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November 30, 2023

VIA ELECTRONIC FILING

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

RE: Pennsylvania Public Utility Commission, et al. v. Philadelphia Gas Works; Docket Nos.

R-2023-3037933 and C-2023-3038727; EXCEPTIONS OF GRAYS FERRY COGENERATION PARTNERSHIP AND VICINITY ENERGY PHILADELPHIA, INC. TO PHILADELPHIA GAS WORKS' COMPLIANCE FILING

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the Exceptions of Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. ("Vicinity") to Philadelphia Gas Works' Compliance Filing in the above-captioned proceedings. Copies of the Exceptions have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions related to this filing,

please do not hesitate to contact me.

Very trilly yours,

Todd S. Stewart Dennis A. Whitaker

Counsel for Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc.

TSS/jld Enclosure

cc: Per Certificate of Service

CERTIFICATE OF SERVICE

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

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DATED: November 30, 2023 Todd S. Stewart

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission Grays Ferry Cogeneration Partnership and

C-2023-3038727

Docket Nos. R-2023-3037933

Vicinity Energy Philadelphia, Inc.

:

V.

Philadelphia Gas Works

EXCEPTIONS OF GRAYS FERRY COGENERATION PARTNERSHIP AND VICINITY ENERGY PHILADELPHIA, INC. TO PHILADELPHIA GAS WORKS' COMPLIANCE FILING

NOW COMES, Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. (collectively "Vicinity") and hereby Excepts to the November 21, 2023 compliance filing ("Draft Compliance Tariffs") submitted by Philadelphia Gas Works ("PGW"), in the above-captioned docket[s]. As addressed below, and for the reasons stated in Vicinity's November 20, 2023 Petition for Clarification ("Clarification Petition"), the Draft Compliance Tariffs fail to comply with the Commission's November 9, 2023 Order ("November 9 Order") and continue PGW's ongoing attempts to inappropriately maximize its revenue from Vicinity while simultaneously diminishing the services provided to Vicinity. For these reasons, Vicinity requests that the Commission reject the Draft Compliance Tariffs and direct PGW to file revised Tariffs which comply with the November 9 Order. Additionally, because the current proposed effective date of December 1, 2023 is not practical given the timeline of the regulatory review period, Vicinity further requests that the Commission stay the effective date of the Draft Compliance

Tariffs, at least as to Vicinity, until such time as the Commission considers and rules upon Vicinity's Clarification Petition and these Exceptions. Alternatively, Vicinity requests that to the extent the Commission directs PGW to file revised Tariffs which result in changes that PGW also is directed to refund to Vicinity any resulting overcharges.

I. BACKGROUND

The Commission's November 9 Order addressed PGW's base rate increase request and sought to resolve the disagreement between Vicinity and PGW over the just and reasonable rates to be charged to Vicinity after the expiration of its 1995 contract with PGW. The Vicinity issues are the culmination of a formal complaint filed by Vicinity in 2021. Vicinity, on November 20, 2023, filed its Clarification Petition which is incorporated herein by reference regarding several points resulting from the November 9 Order. On November 21, 2023 PGW filed proposed Draft Compliance Tariffs, specifically Supplement No. 167 to Gas Service Tariff – Pa. P.U.C. No. 2 and Supplement No. 110 to Supplier Tariff – Pa. P.U.C. No. 1, ostensibly to effectuate provisions of the November 9 Order. However, as detailed below and in the Clarification Petition, the Draft Compliance Tariffs do not comply with, and in fact contradict, the November 9 Order.

As previewed above, the Draft Compliance Tariffs continue PGW's attempts to inappropriately maximize its revenue from Vicinity while simultaneously diminishing the services provided to Vicinity. In addition to this continuing pattern of conduct, the Draft Compliance Tariffs raise additional issues amplified below. For ease of reference, Vicinity attaches hereto, as **Exhibit A**, proposed revisions to the Draft Compliance Tariffs. Those revisions address the following major issues and additional cleanup and minor issues:

- 1. Degree of Interruption Contemplated by the Commission;
- 2. Volume of Gas to be Transported;

- 3. Alternative Receipt Service ("ARS"); and
- 4. Balancing and Unaccounted for Gas.

1. Exception No. 1 - Degree of Interruption Contemplated by the Commission

The Commission in its November 9 Order acknowledged the various "interruptible' characteristics" of the prior contract between Vicinity and PGW. **Order at p. 176.** Further, the Commission pointed to Vicinity's statement that:

Vicinity owns 35,000 DTH of capacity that can deliver its gas through the Philadelphia Lateral to the four-mile line which serves only Vicinity. Even if interrupted, Vicinity can continue to operate for considerable periods of time without the ARS if that service is not provided

Id.

Notwithstanding the Commission's acknowledgment of the specific "interruptible" characteristics, PGW now attempts to create a much-expanded right to interrupt. "The Company may curtail (reduce) or interrupt deliveries to the Customer whenever, at the Company's sole discretion, it determines that the available capacity in all or a portion of its system is projected to be insufficient to meet the requirements of all Customers...." **Draft Compliance Tariff at Original Page 157**. The Draft Compliance Tariff allows PGW too much discretion – especially given Vicinity's position as a primary competitor to PGW. Further, PGW's proposed language ignores the reality that Vicinity is served by a dedicated high-pressure pipeline Vicinity paid to construct and Vicinity owns 35,000 Dth/day of capacity on the Philadelphia Lateral.

To address these issues, Vicinity proposes that the Commission direct PGW to include objective criteria in the final tariff which should include specifically utilizing the same interruptible characteristics embedded in the prior 25-year contract between PGW and Vicinity.

2. Exception No. 2 - Volume of Gas to be Transported

PGW attempts to limit the aggregate volume of gas transported to Vicinity to 50,000 Dth/day. **Draft Compliance Tariff at Original Page 158**. Simply put, that limit does not match the reality of Vicinity's historic and forecast future usage or PGW's own proposed maximum for ARS. Vicinity owns 35,000 Dth/day of its own capacity and PGW's Draft Compliance Tariff proposes a maximum capacity of ARS at 21,000 Dth/day, for an aggregate of 56,000 Dth/day. The dedicated high pressure pipeline serving Vicinity is not capacity constrained and PGW is compensated on a volumetric basis for both transportation and ARS. The Commission should direct PGW to accommodate current usage by increasing the limit to 60,000 Dth/day.

3. Exception No. 3 – Alternative Receipt Service (ARS)

Vicinity incorporates the contents of its Clarification Petition herein because many of the issues it feared would appear in the Draft Compliance Tariff have in fact done so. Specifically, the Draft Compliance Tariff fails to: (a) specify the "product" Vicinity is to purchase through ARS; (b) create any real transparency for the rates PGW desires to charge Vicinity; and, (c) creates daily, apparently annual, minimums for ARS. Each of these issues is more fully discussed in the Clarification Petition, but at the risk of repetition, Vicinity should not be required to pay "top of the market" pricing for a "bottom of the market" product. Consistent with the intent of the Commission's November 9 Order that Vicinity pay only for what it needs/uses, if Vicinity is charged for long-haul capacity (Gulf to M3)¹, it should receive long-haul capacity. Also, PGW's proposed method of establishing the price (in \$/Dth) of ARS should be transparent, verifiable, challengeable, and based on sales of a similar nature (i.e., sales of a similar size and with the same locations of receipt and delivery). Further, Vicinity should not be required to purchase ARS

¹ The TETCO transportation contracts used by PGW to provide ARS are 800232, 800233, 800514, 800515, and provide long haul capacity.

volumes which exceed its actual need. For the days Vicinity does not nominate the maximum ARS capacity of 21,000 Dth, PGW is able to market the resultant unused capacity at its convenience.

In addition to the issues raised in the Clarification Petition, the Draft Compliance Tariff introduces a new burden on Vicinity's use of ARS. The original contract between Vicinity and PGW - the contract that originated the ARS mechanism - allowed Vicinity to nominate ARS volumes on a daily basis with 42 hours' notice.

With respect to Alternative Receipt Service under Section 3.5, [Vicinity] may initiate any Alternative Receipt Service request to [PGW] upon forty-two (42) hours notice prior to the delivery Day by telephone, with confirmation within one hour by facsimile.

Section 5.8(d), Service Contract Between Grays Ferry Cogeneration Partnership and the Philadelphia Authority for Industrial Development ("Service Contract").

The Draft Compliance Tariff, however, demands that Vicinity nominate ARS "thirty (30) days in advance of the first of every month they will accept ARS service." **Draft Compliance Tariff at Original Page 159.** PGW's proposed nomination timeline requires Vicinity to elect ARS well before Vicinity can possibly know if ARS will be required – literally between 30 days and 60 days in advance. By way of background, Vicinity utilizes ARS to supplement the 35,000 Dth/day of gas capacity owned by Vicinity during cold days that require Vicinity to consume more gas than the 35,000 Dth/day. Effectively, PGW expects Vicinity to know the weather well before any accurate daily weather forecast is available. The Commission should direct PGW to amend the Draft Compliance Tariff to use the nomination process set forth in the Service Contract and reject PGW's significant change of ARS from a daily to monthly nomination requirement. The change proposed by PGW would create an ongoing cross-class subsidy and financially burden Vicinity and is unfair. Importantly, this was not anticipated or directed by the November 9 Order. Moreover,

daily nominations are market standard and there is no justification for PGW to deviate from the market.

4. <u>Exception No. 4</u> - Balancing and Unaccounted for Gas

PGW in its Draft Compliance Tariff fails to acknowledge the reality that Vicinity is served by a dedicated high-pressure pipe, metered at the interconnection with the Philadelphia Lateral (meter 73060). This failure manifests in two clear errors, gas balancing and unaccounted for gas. Specifically, Vicinity balances its own gas requirements and deals directly with TETCO including paying any imbalance penalties imposed by TETCO. Also, TETCO meters Vicinity's gas at the gate station at meter 73060 – before it traverses the dedicated pipeline – which removes any possibility of PGW incurring unaccounted for gas. Phrased another way, Vicinity pays for its gas as it enters the high-pressure pipeline and any gas lost during the four-mile transportation is already paid for by Vicinity. There should be no balancing and unaccounted for gas requirements imposed by PGW. This is another example of PGW attempting to impose charges on Vicinity for items Vicinity does not need and does not use – and which runs counter to the clear import of the Commission's discussion in the November 9 Order that Vicinity pay only for what it needs/uses.

II. CONCLUSION

Vicinity requests that the Commission reject the Draft Compliance Tariffs and direct PGW to file revised Tariffs which comply with the November 9 Order as proposed herein. Vicinity further requests that the Commission stay the effective date of the Draft Compliance Tariffs, at least as to Vicinity, until such time as the Commission considers and rules upon Vicinity's Clarification Petition and these exceptions. Alternatively, Vicinity requests that to the extent the Commission directs PGW to file revised Tariffs which result in changes that PGW also is directed to refund to Vicinity any resulting overcharges. The current proposed effective date for the Draft

Compliance Tariff of December 1, 2023, is not practical given the timeline of the regulatory review period.

Respectfully submitted,

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DATED: November 30, 2023



INTERRUPTIBLE SERVICE EXTRA LARGE TRANSPORTATION - RATE IT-XLT

AVAILABILITY

This Rate IT-XLT is only available to Customer(s) who share a common point of interconnection that collectively consumes gas and whose natural gas throughput to its Facilities on the PGW system is greater than 69 Bcf annually or, if a new customer, that can demonstrate to the Company's satisfaction such future use and throughput.

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

CHARACTER OF SERVICE

Transportation Service under this rate schedule is interruptible and Customers are subject to curtailment or interruption at any time. Company assumes no liability for interruptions caused by failure of supply sources or by third parties such as Suppliers and shall not be obligated to deliver Gas under this rate schedule on any day that Gas is not received at its gate station for the Customer's account except as specified under provisions for Standby Service contained herein. The Company may curtail (reduce) or interrupt deliveries to the Customer: (a) as to transportation, in the event service is not feasible as a result of operation issues to the service gates or pipeline that serve the Customer; and (b) as to Alternative Receipt Service, up to a maximum of fifteen (15) days per calendar year, on which the forecasted mean temperature for the greater Philadelphia metropolitan area, is forecasted by the National Weather Service to be twenty-five degrees Fahrenheit (25*F) or less. whenever, at the Company's sole discretion, it determines that the available capacity in all or a portion of its system is projected to be insufficient to meet the requirements of all Customers or Company may also interrupt or curtail in the event the Customer fails to meet delivery obligations. Although the Company will endeavor to provide as much notice as is reasonable and practical, the Customer shall maintain the ability to curtail or interrupt usage upon eight hours' notice. In the event of a system emergency, upon notice by the Company, the Customer shall use its best efforts to curtail or interrupt usage upon less than eight hours' notice. The Company assumes no liability for interruptions caused by failure of supply sources or upstream transportation by third parties and shall not be obligated to deliver Gas under this rate schedule on any day that Gas is not received at its gate station for the Customer's account.

MONTHLY RATE

The Monthly Charge shall be the sum of the following:

1. **CUSTOMER CHARGE**: \$1,100.00 per month per meter.

2. LOCAL GAS TRANSPORTATION SERVICE:

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

PGW will provide interruptible Local Gas Transportation Service to the Customer's Facility for up to 650,000 Dekatherms per Day. Customer, at PGW discretion, may balance its daily purchases, nominations, and deliveries in the interstate pipeline(s) and PGW shall have no responsibility for banking or balancing Customer's transportation deliveries.

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

The Customer shall reimburse Company for any expense actually incurred for Customer's benefit from third party sources in the provision of this Service, such as directly assignable taxes, pipeline balancing penalties, governmentally imposed charges, and contingent liability for external transportation charges and fuel requirements. Additionally, for existing Customers, any unavoidable Gas supply costs (e.g., pipeline demand charges) incurred on the Customer's behalf. Such charges shall be in addition to charges specified elsewhere in this Rate IT-XLT. Minimum annual quantity is 9-6 Bcf.

3. ALTERNATIVE RECEIPT SERVICE

Rate IT-XLT Customers shall pay PGW a rate per Dth equal to the greater of (1) average revenue per Dth received by the Company from all releases of capacity of similar size to Customer's ARS usage with the receipt point in TETCO zone M-3 and delivery point at any meter on the Philadelphia Lateral, excluding choice capacity releases and asset management agreement associated release, of recallable capacity on Texas Eastern Transmission ("TETCO") during PGW's prior fiscal year, which shall be annually updated by PGW with the Commission in a special proceeding in which Customer may participate by September 15 of each year following; or (2) the max-actual TETCO tariff rate for the transportation path used. The Minimum ARS Quantity provided by the Company shall be-5,000 Dth per day. The minimum monthly charge shall be the above rate times 5,000 Dth times the number of days in the month regardless of whether the Customer uses less. The Maximum ARS Quantity provided by the Company shall be 21,000 Dth/day.

Definitions Relevant to ARS

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

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

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

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

Description of ARS

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

ARS, as described above, is a displacement service. Customer may initiate any ARS request to Company upon forty-two (42) hours notice prior to the delivery date by telephone, within confirmation within one hour by electronic mail. Any such ARS notification shall set out the duration of the ARS as well as the quantity involved. The Company covenants that such ARS request shall be presumed accepted unless the Customer is notified by 8:00 a.m. of the day prior to the delivery day of the Company's election not to meet the ARS request. In the event the National Weather Service then forecasted mean temperature in the greater Philadelphia area is twenty-five degrees Fahrenheit (25*F) or less for a delivery day as to which the Customer has notified the Company of its intention to initiate ARS, the Company may cancel such ARS no later than 8:00 a.m. of the day prior to the delivery day by telephone notice to the Customer with confirmation by electronic mail within one hour. Rate IT-XL Customers areobligated to notify PGW thirty (30) days in advance of the first of every month they willaccept ARS service of the volume of ARS they are accepting for the entire month up tothe Maximum ARS Quantity without adjustment throughout the month. PGW, at itsdiscretion, may use such unclaimed ARS volume's up to the Maximum ARS Quantity, atits discretion, for another purpose.

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

4. **SALES SERVICE**:

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

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PHILADELPHIA GAS WORKS

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

Transportation component: The lowest applicable Interruptible Service Rate

Commodity component: The current GCR Rate per Dth

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

SURCHARGES

The Universal Service and Energy Conservation Surcharge; the Efficiency Cost Recovery Surcharge; and Distribution System Improvement Charge shall apply to the Local Gas Transportation Service applied under this Rate IT-XLT. The annual charge for the Universal Service and Energy Conservation Surcharge to Rate IT-XLT shall be as set forth on page 81 of this tariff

7. MINIMUM MONTHLY CHARGE:

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

TERMS OF PAYMENT

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

CONDITIONS OF USE

- 1. The Company shall not be obligated to incur the cost of additional facilities to provide Transportation Service hereunder for existing load. Nonetheless, in the event the Company elects to provide additional facilities, which in the Company's sole judgment are required to provide Transportation Service, the cost of such facilities shall be the responsibility of the Customer. Customers may appeal the Company's judgment to the Commission. The Company shall provide, install, own and maintain such facilities. Where applicable, extensions and enlargements of Gas supply facilities for qualifying new load shall be in accordance with Section 10.
- 2. The Customer warrants and will provide satisfactory documentation, upon request, that it has good and merchantable title for all Gas delivered to the Company for transportation hereunder. Title shall be free and clear of all liens, encumbrances and claims whatsoever. Customer will indemnify Company and hold the Company harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses arising out of the adverse claims of any or all persons to said Gas and/or to royalties, taxes, license fees or charges thereon, including pipeline transportation and service charges, which are applicable to such Gas and/or the delivery of such Gas to the Company.
- 3. Transported gas received at a City Gate station that can be delivered directly to the Customers shall not be subject to any retention as transportation charges are determined at the Customer's meter station. The Company may retain for line loss and unaccounted for Gas a percentage of the total volume of Gas delivered into its system for Customer's account. The percentage of Gas to be retained by the Company shall be equivalent to the percentage for total system line loss and unaccounted for, as utilized in the Company's annual operating budget. This condition may, at the Company's discretion, be revised as appropriate, where the transported Gas can be delivered directly to the Customer without commingling with other distribution system supplies. If circumstances change, the Company will notify the Customer in writing thirty (30) days prior to any change.
- 4. In the event that the Company declares an emergency situation it may, at its discretion, divert Customer's Gas for such purposes as Company deems appropriate and Customer will be compensated for such Gas at the cost at which the Customer acquired the Gas, at the Customer's cost of the alternate fuel utilized or at the Company's avoided cost of Gas during the billing month, whichever is highest. The Customer shall demonstrate its cost of Natural Gas or

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replacement fuel by making a copy of its purchase contract available to Company upon request. All Gas purchased by the Company will be credited to the Customer's account.

5. Transported gas received at a City Gate station that can be delivered directly to the Customer shall not be Rate IT-XLT is subject to the provisions of the Daily Balancing Service – Rate DB in this Tariff (pgs. 101-109). For purposes of Rate DB, Rate IT-XLT customers with a common point of interconnection will be deemed by the Company to meet the qualifications for Rate DB regardless of how they structure their natural gas purchases. This condition may, at the Company's discretion, be waived or revised as appropriate, where the transported Gas can be delivered directly to the Customer without commingling with other distribution system supplies. If circumstances change, the Company will notify the Customer in writing thirty (30) days prior to any change. Customer is responsible for balancing on TETCO and will be responsible for any penalties assessed by TETCO.

UNAUTHORIZED USE

If a Customer uses Rate IT-XLT service after being notified that service under this schedule is not available, uses gas at other than the specified Facilities allowed under this tariff or uses this service in excess of authorized limitations when established and duly notified, all such unauthorized usage shall be billed a penalty charge of seventy-twenty five dollars (\$275.00) per Dth on the positive difference between the amount consumed by Customer and the amount delivered to the Company. Failure to comply with an Operational Flow Order (OFO) will result in a penalty charge of seventy-twenty-five dollars (\$275.00) per Dth plus all incremental costs incurred by the Company as a result of the failure to comply with the OFO.

LIABILITY

The Company shall not be liable for curtailment of service under this rate schedule or loss of Gas of the Customer as a result of any steps taken to comply with any law, regulation or order of any governmental agency with jurisdiction to regulate, allocate or control Gas supplies or the rendering of service hereunder, and regardless of any defect in such law, regulation or order. The Company reserves the right to commingle transport Gas with its other supplies but Gas is and remains the property of the Customer while being transported and delivered by the Company. The Customer shall be responsible for maintaining all insurance it deems necessary to protect its property interest in such Gas before, during and after receipt by the Company.

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

COMPANY RULES

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