna, at 27:2–21 (May 31, 2023).

PGW also stated that it does not install 10-inch pipe, and that as such, Mr. Kleinginna's analysis is not relevant.[178] However, Mr. Kleinginna's analysis was intended to be illustrative of possibilities for cost reduction that can and should be more fully investigated in a collaborative working group context. For example, using the analytical tools Mr. Kleinginna described, such a working group could examine what potential there is for cost of service savings through diameter reductions for smaller pipes.

4. PGW's Arguments Against Considering NPAs as Mr. Kleinginna Recommends Are Misplaced

In its testimony, PGW objected to considering NPAs as Mr. Kleinginna recommended on a number of grounds, each of which will now be considered in turn. As will be demonstrated, these objections are misplaced. To start, PGW claims that Mr. Kleinginna's recommendations should be rejected because PGW's existing NPA initiatives are adequate. PGW claimed that its LTIIP, Energy Sense, and LIURP programs "are all existing NPAs which currently contribute to energy efficiency and affordability in ways that are fully compliant with today's relevant laws and regulations."[179] Mr. Kleinginna acknowledged these initiatives, and noted that they provide a starting point, but his recommendations are to build on lessons learned from these programs to proactively seek out opportunities where targeted NPA investments can bring down cost of service. Mr. Kleinginna also recommended that this investigation be conducted through a collaborative working group that leverages stakeholder perspectives and knowledge and enhances transparency.[180] Accordingly, Mr. Kleinginna's recommendations are essential to

[178] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 9:18–10:3 (June 26, 2023).
[179] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 29:10-12 (June 26, 2023).
[180] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna at 25:10-26:8 (Corrected) (May 31, 2023).

ensuring that NPA implementation is as effective as possible in generating cost reductions and advancing affordability.

PGW also stated that no existing law requires NPAs, and that new statutes or regulations would be needed to allow NPAs to be considered as Mr. Kleinginna recommends.[181] However, the Public Utility Code requires the Commission to ensure that PGW's rates are just and reasonable, and PGW's rates cannot be considered just and reasonable if rates are unnecessarily high due to a failure to adequately consider lower-cost alternatives.[182] Adequately considering cost-reduction opportunities is also integral to ensuring "management quality, efficiency and effectiveness."[183] There is no legal barrier to a utility considering means of reducing its cost of service; in fact, doing so is necessary to ensure that rates are not higher than necessary and that rate affordability is protected.

As noted above, PGW already has NPA-related initiatives which contribute to energy efficiency and affordability—Mr. Kleinginna's recommendations build on that work to ensure that NPAs are deployed proactively to reduce cost of service optimally. Additionally, Mr. Kleinginna recommends that PGW implement its consideration of NPAs on a pilot basis through a collaborative working group that can lay the foundation for future implementation.[184] The Commission has previously authorized pilot programs for the benefit of ratepayers,[185] and it can and should exercise its authority to do so here.

---

[181] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 29:6-9 (June 26, 2023).
[182] 66 Pa. C.S. § 1301.
[183] 52 Pa. Code § 69.2703.
[184] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna, at 32:1–33:22 (May 31, 2023).
[185] Exh. DKS-15, PGW, Universal Service and Energy Conservation Plan, at 21–23, PA P.U.C. Docket No. M-2021-3029323 (Nov. 1, 2021). *See also* Exh. DKS-14, PA P.U.C., Order, Docket No. M-2021-3029323, at 53, 57–58 (Jan. 12, 2023). (approving continuation of Health and Safety Pilot Program and approving Repair and Renew Pilot Program).

PGW also contended that NPAs cannot generate capital savings through enabling smaller diameter pipes because pipeline diameter cannot be reduced based on hypothetical future demand reductions.[186] This misunderstands Mr. Kleinginna's proposal. As Mr. Kleinginna recommended, NPAs should be considered for areas for which pipeline replacement is not scheduled for at least several years, and PGW is not scheduled to complete its pipeline replacement work for decades.[187] This provides a period for assessing savings opportunities from demand reductions that result from any NPA investments. Pipeline replacement using less expensive lower-diameter pipelines would not occur until *after* any NPA investments have already lowered demand.

PGW further stated that it is not feasible to replace portions of its distribution grid with smaller diameter pipes, including for reasons of mainatining pressure, and that it does not analyze its system on a block-by-block basis.[188] However, PGW has also itself stated that it does in fact evaluate the potential for pipeline replacement with smaller diameter pipes where pressure needs permit and performs such work where appropriate.[189] Moreover, while Mr. Kleinginna's testimony recommends that PGW examine the potential for geotargeted NPAs to reduce demand

---

[186] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 19:5-9 (June 26, 2023).
[187] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 10:6–7 (May 31, 2023).
[188] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 24:2–8 (June 26, 2023). ("POWER's recommendation appears to misunderstand and assume that PGW could simply choose, for instance, certain city blocks within its territory to deploy NPAs with related pipeline diameter reductions. This is not possible as I discussed above. PGW cannot simply cobble together its pipes with different diameters on a localized basis and maintain reliable and safe service for the system as a whole.").
[189] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 6:8–12 (June 26, 2023). ("Each LTIIP replacement project is scrutinized by PGW to ensure proper pressures and flow are maintained to supply our customers with adequate, safe, and reliable service, while looking for opportunities to reduce pipe sizes as a cost savings to the customers."); PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 7:4–9 (June 26, 2023); ("At the project level, our planning section performs a network analysis to determine the smallest size of main that can be used regardless of the size being replaced, which can and does result in main abandonments and projects decreasing from current pipe diameter. PGW reduces the diameter of mains during main replacement when a smaller sized main can transport the same volumes of gas while maintaining adequate pressures in the distribution system."). PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 19:15-17 (June 26, 2023) ("...PGW already reduces the sizes of mains during main replacement as feasible when a smaller sized main can maintain adequate pressures in the distribution system.").

in a particular portion of PGW's grid sufficient to enable savings on capital investments to support that portion of the grid, this recommendation is not tied to a block-level analysis and could be applied to any applicable portion of the grid where such savings may be possible.[190]

PGW also raised concerns about reliability and safety harms from NPAs, and claims that Mr. Kleinginna does not take safety seriously.[191] However, Mr. Kleinginna particularly emphasized the need for safety to be central in the NPA investigation and deployment process, stating that it must be one of the screening criteria that must be addressed for any potential NPA opportunity to move forward.[192] Additionally, the potential NPA measures that Mr. Kleinginna analyzes in depth are all existing PGW energy efficiency programs for which PGW has not identified any safety concerns. As noted above, PGW has also stated itself that it replaces pipes with smaller diameter where feasible, indicating that this can be safely done. It is simply not accurate to state either that Mr. Kleinginna did not address safety or that NPAs have inherent safety problems that prohibit their investigation and consideration.

PGW also made a blanket claim that NPAs should not be considered because is uncertain how costs of an NPA investment would be allocated and recovered.[193] As Mr. Kleinginna has emphasized, NPAs should be considered where they would be cost-effective in reducing the cost of service, thereby advancing rate affordability.[194] Issues regarding the metrics for cost-

---

[190] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 18:11–17 (May 31, 2023). ("As PGW replaces mains across its system, as it is doing through its pipeline replacement 11 program, there may be significant opportunities to lower costs by reducing design and annual requirements on particular portions of the distribution system. Appropriately geotargeting NPA deployment where it can be most impactful can help realize those lower costs. This means that lower design and annual requirements for a portion of the system are not diluted as they might be if applied across the fixed cost base of the entire system.").

[191] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 6 (June 26, 2023); PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 2 (June 26, 2023).

[192] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:15–18 (May 31, 2023).

[193] PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 10:7 (July 10, 2023).

[194] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 11:9–14 (July 7, 2023).

effectiveness and cost allocation can and should be investigated as part of the collaborative working group's development of screening criteria for NPA implementation.[195]

PGW also contended that Mr. Kleinginna's recommendation that NPAs be considered should be rejected because considering NPAs in the manner Mr. Kleinginna recommends will result in the forced elimination of gas service.[196] This contention is inaccurate. Mr. Kleinginna recommends that PGW be required to fully consider opportunities to lower the cost of providing gas service by using NPAs in order to advance the affordability of gas service.[197] Reducing the cost of gas service is not the same thing as eliminating gas service. PGW itself, as it states in testimony, already takes steps to reduce its cost of service.[198] Mr. Kleinginna simply recommends consideration of NPAs an additional means of reducing costs to make sure service is as efficient as possible with less need for rate increases. Mr. Kleinginna was also clear that his recommendations concern only voluntary measures.[199]

PGW further claimed that Mr. Kleinginna's recommendations will require main abandonment and customer conservation to zero.[200] These contentions are also inaccurate. Mr. Kleinginna does not recommend stopping any main replacement. Instead, Mr. Kleinginna recommends examining whether, in particular distribution grid locations, pipeline replacement that is not scheduled to occur until well into the future can be performed with less expensive smaller diameter pipes if demand is sufficiently reduced using targeted NPA investments.[201] This

---

[195] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:14–28:3 (May 31, 2023).
[196] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 15 (June 26, 2023) (stating that Mr. Kleinginna's proposal regarding NPAs will "virtually force electrification in PGW's service territory and the defacto abandonment of PGW's utility operations, infrastructure, and assets[.]"); PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 1:22–2:3 (July 10, 2023).
[197] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:9–16 (July 7, 2023).
[198] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 2:9–10 (June 26, 2023).
[199] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:9–16 (July 7, 2023).
[200] PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 2:14–19 (July 10, 2023).
[201] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 18:5–17 (May 31, 2023).

does not require any customer conserve to zero usage, but rather, as Mr. Kleinginna explains, would entail evaluating whether geotargeted demand reductions in particular area could, in aggregate, result in a demand reduction that enables less infrastructure investment to meet the needs of load. As discussed above, Mr. Kleinginna does not recommend any non-voluntary measures.[202]

PGW also argued that because Mr. Kleinginna discusses the potential for avoiding and deferring capital investment, this must mean avoiding capital projects like main replacement in their entirety.[203] This is not the case. Mr. Kleinginna's testimony is clear that what is meant by the potential to avoid investments is avoiding *unnecessarily high* investment by taking advantage of cost-reduction opportunities to perform main replacement more efficiently, not avoiding main replacement entirely.[204]

PGW further stated that, in particular, Mr. Kleinginna's inclusion of geothermal networks in his overview of potential NPA types means that considering NPAs will result in the forced elimination of gas service by PGW.[205] It is important to note that PGW itself has identified its geothermal network initiative as an NPA-related initiative, which is why Mr. Kleinginna included it in his overview.[206] It is also important to note that Mr. Kleinginna does not recommend any requirement that any particular NPA be implemented, only that NPA cost reduction opportunities be fully and appropriately considered, and that all NPA measures be voluntary.[207] There is no precommitment to any end result, and Mr. Kleinginna's

[202] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:9–16 (July 7, 2023).
[203] PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 2:6–19 (July 10, 2023).
[204] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 18:5–17 (May 31, 2023).
[205] PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 2 (July 10, 2023).
[206] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 22:1–11 (May 31, 2023); Exh. MDK-12, Philadelphia Gas Commission, PGW FY 2024 Capital Budget Review Proceeding, PGW Written Data Request Response to POWER-I-21.
[207] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 27:13–28:3 (May 31, 2023); POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:9–16 (July 7, 2023).

recommendation to include consideration of geothermal networks as an NPA is consistent with PGW's own identification of its geothermal initiative as an NPA. Mr. Kleinginna's recommendation of consideration of this NPA in a collaborative working group context will support and enrich PGW's evaluation of geothermal networks through stakeholder engagement.

PGW also claimed that Mr. Kleinginna's recommendation that PGW consider the cost-reduction opportunities from NPAs should be rejected because POWER, as part of public dialogue in the City of Philadelphia regarding PGW's compliance with the City's clean energy objectives, has expressed support for PGW providing affordable heating and cooling without the use of fossil fuels.[208] As context, it is important to note that in 2019, the City Council of Philadelphia passed a resolution committing to achieving a citywide transition to 100% clean renewable energy for all purposes, including heat, by 2050 or sooner.[209] As part of this process, the City of Philadelphia and PGW jointly released a Business Diversification Study for PGW addressing how PGW could adapt its business to meet the City's clean energy and decarbonization objectives.[210] As the Business Diversification Study noted, in 2021, Mayor Jim Kenney "committed Philadelphia to achieving carbon neutrality and moving to 100 percent clean energy by 2050."[211] As such, there is an active public debate in the City of Philadelphia concerning clean energy, decarbonization, PGW, and the future.

---

208 PGW Statement No. 10-RJ, Rejoinder Test. of Elliott S. Gold, at 3 (July 10, 2023) (quoting statements from POWER's website that "[i]t is essential that PGW move away from 'dirty energy' and into affordable renewable energy . . ." and that PGW should be ". . . rapidly phasing out the use of natural gas to heat buildings and transforming PGW into a utility that provides both affordable heating and cooling without the use of fossil fuels.")

209 Philadelphia City Council, Resolution No. 190728, at 3, (Sept. 19, 2019), https://phila.legistar.com/LegislationDetail.aspx?From=RSS&ID=4142523&GUID=BA06CC3B-7B43-4743-A07E-515A145C4A2A. The resolution provides that "clean renewable energy" includes "energy derived from solar, wind, and geothermal; but does not include natural gas."

210 Exh. MDK-2, PGW, Business Diversification Study (Dec. 2021).

211 Exh. MDK-2, PGW, Business Diversification Study, at 8 (Dec. 2021).

While POWER shares the concerns of the City of Philadelphia about the long term future of PGW and supports the City's clean energy objectives, the affordability of gas service is a separate issue that remains urgent, given the current affordability challenges that will be worsened by any rate increase resulting from this Proceeding.[212] Parties may have good faith disagreements on the best way for PGW to meet the City's clean energy and decarbonization goals by 2050, and public dialogue is ongoing. However, any such disagreements should not be allowed to get in the way of taking action to ensure that gas service remains as affordable as possible. The importance of affordability as part of just and reasonable rates for gas service can and should remain a common ground.

Importantly, Mr. Kleinginna's recommendations to proactively look for cost reduction opportunities in infrastructure planning through NPAs will help provide a solid foundation for any future scenario for PGW because they will help improve the efficiency and reduce the cost burden of PGW's distribution grid. As Mr. Kleinginna emphasized, his NPA recommendations are based on their potential to contribute to reductions in the cost of service, leading to improved affordability of gas service, and do not rely on any findings regarding environmental matters.[213]

PGW has noted, in discussing the future of its distribution network, that the future is uncertain, and that maintaining flexibility is important.[214] However, ensuring that infrastructure spending today is as cost-effective and efficient as possible would help both reduce costs in the near and medium-term and over the long-term help maximize resources available to flexibly adapt to whatever challenges and opportunities may arise in coming decades. There is no reason not to take action to improve the affordability of gas service now—given the current affordability

---

212 *See Supra* at I.A.
213 POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark D. Kleinginna, at 3:8–16 (July 7, 2023).
214 PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 26:6-8 (June 26, 2023).

challenges, taking such action is urgent. And there is no better preparation for any future than taking action to optimize affordability and efficiency.

Finally, PGW contended that any direction to consider NPA cost reduction opportunities should be pursued through a statewide rulemaking process, rather than any direction specific to PGW in this rate case.[215] This objection is misplaced, because directing PGW to investigate and consider NPA opportunities on a pilot basis through the collaborative working group process that Mr. Kleinginna recommends could generate data that could help inform a future statewide rulemaking process. PGW is well-positioned for such an investigation, given its status as a municipal utility without shareholders seeking a return on equity, its highly engaged stakeholders, and the multi-decade infrastructure spending program it is undertaking that provides the need for and scope for careful consideration of cost-reduction mechanisms. The Commission should not miss this opportunity to direct the commencement of a collaborative working group investigation process that could generate data that would be beneficial for the whole state and could serve as a foundation for any future statewide rulemaking process.

H. Miscellaneous Issues

1. Comprehensive Pipeline Replacement Reporting

Comprehensive and transparent tracking and reporting of PGW's pipeline replacement activities is a crucial step toward advancing affordability of gas service to PGW's ratepayers and necessary to assess on an ongoing basis whether PGW's rates are just and reasonable. PGW's pipeline replacement costs make up a significant portion of its revenue requirement request. Total cost projections for PGW's pipeline replacement programs are already sizeable at $6 to $8

[215] PGW Statement No. 10-R, Rebuttal Test. of Elliott S. Gold, at 15:13-19 (June 26, 2023).

billion by 2058,[216] and per-unit costs have continued to rise. Indeed, even after parties flagged PGW's increasing pipeline replacement costs three years ago in PGW's last rate case,[217] PGW has not been able to control its per-unit costs.[218] PGW customers experience some of the highest average energy burdens in the country, and a significant portion of PGW's customer base is reliant on bill assistance.[219] Affordability is of paramount importance given the extensive scope of PGW's infrastructure replacement plans and the financial vulnerability of its customer base. Additionally, while transparency of utility spending is always in the public interest, it is especially crucial for PGW as a municipally owned utility. Accordingly, the Commission should exercise its authority under the Public Utilities Code to require PGW to file annual Comprehensive Pipeline Replacement Reports.

a. The Commission Has the Authority to Order PGW to Produce Annual Comprehensive Pipeline Replacement Reports

The Commission is well within its authority to order PGW to file annual Comprehensive Pipeline Replacement Reports. The Commission is empowered by statute to "require any public utility to file periodical reports, at such times, and in such form, and of such content, as the commission may prescribe, and special reports concerning any matter whatsoever about which the commission is authorized to inquire, or to keep itself informed, or which it is required to enforce."[220] Dr. Seavey's recommended annual Comprehensive Pipeline Replacement Reports fall squarely within the scope of this provision. PGW's requested rate increase—which is undeniably within the jurisdiction of the Commission—is inextricably intertwined with its

[216] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 17:19–18:1 (May 31, 2023).
[217] *See, e.g.*, Exh. DKS-9, I&E Statement No. 3, Direct Test. of Scott Orr, PA P.U.C. Docket No. R-2020-3017206 (Sept. 1, 2020).
[218] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 21:18–22:1 (May 31, 2023).
[219] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 29:12–16 (May 31, 2023) (citing Exh. MDK-2, PGW, Business Diversification Study at 8, 16); CAUSE-PA/TURN Statement No. 1, Direct Test. of Harry S. Geller, at 9:3–6 (May 31, 2023).
[220] 66 Pa. C.S. § 504.

pipeline replacement activity.[221] In the course of a base rate case, the Commission must assess whether PGW's rates are just and reasonable, taking into account PGW's reasonable and prudent operating expenses as well as the eight enumerated factors from the Commission's policy statement regarding PGW rates.[222] PGW's ability to control costs and execute its pipeline replacement objectives in a cost-effective manner relates directly to the reasonableness and prudence of its expenses, as well as its "management quality, efficiency, and effectiveness."[223] The Commission is well within its authority to require PGW to provide comprehensive, integrated reports on its pipeline replacement activity to support the Commission "keep[ing] itself informed" and in service of the Commission's "require[ment] to enforce" its regulations.[224]

PGW's current reporting practices do not adequately provide for the Commission's required review of PGW's pipeline replacement spending in the context of a base rate case. PGW bears the burden of providing adequate evidence for the Commission and intervenors to scrutinize PGW's rate increase request and assess whether it is just and reasonable.[225] PGW has not met its burden with regard to its pipeline replacement spending because it has failed to provide consistent information in a sufficiently integrated and comprehensive format to allow for meaningful review. Notably, in rebutting Dr. Seavey's Direct Testimony, PGW witness Robert Smith acknowledges that PGW does have all of the information that Dr. Seavey identifies as necessary for a Comprehensive Pipeline Replacement Report.[226] Mr. Smith suggests that the public and regulators should bear the burden of retrieving this information from the variety of

[221] *See* POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 22:15–23:18 (May 31, 2023).
[222] 52 Pa. Code §§ 69.2702, 2703.
[223] 52 Pa. Code §§ 69.2702, 2703.
[224] 66 Pa. C.S. § 504.
[225] 66 Pa. C.S. § 1301(a) ("Every rate made, demanded, or received by any public utility . . . shall be just and reasonable . . ."); 66 Pa. C.S. § 315(a) (stating that in any utility's rate case, "the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.").
[226] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 23:41–24:2 (June 26, 2023).

locations scattered across PGW's filings with the Commission and its filings at the Philadelphia Gas Commission.[227] Mr. Smith even suggests that the Commission could not order PGW to provide this information in a single report, stating that "the Commission does not have jurisdiction" over "information contained in PGW's Proposed Capital Budget and Forecast submitted to the [Philadelphia Gas Commission]."[228] Mr. Smith's legal interpretation of the Commission's jurisdiction is wrong: the Commission has a duty to ensure that PGW's pipeline replacements are efficient and effective, and the Commission has the authority to order the production of any information necessary for it to carry out that duty.[229] Requiring PGW to file annual Comprehensive Pipeline Replacement Reports is both appropriate under the Commission's statutory authority and necessary to enable meaningful review of PGW's spending in the context of a base rate case.

b. Comprehensive Pipeline Replacement Reporting is Consistent with the Commission's Policy Statement Regarding the Justness and Reasonableness of PGW's Rates

Dr. Seavey's recommended annual reports on pipeline replacement activity would facilitate the Commission's review of that activity consistent with the factors set forth in the Commission's regulations regarding PGW's rates.[230] Specifically, Comprehensive Pipeline Replacement Reports would enable the Commission to assess "PGW's management quality, efficiency and effectiveness."[231] Affordability is a central concern for PGW's customer base, and the ability of PGW's management to effectively control the ballooning costs of its pipeline replacement program has a direct effect on affordability of rates. Multiple parties have flagged

[227] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 22–23 (June 26, 2023).
[228] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 24 (June 26, 2023).
[229] 52 Pa. Code § 69.2703; 66 Pa. C.S. § 2212(b), (c).
[230] 52 Pa. Code § 69.2703.
[231] 52 Pa. Code § 69.2703(a)(6).

the rapid increases of per-unit costs for pipeline replacement projects as concerning.[232] Indeed, Dr. Seavey's review of PGW's scattered data indicated that "pipeline replacements costs are increasing a rate several orders of magnitude greater than PGW's assumed escalation rate," with average costs increasing "8.5% per year from 2015 to 2021," compared to "a 6.9% rate of increase for the earlier time period of 2015 to 2019" identified by I&E witness Scott Orr in PGW's last rate case.[233] For a project of such ambitious scope—$6.2 to $7.6 billion by Dr. Seavey's estimate—with costs rapidly and continuously increasing year-over-year, it is crucial that PGW and the Commission holistically assess spending to identify cost savings opportunities.[234]

Comprehensive reporting would also address the factors in the Commission's policy statement related to borrowing capacity and financial performance.[235] Dr. Seavey recommends including information in the Comprehensive Pipeline Replacement Reports regarding throughput, customer base composition, and cost projections that include debt servicing costs.[236] As Dr. Seavey notes, factors such as customer base composition are "covered at length in the 2020 bond prospectus for Philadelphia's $254 million Sixteenth Series Gas Works Revenue Bonds, suggesting that they are considered relevant to potential bond holders and to the City's credit rating."[237] Debt servicing costs associated with PGW's pipeline replacement are also

[232] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 9:13–16 (May 31, 2023); Exh. DKS-9, I&E Statement No. 3, Direct Test. of Scott Orr, PA P.U.C. Docket No. R-2020-3017206 at 12:16–20 (Sept. 1, 2020) (finding a 33.8% increase in cost per mile over five years for capital replacements).
[233] POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 9 (July 7, 2023).
[234] POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 12:7–9 (July 7, 2023). *See also* POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 11:16–12:7 (July 7, 2023) (explaining that PGW's cost projections would "likely not be dissimilar" to Dr. Seavey's if PGW considered the full set of costs connected to its pipeline replacement activity).
[235] 52 Pa. Code § 69.2703.
[236] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 30–31 (May 31, 2023).
[237] POWER Interfaith Statement No. 2-SR, Surrebuttal test. of Dorie K. Seavey, PhD, at 12:19–13:2 (July 7, 2023).

substantial—approximately $20.7 million per year—and merit tracking and scrutiny.[238] The first step for the Commission to address PGW's borrowing cost concerns is to require comprehensive reporting on spending, as recommended by Dr. Seavey. As Dr. Seavey notes, "[w]hile no long-term debt is issued to fund the accelerated cast iron replacement program, part of PGW's bond interest expense should be attributed to PGW's other pipeline replacement capital spending."[239] The Commission cannot properly assess the prudence of PGW's pipeline replacement spending, nor can opportunities for cost savings be efficiently identified, without comprehensive tracking and reporting of all cost categories related to PGW's pipeline replacement activity.

c. Comprehensive Reporting on Pipeline Replacement Activity Will Promote Transparency and Affordability

The Commission is responsible for protecting the public interest as it carries out its regulatory duties.[240] The public has an interest in affordability of rates and in transparency of PGW's operations and spending, particularly given that PGW is municipally owned.[241] Requiring annual Comprehensive Pipeline Replacement Reports will protect the public interest by advancing both affordability and transparency.

---

[238] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 18:9–10 (May 31, 2023) (citing Exh. DKS-2, Dorie Seavey, PhD, *Philadelphia's Gas Pipe Replacement Plan*, at 14–15).
[239] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 18, n. 47.
[240] *E.g.*, *Pennsylvania Pub. Util. Comm'n v. Philadelphia Elec. Co.*, 561 A.2d 1224, 1226 (Pa. 1989); *Duquesne Light Co. v. Pennsylvania Pub. Util. Comm'n*, 715 A.2d 540, 546 (Pa. Commw. Ct. 1998) (It is the Commission's duty to determine the public interest and to protect the rights of the public.") (internal citations omitted); *see also* Pennsylvania Pub. Util. Comm'n, *Our Mission*, https://www.puc.pa.gov/about-the-puc/ (including "protect the public interest" in a list of duties that the Commission considers its "mission").
[241] POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 6:5–13 (July 7, 2023); *see also, e.g.*, Public Input Hearing Tr., at 79:14–21 (May 23, 2023) ("I understand this is an institution that has to recover its own revenues, has to cover its own investments somehow, but this is also the poorest big city in the country that we're talking about here. A ten percent rate hike for a city where people routinely experience shut offs is likely to exacerbate that problem."); Public Input Hearing Tr., at 44:20–45:2 (May 23, 2023) ("We work hard every day, and paying our bills is mainly what consumes us. Right? From day to day, week to week, year to year, we have to figure out how we're going to pay our bills. For the most of us, we come up short most of the time. Right? And you have to choose. You have to prioritize. So a rate hike would really be crippling to some of us.").

PGW's current reporting practices are convoluted, opaque, and inaccessible. As Dr. Seavey highlighted, for any given analyst to determine year-over-year quantity and associated burdened cost data regarding PGW's main replacement, the analyst would need to gather dozens of data points across six different capital account categories buried in supporting workpapers for PGW's Philadelphia Gas Commission filings.[242] Philadelphia Gas Commission filings, while technically public, are not hosted in an easily accessible manner online by either PGW or the Philadelphia Gas Commission. If an analyst wanted to obtain those filings, they would need to either go through the process of submitting a Right-To-Know ("RTK") request or would need to have intervened in the relevant proceeding. Further, as Dr. Seavey noted, the data accessible through the Capital Budget filings is incomplete.[243] Another source of data on PGW's pipeline replacement activity to which an analyst might turn is PGW's Annual Asset Optimization Plan ("AAOP") reports, which are filed with the Commission. But as PGW witness Mr. Smith concedes, the replacement mileage figures contained in the AAOPs differ from those in the Capital Budget filings and treat cast iron rehabilitation and abandonment data fundamentally differently.[244] Additionally, PGW has filed AAOPs that contained errors.[245] Preparing one comprehensive annual report will give PGW an opportunity to review its data for accuracy before providing it transparently to the Commission in a publicly-accessible format.

Annual comprehensive reporting will also promote affordability for PGW's customers. Given the size of PGW's investment in its pipeline replacement programs, an annual process of collecting, reviewing, and summarizing the data coming out of these programs is a baseline

[242] POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 5:4–13 (July 7, 2023).
[243] POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 4:12–5:3 (July 7, 2023).
[244] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 16:7–19 (June 26, 2023).
[245] PGW Statement No. 7-R, Rebuttal Test. of Robert K. Smith, at 19:19 (June 26, 2023); POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 11:17–12:3 (May 31, 2023); POWER Interfaith Statement No. 2-SR, Surrebuttal Test. of Dorie K. Seavey, PhD, at 16:10–15 (July 7, 2023).

practice for responsible management. Regularly reviewing program activity and spending is essential to identify opportunities to control costs and optimize capital efficiency. As Dr. Seavey points out, "you can't manage what you don't measure."[246] Given the financial sensitivity of much of PGW's customer base and the immense investment that the Company intends to make into renewing its infrastructure, the Commission should expect the highest standard of management practices to advance affordability and protect the public interest.

d. Comprehensive Pipeline Replacement Report Components

For the reasons set forth above, the Commission should require PGW to submit annual Comprehensive Pipeline Replacement Reports that contain, at a minimum, the following components:

1. Pipeline quantity: Year-over-year replacement figures for mains and service lines.
2. Pipeline composition: Data on current composition of current inventory of distribution pipeline mains by material (*i.e.*, cast iron, unprotected steel, etc.) and age (*i.e.*, decade of installation).
3. Pipeline spending cost breakdown: Year-over-year current and historic costs for main and service replacements, broken down by labor, materials, contractors, and "other." This breakdown should be sufficient to enable unit cost analysis.
4. Projection of cumulative pipeline replacement costs including services through program termination based on unit cost analysis and assumed escalation factor. Consideration should be given to including the debt servicing costs associated with non-DSIC funded replacement.

[246] POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 24:20–21 (May 31, 2023).

5. Throughput analysis: Trend data on gas throughput by rate class and projected for next five years.
6. Customer base composition: Historic and current data on size of PGW's customer base, percent low-income, percent low-income payment-troubled customers, percent eligible for LIHEAP and the Customer Responsibility Program ("CRP"), and receipt of LIHEAP and CRP.
7. Undepreciated pipeline assets: Historic, current, and projected value of undepreciated distribution pipeline assets (by asset category with totals) through expected program termination date.

The Commission would be well within its right to require reporting on additional, more granular categories, such as tracking locations of replaced pipeline, demographic information on neighborhoods served and how they are prioritized, etc. However, the categories above provide a baseline level of ongoing information whose collection, review, and provision to the Commission will promote efficiency in spending and informed regulation.

2. Lobbying Expenses

Multiple parties agree that PGW's lobbying expenses should be excluded from its revenue requirement.[247] Indeed, PGW does not dispute that the Public Utilities Code prohibits utilities' recovery of lobbying expenses through rates.[248] PGW witness Joseph Golden instead asserts that "since PGW has no shareholders, all of PGW's lobbying efforts accrue to the benefit of customers,"[249] and suggests the Commission should give PGW special treatment by waiving

---

[247] POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), at 30:6–7 (May 31, 2023); OCA Statement No. 1, Direct Test. of Dante Mugrace, at 27:1–6 (May 31, 2023); I&E Statement No. 2, Direct Test. of Zachari Walker, at 6:20 (May 31, 2023).
[248] 66 Pa. C.S. § 1316; PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 31:12–13 (June 26, 2023).
[249] PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 31:18–19 (June 26, 2023).

the section of the Public Utilities Code that prohibits it from recovering lobbying expenses from its ratepayers.[250] In addition, Mr. Golden opines that if PGW refrained from lobbing, "which it does not intend to do," its customers "would undoubtedly suffer as a result of reduced funding for LIHEAP and other government funds."[251]

These conclusory statements are insufficient to merit the Commission waiving a statutory prohibition. As I&E witness Zachari Walker notes, "LIHEAP grants can be obtained by eligible low-income customers without the lobbying efforts of PGW."[252] Further, as OCA witness Dante Mugrace points out, "PGW has not provided a breakdown of the $100,000 related to Lobbying Expenses" sufficient to justify the reasonableness of the costs.[253] As Mr. Kleinginna has explained, "[a]bsent specific evidence about PGW's actual lobbying activity, there is no way for the Commission to identify whether any given portion of PGW's lobbying activities support various municipal agendas, PGW's management's interests, or any number of other objectives."[254] Additionally, Mr. Golden "acknowledged that disallowance would not affect the cash flow for PGW," undercutting PGW's claim that its status as a municipally owned utility forms a "special circumstance" worthy of waiving a statutory provision set forth by the legislature for all Pennsylvania utilities.[255] Accordingly, the Commission should exclude PGW's $100,000 lobbying budget from its revenue requirement.

PGW has also failed to explain why the portion of its American Gas Association ("AGA") membership dues allocable to lobbying should be considered recoverable when PGW's own lobbying expenses are not. Mr. Golden erroneously asserts that "POWER did not produce

[250] PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 32:11–17 (June 26, 2023).
[251] PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 32:5–8 (June 26, 2023).
[252] I&E Statement No. 2-SR, Surrebuttal Test. of Zachari Walker, at 6:7–8 (July 7, 2023).
[253] OCA Statement No. 1-SR, Surrebuttal Test. of Dante Mugrace, at 8:10 (July 7, 2023).
[254] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark Kleinginna, at 17:17–20 (July 7, 2023).
[255] OCA Statement No. 1-SR, Surrebuttal Test. of Dante Mugrace, at 8:16–21 (July 7, 2023); PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 32:3–4 (June 26, 2023).

any specific lobbying data regarding the AGA," and that as a result, there should be no adjustment to the portion of its AGA dues that are recoverable.[256] In fact, POWER analyzed an express statement from AGA itself regarding the portion of dues-funded activity that is "allocable to lobbying."[257] AGA includes a statement on the dues invoices it sends to its member utilities setting forth the portion of membership dues allocable to lobbying for each year, and it identified 3.4% as the percentage for 2023.[258] The Commission should accordingly disallow recovery of the $16,615 of PGW's 2023 AGA dues that are allocable to lobbying.[259]

V. CONCLUSION

For the foregoing reasons, POWER respectfully requests that if the Commission approves any rate increase for PGW in this Proceeding, it should also direct PGW to implement the recommendations set forth in the expert testimony submitted by POWER in order to protect and advance affordability in the near and long term.

July 27, 2023

Respectfully submitted,

<u>/s/ Devin McDougall</u>
Devin McDougall
PA Attorney ID No. 329855
Senior Attorney
Earthjustice
1617 John F. Kennedy Blvd., Suite 2020
Philadelphia, PA 19103
dmcdougall@earthjustice.org
(917) 628-7411

---

[256] PGW Statement No. 2-R, Rebuttal Test. of Joseph F. Golden, at 33:5–6 (June 26, 2023).
[257] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark Kleinginna, at 18:3–15 (July 7, 2023) (citing Exh. MDK-5, PGW Interrogatory Responses, Response to POWER-01-14, Attachment).
[258] POWER Interfaith Statement No. 1-SR, Surrebuttal Test. of Mark Kleinginna, at 18:14–16 (July 7, 2023) (citing Exh. MDK-5, PGW Interrogatory Responses, Response to POWER-01-14, Attachment).
[259] POWER Interfaith Statement No. 1, Direct Test. of Mark Kleinginna – Corrected, at 31:12–14 (July 17, 2023).

APPENDIX A.

PROPOSED FINDINGS OF FACT

1. PGW proposes to increase the residential customer charge by over thirty percent, from $14.90 per month to $19.50 per month. POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 2:10–11 (May 31, 2023).
2. PGW has failed to demonstrate that its residential customer charge needs to be increased to promote economic efficiency. POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 9:18–10:7 (May 31, 2023).
3. PGW's proposed increase to its residential fixed charge would unduly harm low-income customers. POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 10:17–12:12 (May 31, 2023).
4. PGW's proposed increase to its residential fixed charge would blunt incentives for conservation and energy efficiency. POWER Interfaith Statement No. 3, Direct Test. of Ben Havumaki, at 13:6–21 (May 31, 2023).
5. PGW's current Low-Income Usage Reduction Program ("LIURP") spending was determined based on rates in effect prior to this Proceeding. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 28:12–20 (May 31, 2023).
6. As rates increase, the number of households and individual measure installations that would be cost-effective under LIURP will increase. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 28:20–29:1 (May 31, 2023).
7. LIURP services can provide important bill relief and arrearage reduction for participating customers as well as improving the health, safety, and comfort levels of household

members. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 29:17–19 (May 31, 2023).

8. PGW's capital spending directly influences its cost of service. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 15:9–17:18 (May 31, 2023).
9. Reducing PGW's cost of service would advance affordability by lessening the need for rate increases in the future. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 4:3–9 (May 31, 2023).
10. Non-pipeline alternatives ("NPAs") offer the potential to reduce the amount of capital spending necessary on distribution and processing plant and to generate savings on upstream transportation and gas costs, which would reduce PGW's cost of service. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 18:1–17 (May 31, 2023).
11. A collaborative working group to develop screening criteria for potential NPA deployment on a pilot basis and to develop pilot implementation processes would be an effective means of integrating consideration of NPAs into PGW's capital planning processes. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 26:17–27:1 (May 31, 2023).
12. Biannual public reporting on any NPA initiatives will promote transparency, support prudent management practices, and help foster the development of a market of NPA solution providers. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 29:1–8 (May 31, 2023).

13. PGW does not presently file any annual public report containing adequate information on its pipeline replacement activity and spending. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 12:16–13:5 (May 31, 2023).
14. PGW's average cost for pipeline replacement increased 8.5% per year from 2015 to 2021. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 21:18–20 (May 31, 2023).
15. Requiring PGW to file an annual public report providing comprehensive information on pipeline replacement activity and spending would increase transparency, support prudent management practices, and provide information that can help support better long-term cost management. POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 22:20–23:9 (May 31, 2023) or POWER Interfaith Statement No. 2, Direct Test. of Dorie K. Seavey, PhD, at 24:1–9 (May 31, 2023).
16. PGW has included $100,000 of direct lobbying expenses in its FPFTY 2024 revenue requirement. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 29:17–18 (May 31, 2023).
17. PGW is a member of the American Gas Association ("AGA") and paid $488,670 in membership dues in 2023, of which 3.4% ($16,615) were allocable to lobbying by the AGA. POWER Interfaith Statement No. 1, Direct Test. of Mark D. Kleinginna (Corrected), 30:12–31:14 (May 31, 2023).

APPENDIX B.

PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction to consider whether expenses included in proposed and existing rates are reasonable and prudent. 66 Pa. C.S. § 2212; 52 Pa. Code § 69.2702.
2. Management quality, efficiency and effectiveness, 66 Pa. C.S. § 2212; 52 Pa. Code § 69.2702, can be demonstrated by efforts to control costs and engage in adequate long-term planning for cost reductions.
3. PGW has not met its burden of proof in this proceeding to show that a rate increase without adequate action to protect and advance affordability is just and reasonable.
4. PGW has not met its burden of proof in this proceeding to show that increasing its residential customer charges will result in just and reasonable rates consistent with the public interest.
5. POWER Interfaith has met its burden of demonstrating that PGW's proposed increase to its residential customer charge would not be just and reasonable.
6. POWER Interfaith has met its burden of demonstrating that PGW should increase its LIURP budget proportionally to any residential rate increase approved in this Proceeding.
7. POWER Interfaith has met its burden of demonstrating that PGW must fully consider the potential for NPAs to reduce the cost of service, advance affordability, and ensure rates are just and reasonable.
8. POWER Interfaith has met its burden of demonstrating that PGW must file annual comprehensive pipeline replacement activity and spending reports.

9. POWER Interfaith has met its burden of demonstrating that PGW's direct lobbying expenses and the portion of PGW's AGA membership dues allocable to lobbying must be excluded from PGW's revenue requirement.

APPENDIX C.

PROPOSED ORDERING PARAGRAPHS

It is hereby ORDERED THAT:

1. PGW's requested rate increase is denied.
2. PGW's requested increase to the residential customer charge is denied.
3. PGW is directed to fully integrate consideration of the cost-reduction opportunities from non-pipeline alternatives ("NPAs") as part of its capital planning processes to ensure that least cost alternatives are selected.
4. PGW is directed to implement such consideration of NPAs as part of its capital planning processes through convening a collaborative working group to develop and initiate an NPA pilot program.
5. The collaborative working group shall work according to the following process:

    a. Screening parameters and specific NPA projects for the pilot shall be investigated and developed through a collaborative process following an initial convening of the working group within one month following the entry of the Final Order in this proceeding.

    b. This working group shall include interested parties from this rate case, interested Commission staff, and any other interested stakeholders.

    c. The working group shall meet at least monthly to develop screening parameters that can be used to identify cost-effective NPA projects that can function to defer or avoid capital spending investments.

    d. PGW shall report to the Commission on the progress of the working group monthly.

e. In the course of developing screening parameters, the working group shall convene at least two public meetings in Philadelphia in which members of the public are invited to share their views on NPA screening criteria.

f. The working group shall complete its work and deliver a final report on the screening parameters to the Commission no later than six months from the entry of a Final Order in this proceeding.

g. The screening parameters shall: First, examine whether a particular potential NPA measure would be cost-effective (including consideration of peak savings, commodity savings, capital costs savings, operating costs savings, and saved gas costs) and fully consistent with all safety requirements. Second, prioritize NPA deployment in low-income communities, so that NPA measures like building envelope improvements can maximize their usefulness in advancing energy affordability and reducing energy burden. Third, prioritize NPA deployment by union workers, to promote union workforce development and support well-paying union jobs in Philadelphia. Fourth, maximize synergy with and use of Inflation Reduction Act funds that are available for two key NPAs, building energy efficiency measures and thermal energy networks (also known as network geothermal installations).

h. Once the screening parameters are complete, the working group should identify at least ten potential NPA deployment opportunities through a process that should involve at least two public meetings in Philadelphia to solicit community views on opportunities for NPA deployment. PGW should then conduct a competitive public procurement for each opportunity, allowing bidders to propose a portfolio of different NPA solutions to meet the identified system need. PGW shall provide regular updates on the status of the pilot at the monthly meetings of the collaborative working group and implement a community outreach plan to ensure community members in project locations are informed, engaged, and have opportunities for input into project deployment. Deployment of identified NPA pilot projects shall be commenced within twelve months from entry of a Final Order in this proceeding. Once deployed, PGW shall provide updates on the performance of the pilots on a monthly basis to the collaborative working group.

6. PGW is also directed to file a publicly-accessible NPA Implementation Report. biannually (every six months) with the Commission, beginning with twelve months from the entry of a Final Order in this proceeding. This report shall identify all NPA initiatives conducted in the prior six months and report in detail on their costs and benefits to date, as well as all NPA initiatives under consideration for the coming year. The report shall contain information on both peak demand and commodity savings for PGW as well as direct savings for customers.
7. PGW's lobbying expenses ($100,000) as well as the portion of its AGA dues allocable to lobbying ($16,615) are excluded from PGW's revenue requirement for the FPFTY.
8. PGW is directed to file annual accountings of its pipeline replacement activity. These documents shall be filed at the Commission and be publicly accessible online. The Comprehensive Annual Pipeline Spending Reports shall contain, at a minimum, the following seven elements:
    a. <u>Pipeline quantity</u>: Year-over-year replacement figures for mains and service lines.

b. Pipeline composition: Data on current composition of current inventory of distribution pipeline mains by material (*i.e.*, cast iron, unprotected steel, etc.) and age (*i.e.*, decade of installation).

c. Pipeline spending cost breakdown: Year-over-year current and historic costs for main and service replacements, broken down by labor, materials, contractors, and "other." This breakdown should be sufficient to enable unit cost analysis.

d. Projection of cumulative pipeline replacement costs including services through program termination based on unit cost analysis and assumed escalation factor. Consideration should be given to including the debt servicing costs associated with non-DSIC funded replacement.

e. Throughput analysis: Trend data on gas throughput by rate class and projected for next five years.

f. Customer base composition: Historic and current data on size of PGW's customer base, percent low-income, percent low-income payment-troubled customers, percent eligible for LIHEAP and the Customer Responsibility Program ("CRP"), and receipt of LIHEAP and CRP.

g. Undepreciated pipeline assets: Historic, current, and projected value of undepreciated distribution pipeline assets (by asset category with totals) through expected program termination date.

[Should the Commission choose to approve any rate increase, POWER proposes the following ordering paragraph.]

1. PGW is directed to increase its Low-Income Usage Reduction Program ("LIURP") budget proportionally to the approved residential rate increase.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of this electronically-filed document upon the parties, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

Darryl A. Lawrence, Esq. David Evrard, Esq. Harrison W. Breitman, Esq. Office of Consumer Advocate Forum Place, 5th Floor 555 Walnut Street Harrisburg, PA 17101-1923 dlawrence@paoca.org devrard@paoca.org HBreitman@paoca.org *Representing the Office of Consumer Advocate*	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 *Representing Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc.*
Sharon E. Webb, Esq. Nakea S. Hurdle, Esq. Nazaarah Sabree, Esq. Office of Small Business Advocate Forum Place, 1st Floor 555 Walnut Street Harrisburg, PA 17101 swebb@pa.gov nhurdle@pa.gov ra-sba@pa.gov *Representing the Office of Small Business Advocate*	Craig W. Berry, Esq. Philadelphia Gas Works 800 W. Montgomery Avenue Philadelphia, PA 19122 craig.berry@pgworks.com *Representing Philadelphia Gas Works*
Allison C. Kaster, Esq. Deputy Chief Prosecutor Bureau of Investigation & Enforcement Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street Harrisburg, PA 17120 akaster@pa.gov *Representing BIE*	Daniel Clearfield, Esquire Norman Kennard, Esquire Sarah Stoner, Esquire Eckert Seamans Cherin & Mellott, LLC 213 Market Street, 8th Floor Harrisburg, PA 17101 dclearfield@eckertseamans.com nkennard@eckertseamans.com sstoner@eckertseamans.com *Representing Philadelphia Gas Works*

Charis Mincavage, Esq. Mcnees Wallace & Nurick 100 Pine Street PO Box 1166 Harrisburg, PA 17108 cmincavage@mwn.com *Representing Philadelphia Industrial and Commercial Gas Users Group (PICGUG)*	John Sweet, Esq. Elizabeth R. Marx, Esq. Ria Pereira, Esq. Lauren Berman, Esq. PA Utility Law Project 118 Locust Street Harrisburg, PA 17101 jsweet@pautilitylawproject.org emarx@pautilitylawproject.org rpereira@pautilitylawproject.org pulp@palegalaid.net *Representing CAUSE-PA*
Robert W. Ballenger, Esq. Joline R. Price, Esq. Daniela E. Rakhlina-Powsner, Esq. Community Legal Services, Inc. 1424 Chestnut Street Philadelphia, PA 19102 rballenger@clsphila.org jprice@clsphila.org drakhlinapowsner@clsphila.org *Representing TURN*	

Dated: July 27, 2023

*_/s/ Devin McDougall_*
Devin McDougall
PA Attorney ID No. 329855
Senior Attorney
Earthjustice
1617 John F. Kennedy Blvd., Suite 2020
Philadelphia, PA 19103
dmcdougall@earthjustice.org
(917) 628-7411

TABLE I

Philadelphia Gas Works

STATEMENT OF INCOME

R-2023-3037933

(Dollars in Thousands)

LINE NO.		PGW Pro Forma Present Rates FPFTY Budget FY 2024 (1)	PGW Adjustments	PGW Pro Forma Proposed Rates FPFTY Budget FY 2024 (2)	ALJ Expense Adjustments	ALJ Proposed Rates FPFTY FY 2024	ALJ Revenue Adjustments	ALJ Total Allowable Revenues FPFTY FY 2024
		A	**B**	**C = (A +B)**	**D**	**E = (C + D)**	**F**	**G = (E + F)**
		$	$	$	$	$	$	$
	OPERATING REVENUES							
1.	Non-Heating	31,493	$ -	31,493		31,493	-	31,493
2.	Gas Transport Service	75,685	-	75,685		75,685	-	75,685
3.	Heating	727,583	-	727,583		727,583	-	727,583
4.	Revenue Enhancement / Cost Reduction FY 2024	-	85,162	85,162		85,162	(85,162)	0
5.	Revenue Enhancement / Cost Reduction FY 2028	-	-	-		0	-	0
6.	Weather Normalization Adjustment	-	-	-		0	-	0
7.	Appropriation for Uncollectible Reserve	(33,485)	(3,407)	(36,892)		(36,892)	3,407	(33,485)
8.	Unbilled Adjustment	(763)	-	(763)		(763)	-	(763)
9.	Total Gas Revenues	800,513	81,755	882,268		882,268		800,513
10.	Appliance Repair & Other Revenues	7,807	-	7,807		7,807	-	7,807
		-	-			0	-	0
11.	Other Operating Revenues	24,050	1,309	25,359		25,359	(1,309)	24,050
12.	Total Other Operating Revenues	31,857	1,309	33,166		33,166		31,857
13.	**Total Operating Revenues**	832,370	83,064	915,434		915,434		832,370
	OPERATING EXPENSES							
14.	Natural Gas	323,502	-	323,502	-	323,502		323,502
15.	Other Raw Material	31	-	31	-	31		31
16.	Sub-Total Fuel	323,533	-	323,533		323,533		323,533
17.	**CONTRIBUTION MARGINS**	**508,837**	83,064	**591,901**		**591,901**	(83,064)	**508,837**
18.	Gas Processing	23,890	-	23,890	-	23,890		23,890
19.	Field Operations	98,811	-	98,811	-	98,811		98,811
20.	Collection	5,087	-	5,087	-	5,087		5,087
21.	Customer Service	21,278	-	21,278	-	21,278		21,278
22.	Account Management	10,515	-	10,515	-	10,515		10,515
23.	Marketing	4,657	-	4,657	-	4,657		4,657

24.	Administrative and General	102,881	-	102,881	-	102,881		102,881
25.	Health Insurance	27,715	-	27,715	-	27,715		27,715
26.	Pandemic Expenses	-	10,162	10,162	-	10,162	(10,162)	0
27.	Capitalized Fringe Benefits	(10,717)	-	(10,717)	-	(10,717)		(10,717)
28.	Capitalized Administrative Charges	(31,571)	-	(31,571)	-	(31,571)		(31,571)
29.	Pensions	44,759	-	44,759	-	44,759		44,759
30.	Taxes	10,434	-	10,434	-	10,434		10,434
31.	Other Post-Employment Benefits	(10,095)	-	(10,095)	-	(10,095)		(10,095)
32.	Retirement Payout /Labor Savings	296	-	296	-	296		296
33.	Sub-Total Other Operating & Maintenance	297,940	10,162	308,102		308,102		297,940
34.	Depreciation	65,412	-	65,412	-	65,412		65,412
35.	Cost of Removal	6,729	-	6,729	-	6,729		6,729
		-	-	-	-	0		0
36.	Net Depreciation	72,141	-	72,141		72,141		72,141
37.	**Sub-Total Other Operating Expenses**	370,081	10,162	380,243		380,243		370,081
38.	**TOTAL OPERATING EXPENSES**	693,614	10,162	703,776		703,776		693,614
39.	OPERATING INCOME	138,756	72,902	211,658		211,658		138,756
40.	**Interest Gain / (Loss) and Other Income**	7,211	-	7,211	-	7,211		7,211
41.	INCOME BEFORE INTEREST	145,967	72,902	218,869		218,869		145,967
42.	**INTEREST**							
43.	Long-Term Debt	62,738	-	62,738	-	62,738		62,738
44.	Other	(1,776)	-	(1,776)	-	(1,776)		(1,776)
		-	-	-	-	0		0
45.	Loss From Extinguishment of Debt	3,348	-	3,348	-	3,348		3,348
46.	**Total Interest**	64,310	-	64,310		64,310		64,310
	NON-OPERATING REVENUE							
47.	Federal Grant Revenue (PHMSA)	10,752	-	10,752		10,752		10,752
48.	**NET INCOME**	**92,409**	72,902	**165,311**		**165,311**		**92,409**
49.	City Payment	18,000	-	18,000	-	18,000		18,000
50.	**NET EARNINGS**	**$ 74,409**	**$ 72,902**	**$ 147,311**		**$ 147,311**		**$ 74,409**
	(1) PGW Exhibit JFG-1 (Present Rates)							
	(2) PGW Exhibit JFG-2-R (Proposed Rates)							
	Table II Adjustments To Be Shown On Other Tables							
	Adjustments from Table II							

TABLE I(A)

DEBT SERVICE COVERAGE
R-2023-3037933
(Dollars in Thousands)

LINE NO.		PGW Pro Forma Present Rates FPFTY Budget FY 2024 (1)	PGW Pro Forma Proposed Rates FPFTY Budget FY 2024 (2)	ALJ Adjustments	ALJ Total Allowable Revenues FPFTY FY 2024
		$	$	$	$
	FUNDS PROVIDED				
1.	Total Gas Revenues [Table I, Line 9]	800,513	882,268		800,513
2.	Other Operating Revenues [Table I, Line 12]	31,857	33,166		31,857
3.	Total Operating Revenues [Table I, Line 13]	832,370	915,434		832,370
	Other Income Incr. / (Decr.) Restricted Funds				
4.	[Table I, Line 40 Plus Table IB, Line 3]	2,877	2,877		2,877
5.	Non-Operating Income [Table I, Line 47]	10,752	10,752		10,752
6.	AFUDC (Interest) [Table I, Line 13]	-	-		-
7.	TOTAL FUNDS PROVIDED	845,999	929,063		845,999
	FUNDS APPLIED				
8.	Fuel Costs [Table I, Line 16]	323,533	323,533		323,533
9.	Other Operating Costs	370,081	380,243		370,081
10.	Total Operating Expenses [Table I, Line 38]	693,614	703,776		693,614
11.	Less: Non-Cash Expenses	89,718	89,718	-	89,718
12.	TOTAL FUNDS APPLIED	603,896	614,058		603,896
13.	Funds Available to Cover Debt Service	242,103	315,005		242,103
14.	Net Available after Prior Debt Service [Line 13]	242,103	315,005		242,103

15.	Equipment Leasing Debt Service	-	-	-	-
16.	Net Available after Prior Capital Leases	242,103	315,005		242,103
17.	1998 Ordinance Bonds Debt Service	115,230	115,230	-	115,230
18.	1999 Ordinance Subordinate Bonds Debt Service - (TXCP)	-	-	-	-
19.	Total 1998 Ordinance Debt Service	115,230	115,230		115,230
20.	**Debt Service Coverage 1998 Bonds**	**2.10**	**2.73**		**2.10**
21.	Net Available after 1998 Debt Service	126,873	199,775		126,873
22.	Aggregate Debt Service [Line 19]	115,230	115,230		115,230
23.	Debt Service Coverage (Combined liens)	2.10	2.73		2.10
24.	Debt Service Coverage (Combined liens w/$18.0 City Fee)	**1.94**	**2.58**		**1.94**

(1) PGW Exhibit JFG-1 (Present Rates)
(2) PGW Exhibit JFG-2-R (Proposed Rates)
Table II Adjustments To Be Shown On Other Tables
Adjustments from Table II

TABLE I(B)
Philadelphia Gas Works
CASH FLOW STATEMENT
R-2023-3037933
(Dollars in Thousands)

LINE NO.			PGW Pro Forma Present Rates FPFTY Budget FY 2024 (1)	PGW Pro Forma Proposed Rates FPFTY Budget FY 2024 (2)	ALJ Adjustments	ALJ Total Allowable Revenues FPFTY FY 2024
			$	$	$	$
	SOURCES					
1.	Net Income	[Table I, Line 48]	92,409	165,311		92,409
2.	Depreciation & Amortization		62,947	62,947	-	62,947
3.	Earnings on Restricted Funds Withdrawal/(No Withdrawal)		(4,334)	(4,334)	-	(4,334)
4.	Federal Infrastructure Grant		-	-	-	
5.	Proceeds from Bond Refunding to Pay Cost of Issuance		3,480	3,480	-	3,480
6.	Increased/(Decreased) Other Assets/Liabilities		(45,717)	(35,521)	(10,196)	(45,717)
7.	Available From Operations		108,785	191,883		108,785
8.	Drawdown of Bond Proceeds		102,000	102,000	-	102,000
9.	Release of Restricted Fund Asset		-	-	-	-
10.	Release of Bond Proceeds to Pay Temporary Financing		-	-	-	-
11.	Temporary Financing		-	-	-	-
12.	TOTAL SOURCES		**$ 210,785**	**$ 293,883**		**$ 210,785**
	USES					
13.	Net Construction Expenditures		206,959	206,959	-	206,959
14.	Revenue Bonds		60,795	60,795	-	60,795
15.	Temporary Financing Repayment		-	-	-	-
16.	GASB 87 Lease Principal Payments		1,968	1,968	-	
17.	Changes in City Equity		-	-	-	-
18.	Distribution of Earnings	[Table I, Line 49]	18,000	18,000		18,000
19.	Non-Cash Working Capital		8,615	8,720	-	8,720

20.	Cash Needs	296,337	296,442		294,474
21.	Cash Surplus (Shortfall)	(85,552)	(2,559)		(83,689)
22.	TOTAL USES	**$ 210,785**	**$ 293,883**		**$ 210,785**
23.	Cash - Beginning of Period	116,328	116,328	-	116,328
24.	Cash - Surplus (Shortfall) [Line No. 21]	(85,552)	(2,559)	-	(2,559)
25.	**ENDING CASH**	**$ 30,775**	**$ 113,769**		**$ 113,769**
26.	**Outstanding Commercial Paper**	-	-	-	-
27.	**Outstanding Commercial Paper - Capital**	-	-	-	-
28.	**DSIC Spending**	41,000	41,000	-	41,000
29.	**Internally Generated Funds**	63,959	63,959	-	63,959
30.	**TOTAL IGF + Incremental DSIC Spending**	**$ 104,959**	**$ 104,959**		**$ 104,959**

(1) PGW Exhibit JFG-1 (Present Rates)
(2) PGW Exhibit JFG-2-R (Proposed Rates)
Table II Adjustments To Be Shown On Other Tables
Adjustments from Table II

TABLE II

Philadelphia Gas Works

SUMMARY OF ADJUSTMENTS

R-2023-3037933

(Dollars in Thousands)

LINE NO.		ALJ Adjustments	ALJ Reference
		$	
TABLE I	**STATEMENT OF INCOME**		
	OPERATING REVENUES		
1.	Non-Heating	-	
2.	Gas Transport Service	-	
3.	Heating	-	
4.	Revenue Enhancement / Cost Reduction FY 2024	-	
5.	Revenue Enhancement / Cost Reduction FY 2028	-	
6.	Weather Normalization Adjustment	-	
7.	Appropriation for Uncollectible Reserve	-	
8.	Unbilled Adjustment	-	
10.	Appliance Repair & Other Revenues	-	
12.	Other Operating Revenues	-	
	OPERATING EXPENSES		
14.	Natural Gas	-	
15.	Other Raw Material	-	
18.	Gas Processing	-	
19.	Field Operations	-	
20.	Collection	-	
21.	Customer Service	-	
22.	Account Management	-	
23.	Marketing	-	
24.	Administrative and General	-	
25.	Health Insurance	-	
26.	Pandemic Expenses	-	
27.	Capitalized Fringe Benefits	-	
28.	Capitalized Administrative Charges	-	

29.	Pensions	-
30.	Taxes	-
31.	Other Post-Employment Benefits	-
32.	Retirement Payout /Labor Savings	-
34.	Depreciation	-
35.	Cost of Removal	-
41.	To Clearing Accounts	-
40.	**Interest Gain / (Loss) and Other Income**	-
43.	Long-Term Debt	-
44.	Other	-
51.	AFUDC	-
45.	Loss From Extinguishment of Debt	-
55.	City Payment	-
TABLE I(A)	**DEBT SERVICE COVERAGE**	
11.	Less: Non-Cash Expenses	-
15.	Equipment Leasing Debt Service	-
17.	1998 Ordinance Bonds Debt Service	-
18.	1999 Ordinance Subordinate Bonds Debt Service - (TXCP)	-
TABLE I(B)	**CASH FLOW STATEMENT**	
	SOURCES	
2.	Depreciation & Amortization	-
3.	Earnings on Restricted Funds Withdrawal/(No Withdrawal)	-
4.	Federal Infrastructure Grant	-
5.	Proceeds from Bond Refunding to Pay Cost of Issuance	-
6.	Increased/(Decreased) Other Assets/Liabilities	-
8.	Drawdown of Bond Proceeds	-
9.	Release of Restricted Fund Asset	-
10.	Release of Bond Proceeds to Pay Temporary Financing	-
11.	Temporary Financing	-

	USES	
13.	Net Construction Expenditures	-
14.	Revenue Bonds	-
15.	Temporary Financing Repayment	-
16.	GASB 87 Lease Principal Payments	-
17.	Changes in City Equity	-
19.	Non-Cash Working Capital	-
23.	Cash - Beginning of Period	-
24.	Cash - Surplus (Shortfall) [Line No. 19]	-
26.	**Outstanding Commercial Paper**	-
27.	**Outstanding Commercial Paper - Capital**	-
28.	**DSIC Spending**	-
29.	**Internally Generated Funds**	-
TABLE III	**BALANCE SHEET**	
	ASSETS	
1.	Utility Plant Net	-
2.	Sinking Fund Reserve	-
3.	Capital Improvement Fund - Current	-
4.	Capital Improvement Fund - Long Term	-
	Workers' Compensation Fund - & Health Insurance Escrow	
6.	Cash	-
8.	Gas	-
9.	Other	-
10.	Accrued Gas Revenues	-
11.	Reserve for Uncollectible	-
13.	Materials & Supplies	-
14.	Other Current Assets	-
15.	Deferred Debits	-
16.	Unamortized Bond Issuance Expense	-
17.	Unamortized Loss on Reacquired Debt	-
18.	Deferred Environmental	-
19.	Deferred Pension Outflows	-
20.	Deferred OPEB Outflows	-
21.	Other Assets	-

	EQUITY & LIABILITIES		
23.	City Equity		-
24.	Revenue Bonds		-
25.	Unamortized Discount		-
26.	Unamortized Premium		-
28.	Lease Obligations		-
29.	Notes Payable		-
30.	Accounts Payable		-
31.	Customer Deposits		-
32.	Other Current Liabilities		-
33.	Pension Liability		-
34.	OPEB Liability		-
35.	Deferred Credits		-
36.	Deferred Pension Inflows		-
37.	Deferred OPEB Inflows		-
38.	Accrued Interest		-
39.	Accrued Taxes & Wages		-
40.	Accrued Distribution to City		-
41.	Other Liabilities		-
	Plant in Service		-
	Accumulated Depreciation		-
	(1) PGW Exhibit JFG-1 (Present Rates)		
	(2) PGW Exhibit JFG-2-R (Proposed Rates)		
	Table II Adjustments To Be Shown On Other Tables		
	Adjustments from Table II		

TABLE III
Philadelphia Gas Works
BALANCE SHEET
R-2023-3037933
(Dollars in Thousands)

LINE NO.		PGW Pro Forma Present Rates FPFTY Budget FY 2024 (1)	PGW Pro Forma Proposed Rates FPFTY Budget FY 2024 (2)	ALJ Adjustments	ALJ Total FPFTY FY 2024
		$	$	$	$
	ASSETS				
1.	Utility Plant Net	1,980,842	1,980,842	-	1,980,842
2.	Sinking Fund Reserve	135,159	135,159	-	135,159
3.	Capital Improvement Fund - Current	220,527	220,527	-	220,527
4.	Capital Improvement Fund - Long Term	2,686	2,686	-	2,686
	Workers' Compensation Fund				
	& Health Insurance Escrow				
6.	Cash	30,775	113,769	(82,994)	30,775
7.	**Accounts Receivable:**				
8.	Gas	190,252	189,813	439	190,252
9.	Other	4,474	4,474	-	4,474
10.	Accrued Gas Revenues	7,372	7,372	-	7,372
11.	Reserve for Uncollectible	(95,611)	(95,068)	(543)	(95,611)
12.	Total Accounts Receivable:	106,487	106,591		106,487
13.	Materials & Supplies	92,810	92,810	-	92,810
14.	Other Current Assets	4,909	4,909	-	4,909
15.	Deferred Debits	5,453	5,453	-	5,453
16.	Unamortized Bond Issuance Expense	933	933	-	933
17.	Unamortized Loss on Reacquired Debt	16,358	16,358	-	16,358
18.	Deferred Environmental	27,226	27,226	-	27,226
19.	Deferred Pension Outflows	59,055	59,055	-	59,055
20.	Deferred OPEB Outflows	36,251	36,251	-	36,251
21.	Other Assets	38,015	27,819	10,196	38,015
22.	**TOTAL ASSETS**	2,757,487	2,830,389		2,757,485
	EQUITY & LIABILITIES				
23.	City Equity	790,579	863,481	(72,902)	790,579
24.	Revenue Bonds	1,222,398	1,222,398	-	1,222,398
				-	0
25.	Unamortized Discount	(40)	(40)	-	(40)
26.	Unamortized Premium	105,867	105,867	-	105,867
27.	Long Term Debt	1,328,225	1,328,225		1,328,225
28.	Lease Obligations	57,613	57,613	-	57,613
29.	Notes Payable			-	0
30.	Accounts Payable	104,435	104,435	-	104,435
31.	Customer Deposits	2,081	2,081	-	2,081
32.	Other Current Liabilities	1,848	1,848	-	1,848
33.	Pension Liability	257,698	257,698	-	257,698
34.	OPEB Liability	84,529	84,529	-	84,529
35.	Deferred Credits	1,852	1,852	-	1,852
36.	Deferred Pension Inflows	25,865	25,865	-	25,865
37.	Deferred OPEB Inflows	22,616	22,616	-	22,616
38.	Accrued Interest	16,246	16,246	-	16,246
39.	Accrued Taxes & Wages	5,337	5,337	-	5,337
40.	Accrued Distribution to City	3,000	3,000	-	3,000
41.	Other Liabilities	55,562	55,562	-	55,562
42.	**TOTAL EQUITY & LIABILITIES**	2,757,487	2,830,389		2,757,486
	CAPITALIZATION				
43.	Total Capitalization	2,118,804	2,191,706		2,118,804
44.	Total Long Term Debt	1,328,225	1,328,225		1,328,225
45.	Debt to Equity Ratio	62.69%	60.60%		62.69%
46.	Capitalization Ratio	1.68	1.54		1.68
	Total Capitalization Excluding Leases	2,118,804	2,191,706		2,118,804
	Total Long Term Debt Excluding Leases	1,328,225	1,328,225		1,328,225
	Debt to Total Capital Ratio	0.627	0.606		0.627

(1) PGW Exhibit JFG-1 (Present Rates)
(2) PGW Exhibit JFG-2-R (Proposed Rates)
Table II Adjustments To Be Shown On Other Tables
Adjustments from Table II