COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

August 7, 2023

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

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

Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. v.
Philadelphia Gas Works
Docket No. C-2021-3029259
I&E Reply Brief

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the **Reply Brief of the Bureau of Investigation and Enforcement** (I&E) for the above-captioned proceeding.

Copies are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Allison C Kaster

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ACK/ac
Enclosures

cc: Hon. Eranda Vero, OALJ
Hon. Arlene D. Ashton, OALJ
Pamela McNeal, Legal Assistant, OALJ
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc.	:	
	:	
v.	:	Docket No. C-2021-3029259
	:	
Philadelphia Gas Works	:	

REPLY BRIEF OF THE BUREAU OF INVESTIGATION & ENFORCEMENT

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Dated: August 7, 2023

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I. INTRODUCTION AND PROCEDURAL HISTORY

A. Introduction

The Bureau of Investigation and Enforcement (I&E) hereby submits this reply brief in support of its recommended rate increase for Philadelphia Gas Works (PGW). For the reasons discussed more fully below, PGW's $85.2 million rate increase should be denied and I&E's recommended increase of no more than $44.8 million should be approved without modification.

B. Procedural History

On July 28, 2023, I&E filed a Main Brief in this proceeding. The history of the proceeding was addressed in I&E's Main Brief. The issues addressed in this I&E Reply Brief are limited to matters raised in PGW's Main Brief that relate to recommendations made in the I&E Main Brief.

II. LEGAL STANDARDS

A. Burden of Proof

I&E fully addressed the burden of proof in its Main Brief.[1]

B. Just and Reasonable Rates

I&E fully addressed the Public Utility Code's mandate that rates be just and reasonable in its Main Brief.[2]

III. SUMMARY OF ARGUMENT

PGW maintains it should be awarded a rate increase of $85.1 million; however, the record evidence and its Main Brief fail to demonstrate its rate increase proposal is just

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1 I&E MB, pp. 3-5.
2 I&E MB, p. 5.

and reasonable.[3] Specifically, PGW's significantly overstates PGW's cash needs as it requests to recover approximately $53.2 million of internally generated funds to finance capital improvement projects and includes inflated Operating and Maintenance expense claims (lobbying expense, rate case expense, Covid-19 expense amortization) and an unsupported inflation adjustment. Therefore, I&E maintains that PGW's proposal should be adjusted so it only receives a rate increase of no more than $44.8 million.

IV. ARGUMENT

A. Revenue Requirement

I&E determined that the appropriate revenue increase for PGW is $44,827,000. As discussed below, the main reason for this recommendation is that I&E eliminated PGW's $53.21 million claim for internally generated funds (IGF). After eliminating the $53.21 million IGF claim, I&E's analysis provides the total fund $167,494,000 in lieu of PGW's $199,759,000, resulting in a shortfall of $32,265,000.[4] I&E's recommended revenue requirement provides sufficient debt service coverage and days of cash on hand to maintain PGW's current credit rating, while moderating PGW's 50/50 capital structure goal in order to reduce the impact on customer rates.

1. I&E Corrected Revenue Requirement

When compiling the rate case tables for this Main Brief, I&E discovered that the internal spreadsheet it uses to develop its overall revenue requirement recommendation presented in direct and surrebuttal testimony failed to include the following expenses at proposed rates: pandemic expense ($10,162,000), uncollectible expense claim

3 PGW MB, p. 33.
4 I&E Exhibit No. 1-SR-Revised, Sch. 2, p. 3, line 21; PGW MB, p. 17.

(-\$3,407,000), and other operating revenue (\$1,309,000). I&E acknowledged this spreadsheet error and updated its position in its Main Brief tables identified as Table 1-Statement of Income, Table I(A)-Debt Service Coverage, Table I(B)-Cash Flow Statement, Table II-Summary of Adjustments and Table III-Balance Sheet. On August 3, 2023, I&E served revised testimony to capture these corrections, which was identified as I&E Statement No. 1-SR-Revised and I&E Exhibit No. 1-SR-Revised.[5]

As indicated in the I&E Main Brief, these spreadsheet errors had a flow through impact on other components of I&E's recommendations, specifically I&E's overall revenue requirement recommendation, the debt service coverage ratio and the days of cash on hand. The revised surrebuttal testimony captured these corrections and made an additional correction to the days of cash on hand and a slight change to the debt service coverage. The recommendations made in I&E's Main Brief and revised Surrebuttal Testimony are provided below:

	I&E Main Brief	I&E Surrebuttal Testimony-Revised[6]
Revenue Requirement	\$44,827,000	\$44,827,000
Debt Service Coverage	2.45	2.46
Days Cash on Hand	39.2	62.2

2. Debt Service Coverage Ratio

I&E's recommended 2.46x debt service coverage fully satisfies PGW's mandatory debt service coverage requirement of 1.5x and provides sufficient additional revenues to pay for other cash items.[7]

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5 I&E St. No. 1-SR-Revised; I&E Exh. No. 1-SR-Revised.
6 I&E-Exhibit No. 1-SR-Revised, Schedule 2, p. 1.
7 I&E St. No. 1-SR-Revised; Sch. 2, p. 3; PGW St. No. 2, p. 15.

PGW sates that it needs $83.7 million of additional cash to meet its cash obligations such as: $18 million City payment, pension fund contributions, DSIC costs, OPEB surcharge and capital improvements funded by internally generated funds.[8] I&E recognizes that PGW would like to increase rates to cover these items; however, doing so is not necessary to the level requested by PGW. As a Commission regulated entity, PGW has an obligation to charge just and reasonable rates, which PGW's rate request does not accomplish as it results in a significantly higher debt service coverage of 2.73x than what is necessary.[9] While PGW would like to recover sufficient revenues to fund these items, it is clear that the Commission "has the discretion to determine the prudent and reasonable levels of PGW's various categories of expenses and revenues, *including PGW's cash requirements*."[10]

With that in mind, the Commission has the ability to review PGW's claims and determine what is properly recovered in rates. I&E witness Patel argued that the Company's $53.2 million IGF claim that PGW intends to use to finance capital improvement projects be rejected.[11] Mr. Golden's rejoinder testimony criticizes this recommendation stating that, "Mr. Patel has neither identified specific budgeted projects that PGW should not undertake for some reason nor identified another funding source that would justify eliminating some $32 million from PGW's cash needs."[12] This statement is inaccurate as Mr. Patel noted that the IGF spending is not tied to identified projects in the FPFTY, which is concerning as there is no oversight or restrictions over

[8] PGW MB, p. 17.
[9] 66 Pa. C.S. § 1301.
[10] *Pa. PUC v. PGW*, Docket No. R-00006042, p. 26 (Order entered October 4, 2001)(Emphasis added).
[11] I&E St. No. 1, p. 29.
[12] PGW St. 2-RJ, p. 6.

the IGF funds.[13] Moreover, it ignores I&E's broader point that a balance must be struck between financing capital expenditures directly from ratepayers through the use of cash and the use of debt financing to reduce an immediate impact on customers' rates.[14] As demonstrated by PGW's debt service coverage of 2.73x, the appropriate balance is not achieved at PGW's full rate request.

PGW's Main Brief attempts to paint a dire picture; however, it must be made clear that PGW's debt service coverage is solid.[15] I&E witness Patel testified that recent reports from S&P Global and Fitch note that one of PGW's credit strengths is that it has an extremely strong coverage of fixed costs, robust liquidity and reserves (totaling $236 million comprised of $115 million in unrestricted cash and $120 million of commercial paper) and a historically stable financial profile due to rate increases and budget adjustments.[16] I&E's recommendation far exceeds its mandatory 1.5x coverage obligation and fall within Moody's highest ratings. It is also above Moody's expectation that the metric remain at least above 1.8x going forward.

I&E's debt service coverage of 2.46 x ensures that PGW will have sufficient cash to cover all of its obligations and maintain its stable credit rating.[17] In light of this, PGW's claimed coverage of 2.73x is unreasonable given that it is costly for ratepayers and must be rejected.

3. Days of Cash on Hand

I&E's recommendation results in approximately 62.2 days cash on hand for the

13 I&E St. No. 1, p. 29.
14 I&E St. No. 1-SR-Revised, p. 8.
15 PGW MB, p. 12.
16 I&E St. No. 1, pp. 25-26.
17 I&E Exh. No. 1-SR-Revised, Sch. 2, p. 3; I&E Exh. No. 1-SR-Revised, Sch. 2, p. 4.

FPFTY, which is sufficient to maintain in good standing with the bond agencies.[18]

PGW highlights that the bond rating agencies "have indicated that a cash balance of between 90 and 150 DOC should ideally be maintained for a utility with an "A" bond rating."[19] I&E acknowledges that Moody's "A" bond rating ranges from 35 days to 150 days.[20] I&E's 62.2 DOCH is solidly within that range and is slightly higher than PGW's 61.6 days of cash.[21] PGW argues that its level of cash will be sufficient for its needs, but notes that it is "well below" the 90-150 days expected by the rating agencies.[22] PGW's position ignores the fact that the rating agencies give PGW credit for available letters/lines of credit or capacity in a short-term debt program; therefore, its $120 million commercial paper program is fully available to meet its working capital requirements.[23] As indicated in I&E's Main Brief, the $120 million commercial paper program "provides a significant boost (80-90 days) to the cash and liquidity metric for PGW with all of the rating agencies, helping to maintain a solid credit rating."[24] Therefore, PGW is not well below the targeted range.

4. Debt to Total Capitalization

PGW's financing strategy for capital spending is comprised of 50% of funds from internally generated funds and 50% from debt.[25] Although I&E does not have a specific recommendation, it believes that PGW should evaluate a higher debt strategy to ensure just and reasonable rates.

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18 I&E Exh. No. 1-SR-Revised, Sch. 2, p. 6.
19 PGW MB, p. 18.
20 I&E St. No. 1, p. 21.
21 PGW MB, p. 19.
22 PGW MB, p. 19.
23 I&E St. No. 1-SR, p. 17.
24 PGW St. No. 3-R, p. 5.
25 PGW MB, p. 19.

PGW contends that its financing strategy is "cheaper for ratepayers" as financing capital expenditures with debt is more expensive than using internally generated funds.[26] I&E does not dispute that there are costs associated with debt; however, it spreads the cost recovery out over the life of the asset. OCA witness Mugrace accurately stated that "Mr. Golden's apparent argument that all of PGW's obligations must be met with non-borrowed cash is not only inconsistent with how businesses operate but is also inconsistent with how PGW actually operates."[27]

PGW criticizes I&E's reference to a 2015 Commission Staff Report, which determined that "As a municipally owned utility, it is Staff's opinion that PGW can operate with a longer-term debt-to-capital ratio perhaps as high as 70%."[28] PGW argues that the "Staff Report never recommended that PGW be direct to establish its debt/capitalization ratio at 70%."[29] I&E acknowledges this and, to be clear, I&E it is similarly not recommending that PGW be ordered to increase its debt to 70% in this proceeding. In fact, I&E's recommended financial metrics result in a debt capitalization ratio of 61.50%.[30] Rather, I&E referenced this Staff Report to highlight that its recommendation provides a reasonable opportunity to achieve a higher debt to total capital ratio at the conclusion of the FPFTY and demonstrate that PGW's 50%/50% strategy is overly aggressive given that Staff has recognized that increasing debt is an appropriate option to finance capital expenditures rather than rate recovery.

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[26] PGW MB, p. 20.
[27] OCA St. No, 1SR-Revised, p. 5.
[28] PGW MB, p. 20; Pennsylvania Public Utility Commission Staff Report: Inquiry into Philadelphia Gas Works' Pipeline Replacement Program, April 21, 2015, p. 6.
[29] PGW MB, p. 20.
[30] I&E St. No. 1-SR-Revised, p. 5.

Again, I&E is not recommending a specific debt goal; however, it believes that there are benefits to funding capital expenditures through debt as the alternative is burdensome for PGW's ratepayers.

B. Expenses

1. Lobbying Expense

I&E recommended that PGW's $100,000 lobbying expense claim be disallowed.[31] In support of this ratemaking claim, PGW argues that, as a municipal utility, it has an obligation to maintain lines of communication with other parts of government.[32]

PGW's status as a municipal utility cannot circumvent the statutory and regulatory prohibition against such recovery. PGW's request to recover lobbying expense violates Section 1316 of the Code, which prohibits public utilities from recovering expenses for political advertising in rates, and the Commission's long-standing treatment of this expense.[33] As explained in I&E's Main Brief, the Commission previously disallowed PGW recovery of its claimed lobbying expenses in its 2001 and 2006 base rate proceedings. In *PGW 2001*, the ALJ noted the Commission's longstanding history of disallowing this expense because "lobbying expenses do not have a direct ratepayer benefit and as such cannot be included in rates."[34] Importantly, the Commission also expressly rejected the argument PGW's status as a municipal utility should permit it to recover lobbying expenses[35] In *PGW 2006*, the Commission similarly disallowed PGW recovery of its lobbying expense claim in its 2006 base rate case given the prohibition of

[31] I&E St. No. 2, pp. 5-7; I&E St. No. 2-SR, pp. 5-6.
[32] PGW MB, p. 22.
[33] 66 Pa. C.S. § 1316.
[34] *Pa. PUC v. PGW*, Docket No. R-00006042, p. 64 (Order entered October 4, 2001).
[35] *Pa. PUC v. PGW*, Docket No. R-00006042, p. 66 (Order entered October 4, 2001).

recovering such expenses in Section 1316 and the Commission's longstanding exclusion of lobbying expenses from base rate recovery.[36]

Given the statutory prohibition and the Commission's long-standing disallowance of lobby expense recovery in rates, PGW's request that the Commission "waive its application" of this prohibition must continue to be rejected.[37]

2. Rate Case Expense

I&E recommended that PGW's unamortized 2020 rate case expense of $177,000 be disallowed and that its current rate case expense be normalized over 53-months rather than amortized over 60-months.

In support of recovery of the unamortized $177,000 from the 2020 rate proceeding, PGW claims that it was "previously authorized" to amortize its 2020 rate case expense and that I&E's recommended adjustment is an "improper collateral attack on a prior Commission order."[38] However, PGW failed to cite to the Commission Order where such authorization was granted. Just the opposite is true given that PGW's 2020 base rate case was settled via a black box settlement. As such, there was no line-by-line identification of individual expenses that PGW was authorized to recover. If the parties agreed to amortize the 2020 rate case expense, that would have to be expressly stated in the settlement and authorized in the Commission's Order. Both the settlement and Commission Order are silent with respect to rate case expense recovery, which means that such recovery was included in the black box revenue requirement contained in the settlement. Accordingly, PGW was not authorized to amortize the 2020 rate case

36 *Pa. PUC v. PGW*, Docket No. R-00061931, p. 56 (Order entered September 28, 2007).
37 PGW MB, p. 23.
38 PGW MB, pp. 23-24.

expense and the remaining $177,000 that PGW seeks to recover in this proceeding must be denied.

Similarly, PGW's request to amortize its current $300,000 rate case expense claim must also be denied. It is understood that operating expenses that recur at irregular intervals are normalized for ratemaking purposes in order to determine a "normal" annual test year allowance.[39] Rate case expense most certainly fits this definition as it is claimed in virtually every rate case filing and is not an unusual or infrequently reoccurring expense. Rejecting PGW's request to amortize rate case expense is important because this treatment is inconsistent with long-standing Commission precedent.[40] Additionally, it is inconsistent with the fact that the Commission normalized PGW's rate case expense in its 2001 proceeding.[41] PGW has provided no justification for altering this long-standing ratemaking treatment in this proceeding.

PGW also takes issue with I&E's recommended 52-month recovery period because it is not in alignment with its 5-year budget planning period or projected 3-year duration between rate cases.[42] PGW provides no citation to a Commission decision where the recovery period was based on a budget planning period or a utility's stated intention to file a future rate case. In contrast, I&E demonstrated that the Commission traditionally relies on a utility's historic filing frequency to determine the appropriate normalization period as it is more reliable than future speculation or the utility's stated

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39 I&E St. No. 2, pp. 8-9.
40 I&E MB, pp. 18-19.
41 *Pa. PUC v. PGW*, Docket No. R-00006042, pp. 51-53 (Order entered October 4, 2001).
42 PGW MB, p. 24.

intention to file a rate case.[43] Other regulated entities adhere to this ratemaking treatment and PGW should similarly be required to do the same.

3. Covid-19 Expenses

I&E agrees with PGW's total COVID-19 claim of $30,484,000 but disagrees with its proposed 36-month amortization period. Instead, I&E recommends that this expense be amortized over 53-months, resulting in a recommended allowance of $6,902,038.[44]

PGW states that the "longer recovery periods recommended by I&E and OCA are unreasonable, since PGW's clear recent and relevant history is filing cases about every 3 years (2017, 2020 and 2023)."[45] I&E does not dispute that PGW's two most recent rate filing intervals support its claimed three-year recovery; however, relying on only two intervals fails to provide sufficient historic data to determine the appropriate amortization period. PGW's three historic filing intervals were 86 months (December 2009 to February 2017), 36 months (February 2017 to February 2020) and 36 months (February 2020 to February 2023).[46] Unsurprisingly, PGW conveniently ignores the longer filing interval that fails to justify its three-year claim. If PGW's next rate case is filed in three years as it projects, then its three historic filing intervals will support a three-year recovery period (2017, 2020, 2023, 2026). However, that filing has not yet occurred and it is premature to drop the longer interval (2009-2017) from the analysis in this

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43 *Pa. PUC v. Emporium Water Company,* Docket No. R-2014-2402324, pp. 47-50 (Order entered January 28, 2015); *Pa. PUC v. City of DuBois – Bureau of Water,* Docket No. R-2016-2554150, pp. 65-66 (Order entered March 28, 2017); *Pa. PUC v. City of DuBois – Bureau of Water,* Docket No. R-2016-2554150, p. 13 (Order entered May 18, 2017); *Pa. PUC v. Columbia Gas,* Docket No. R-2020-3018835, pp. 78-79 (Order entered February 19, 2021); *Pa. PUC v. PECO Energy Company – Gas Division,* Docket No. R-2020-3018929, pp. 117-119 (Order entered June 22, 2021).

44 I&E St. No. 2-SR, pp. 8-12.

45 PGW MB, p. 26.

46 I&E St. No. 2, p. 12.

proceeding simply because it fails to support PGW's faster recovery period.

Additionally, despite the fact that the amortization period should be based on PGW's historic filing frequency, PGW's proposed three-year Covid-19 amortization and its proposed five-year rate case expense amortization do not match and neither aligns with its actual 52-month historic filing frequency. Picking and choosing recovery periods that it prefers, rather than what is accurate, demonstrates that PGW inconsistently applies this ratemaking concept. Moreover, PGW continued its bizarre analysis by attempting to use UGI's recently settled and approved three-year recovery of its Covid-19 expense to support its own requested three-year recover period.[47] It should go without saying that the appropriate recovery period is utility specific as it is based on the individual utility's rate case filing history; therefore, what was approved for UGI as part of a settlement has no bearing on the appropriate recovery period for PGW in this litigated proceeding.

The determination of an appropriate normalization period is not complicated. I&E followed long-standing ratemaking concepts to determine the recommended 52-month recovery period and appropriately applied it to the rate case expense normalization and Covid-19 expense amortization. In contrast, PGW abandoned sound ratemaking principles as its claimed three-year recovery of its Covid-19 expense is unsupported by its historic filings and inconsistent with its claimed rate case expense recovery period; therefore, it must be denied.

4. Inflation Adjustment

I&E recommended disallowance of a 4.63% blanket inflation adjustment to PGW's FPFTY unadjusted O&M expense claims of $62.5 million, resulting in a

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[47] PGW MB, p. 26 FN 129.

reduction of $2,741,050.[48] PGW applied the inflation adjustment to certain O&M expenses for which no specific level of increase could be ascertained.[49]

PGW argues that such recovery is appropriate because it applied the 4.63% inflation adjustment to approximately 20% of its total operating expenses that are expected to increase but the specific level of the increase cannot be determined.[50] In short, PGW maintains that its application of the inflation adjustment to targeted, specific expense categories should be approved because it is not a general inflation adjustment.[51] However, PGW's request is contrary to the Commission's recent *Aqua* order where it denied Aqua's similar request to apply an inflation adjustment to approximately 22% of its O&M expenses, stating:

> We agree with the ALJ that Aqua has not justified the use of a general price level adjustment to expenses "not specifically adjusted in this case or not subject to inflation." We also agree that allowing Aqua to apply a general inflation adjustment to a block of expenses could incentivize less accurate tracking of expenses and a less rigorous approach to controlling costs for those expenses.[52]

PGW further argues that it is unreasonable to exclude these price increases when neither I&E and OCA dispute that the prices will be higher in the FPFTY.[53] This argument must fail as it is not I&E's burden to prove whether expenses will increase or decrease in the future. Rather, it is PGW's burden to prove the reasonableness and prudency of its ratemaking claims.[54] PGW has failed to do so as the increases to these

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[48] I&E St. No. 2-SR, p. 12-14.
[49] PGW MB, pp. 26-27; PGW St. No. 2-R, p. 38.
[50] PGW MB, p. 26.
[51] PGW MB, p. 27.
[52] *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385, p. 117 (Order entered May 16, 2022).
[53] PGW MB, p. 27.
[54] *UGI Corp. v. Pa. PUC,* 410 A.2d 923, 932 (Pa. Commw. 1980).

expense categories is not known and measurable. I&E's position is supported by the Commission's *Wellsboro* decision where the requested inflation adjustment was denied because the utility did not demonstrate that the increase to each expense claim "directly relates to the actual costs expected to be incurred in each expense account in the FPFTY."[55] Similarly, PGW cannot demonstrate that the claimed 4.63% inflation adjustment is directly tied to the actual cost expected in the FPFTY because it admits that generic inflation adjustment was applied when "the specific level of increase could not be separately and specifically determined…"[56]

Accordingly, I&E's recommended $2,741,050 inflation adjustment should be adopted in this proceeding.

C. Rate Structure

1. Cost of Service

I&E did not propose any modifications to PGW's cost of service study.

2. Revenue Allocation

I&E did not propose any modifications to PGW's revenue allocation.

3. Rate Design

a. Customer Charge

As stated in Main Brief, I&E accepted PGW's proposed customer charges without modification.[57] However, I&E proposed a scale back recommendation in the event the Commission grants less than PGW's full request. PGW modified I&E's scale back

[55] *Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2019-3008208, p. 12 (Order entered April 29, 2020) (citing *Western Pa. Water Co. v. Pa. PUC*, 422 A.2d 906 (Pa. Cmwlth. 1980); *Popowsky v. Pa. PUC*, 674 A.2d 1149, 1153-54 (Pa. Cmwlth. 1996)).

[56] PGW MB, p. 26.

[57] I&E MB, p. 23.

recommendation by proposing to first scale back rates proportionately and, if the residential class remains above unity after the scale back, PGW proposes the modify the scale back to bring the residential class to unity.[58] I&E accepted this modification in surrebuttal testimony.[59] In Main Brief, PGW indicates that the intent of its scale back proposal is maintain the residential rate class at or below unity, which is a goal that I&E shares.[60] Accordingly, I&E continues to agree with PGW's scale back proposal.

b. Other Tariff Changes

I&E did not recommend any adjustments to other tariff provisions.

D. GFCP/VEPI- Class GS-XLT

As stated above, I&E accepted PGW's cost of service study and rate design proposals without modification, which included the proposed new tariff rate, Rate GS-XLT, for GFCP / VEPI. This customer has been paying contract rates for 25 years, which expired December 2022, and must now move to cost based rates in this proceeding.[61] Properly allocating costs has been the focus of disagreement. PGW's Main Brief accurately summarized the need for all rate classes to share the costs:

> PGW designed the Rate GS-XLT transportation rate (and all other rates) to recover an allocated share of PGW's overheads based upon standard and accepted allocation techniques that is applied to the rate classes. Except for GFCP/VEPI, all the other cost of service studies allocate joint and common overhead to all customer classes, and all parties, except for

58 PGW MB, pp. 45-46.
59 I&E St. No. 3-SR, pp. 7-9.
60 PGW MB, p. 46.
61 *Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. v. Philadelphia Gas Works*, Docket No. C-2021-3029529, pp. 36-38 (Order entered April 20, 2023).

> GFCP/VEPI have agreed that *their* rates should contain an allocated portion of these expenses.[62]

As stated above, I&E did not propose any modifications to PGW's cost of service study and indicated that PGW's proposed GS-XLT rate appears to be a reasonable initial step to move the rates paid by GFCP/VEPI towards cost of service based rates.[63]

E. Customer Service Issues

I&E did not make any recommendations concerning customer service.

F. Low-Income Customer Service Issues

I&E did not make any recommendations concerning low-income customer service.

G. Pipeline Replacement/Alternatives

I&E did not make any recommendations concerning pipeline replacement.

H. Miscellaneous Issues

I&E did not make any recommendations concerning miscellaneous issues.

V. CONCLUSION

For the reasons presented in this Reply Brief, the Bureau of Investigation and Enforcement respectfully requests that the Commission authorize PGW to implement an increase of no more than $44.8 million.

Respectfully submitted,

Allison C. Kaster

Allison C. Kaster
Deputy Chief Prosecutor
Bureau of Investigation & Enforcement
PA Attorney ID No. 93176

Dated: August 7, 2023

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62 PGW MB, p. 56.
63 I&E St. No. 3, pp. 5-6.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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v.	:	Docket No. R-2023-3037933, *et al.*
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Vicinity Energy Philadelphia, Inc.	:	
	:	
v.	:	Docket No. C-2021-3029259
	:	
Philadelphia Gas Works	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Reply Brief** dated August 7, 2023, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via First Class and Electronic Mail

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