

HISTORY OF THE PROCEEDING

On February 1, 2024, Philadelphia Gas Works (PGW or Company) filed its pre-filing information (Pre-filing) required for its 2024-2025 Gas Cost Rate (GCR) filing with the Pennsylvania Public Utility Commission (Commission).

On February 13, 2024, the Office of Small Business Advocate (OSBA) filed a Complaint, Public Statement, and Verification with the Commission. The Complaint was docketed at C-2024-3046382. Also on February 13, 2024, Sharon E. Webb, Esq. entered a Notice of Appearance on behalf of OSBA.

On February 15, 2024, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Petition to Intervene in this proceeding.

On March 1, 2024, PGW filed its Section 1307(f) 2024-2025 GCR filing (March 1, 2024 Filing) which included: proposed tariff revisions (Supplement No. 171 to PGW's Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 114 to PGW's Gas Supplier Tariff – Pa P.U.C. No. 1); supporting information regarding the computation of annual purchased gas costs for twelve months ending August 31, 2024; and the direct testimonies of Florian Teme (PGW Statement 1) and Ryan E. Reeves (PGW Statement 2). The Company proposed increasing the GCR from the \$3.8396/Mcf rate in effect as of March 1, 2024 to \$4.2188/Mcf, effective September 1, 2024.¹ As discussed in more detail below, PGW subsequently revised the proposed GCR effective September 1, 2024, from \$4.2188/Mcf to \$4.2219/Mcf.²

¹ PGW Statement 1 at 3. There appears to be an error in PGW Statement 1, which erroneously identified the effective date of PGW's February 27, 2024, filing as March 1, 2023. The correct date, March 1, 2024, was shown in the March 1, 2024 Filing at Item 53.64(a) Schedule 3 Actual / Estimated Data – Fiscal Year 2024. *See also, Pa. Pub. Util. Comm'n v. Phila. Gas Works*, Docket No. R-2023-3038069 Second Quarterly filing, Schedule 1.

² *See* Joint Stipulation for Admission of Evidence and Motion to Admit into the Record Without a Hearing filed by the parties April 26, 2024, at Docket R-2024-3045966 (Joint Stipulation). Exhibit 1 to the Joint Stipulation are revisions to certain schedules included in PGW's March 1 Filing. As discussed *infra*, the revised schedules in Exhibit 1 to the Joint Stipulation, were entered into the record by Order issued May 9, 2024. Unless otherwise indicated, all references to PGW schedules herein refer to PGW's schedules as revised by the Joint Stipulation.

Also on March 1, 2024, the Office of Consumer Advocate (OCA), filed a Formal Complaint, Public Statement and Verification with the Commission. The OCA Complaint was docketed at C-2024-3047054. In addition, on March 1, 2024, Christine M. Hoover, Esq. and Melanie El Atieh, Esq. entered a Notice of Appearance on behalf of OCA.

The GCR filing was assigned to the Office of Administrative Law Judge for resolution by hearings and for issuance of a Recommended Decision. The matter was assigned to Administrative Law Judge Arlene Ashton.

On March 5, 2024, Michael A. Podskoch, Jr. Esq. and Allison C. Kaster, Esq. entered a Notice of Appearance on behalf of the Bureau of Investigation and Enforcement (I&E).

On March 4, 2024, a Prehearing Conference Notice was issued setting a Prehearing Conference for March 11, 2024.

My Prehearing Conference Order issued March 4, 2024, directed the parties to comply with various procedural requirements in connection with the scheduled prehearing conference. In accordance with the Prehearing Conference Order, PGW, I&E, OCA, OSBA, and PICGUG submitted prehearing memoranda to the presiding officer on March 7, 2024.

A prehearing conference was held in this matter on March 11, 2024. Counsel for PGW, I&E, OCA, OSBA, and PICGUG participated.

No party opposed the Petition to Intervene filed by PICGUG. Accordingly, I granted the Petition to Intervene during the Prehearing Conference and memorialized PICGUG's status as a party in Prehearing Order #1 issued on March 14, 2024. Therefore, the active parties to this proceeding are PGW, OCA, OSBA, I&E and PICGUG.

The procedural schedule, discovery modifications and other procedures applicable to this proceeding discussed and agreed to at the Prehearing Conference were memorialized in my Prehearing Order #1.

On March 22, 2024, PGW filed a Motion for Protective Order pursuant to the provisions of 52 Pa. Code §5.365(a). By Order dated April 10, 2024, PGW's Motion for Protective Order was granted.

The Parties engaged in formal and informal discovery.

In accordance with the procedural schedule, I&E served direct testimony on April 4, 2024. On that same date, OCA, OSBA, and PICGUG filed letters stating that they would not be pre-serving direct testimony.

On April 18, 2024, PGW notified me that a full settlement of all issues with all parties had been reached and that they planned to file a Joint Petition for Settlement and Statements in Support.

On April 19, 2024, PGW, I&E and OCA each submitted correspondence indicating that they would not be serving rebuttal testimony. Neither OSBA nor PICGUG served rebuttal testimony.

On April 26, 2024, a Joint Stipulation for Submission of Evidence and Motion to Admit into the Record Without a Hearing was filed by the parties requesting that the following be entered into the record: (a) I&E direct testimony pre-served on April 4, 2024, including the direct testimony of Zachari Walker (I&E Statement 1) with I&E Exhibit No. 1; (b) PGW direct testimony submitted with its March 1, 2024 filing, including PGW Statement 1, the direct testimony of Florian Teme and PGW Statement 2, the direct testimony of Ryan E. Reeves; (c) the schedules and other filing information contained in PGW's February 1, 2024 Pre-filing and PGW'S March 1, 2024 filing; and (d) the following revised PGW schedules (collectively, JSSE Exhibit 1):³

³ Joint Stipulation ¶ 19.

1. PGW Schedule 1 Levelized Gas Cost Rate REV
2. PGW Schedule 1(a) Price to Compare in Mcf REV
3. PGW Schedule 5(a) FY 2024 Interest Calculation
4. PGW Schedule 5(b) FY 2024 Interest on Natural Gas Refunds REV
5. PGW Schedule 5(c) FY 2024 Demand and Commodity Interest Calculation REV
6. PGW Schedule 7 Calculation of Recovered Charges REV
7. PGW Schedule 8 Change in Rates REV

On April 30, 2024, PGW, I&E and OCA (the Settling Parties) filed a Joint Petition for Settlement of Philadelphia Gas Works' 2024-2025 GCR Proceeding, including Statements in Support of the Settlement by each of the Settling Parties (Joint Petition or Settlement). The terms of the Settlement are set forth in Section C of the Joint Petition. OSBA and PICGUG did not join the Settlement; however, the Settling Parties indicated that OSBA and PICGUG had authorized them to state their non-opposition to the Settlement.⁴

On May 9, 2024, an Interim Order Granting the Joint Stipulation for Admission of Evidence and Closing the Record (May 9, 2024, Order) was issued. Pursuant to the May 9, 2024, Order, the record in this matter was closed on May 15, 2024. Commission records reflect no filings in opposition to the Joint Petition on or before May 15, 2024.

The record consists of a 35 page transcript, the Company's February 1, 2024 Pre-filing, the Company's March 1, 2024 Filing, including the direct testimony, exhibits (including JSSE Exhibit 1) and schedules submitted by PGW, the direct testimony and exhibit and schedules submitted by I&E, and the Joint Petition which includes the Settling Parties' Statements in Support of the Settlement. A hearing was scheduled and convened on April 30, 2024, to discuss the Joint Stipulation and the Joint Petition for Settlement.⁵ Neither OSBA nor PICGUG filed any statement in response to the filing of the Joint Petition.

The statutory deadline for the Commission to take action on this matter is September 1, 2024. The last reasonable public meeting date is August 22, 2024.

⁴ Joint Petition at 1, fn. 1.

⁵ Due to technical issues, no transcript for the hearing is available.

FINDINGS OF FACT

1. The Gas Cost Rate is a mechanism used to flow through the costs of natural gas and other raw materials in a timely and equitable manner. PGW Statement 1 at 8.
2. The pricing methodology utilized by PGW relies on actual prices for January 2024 and the NYMEX Futures close data (as of January 18, 2024) for the 19 forecast months of February 2024 through August 2025. PGW Statement 1 at 10.
3. PGW's gas distribution system is located in Southeastern Pennsylvania in the County and City of Philadelphia. Since this is not a gas producing area, PGW and its natural gas customers are dependent upon the interstate natural gas pipeline system to deliver natural gas into the PGW gas distribution system. PGW Statement 2 at 2.
4. PGW relies on the interstate pipeline system for all-natural gas supply, storage, and transportation services, except for PGW's own on-system peak shaving facilities. PGW Statement 2 at 2.
5. PGW owns and operates two liquified natural gas (LNG) facilities that are used both to meet intraday, daily, and seasonal supply needs as well as to meet peak day requirements. PGW Statement 2 at 2.
6. PGW also uses natural gas storage services to meet winter peak requirements. PGW Statement 2 at 2.
7. Enbridge's Texas Eastern Transmission (TETCO) and Williams' Transco Gas Pipeline (Transco) are the two interstate natural gas pipelines that deliver gas to PGW's city gates; therefore, they are the only interstate pipeline facilities with physical connections to the PGW service territory. PGW Statement 2 at 2, 4.

8. PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production. PGW Statement 2 at 5.

9. PGW physically sources gas in accordance with its firm pipeline paths, giving PGW firm entitlements on their systems for the sourcing of gas, for which PGW pays a demand charge. PGW Statement 2 at 5.

10. PGW reviews each of its existing contracts on a regular basis to ensure that none of the contracts are adverse to its customers' interests; when contract terms permit, the Company initiates renegotiations to change the terms. PGW Statement 2 at 6.

11. PGW pursues a least cost procurement policy using a portfolio approach in both contract structure and pricing. The portfolio approach protects ratepayers from some of the risk of natural gas market volatility by utilizing a mix of daily index priced swing contracts, physical forward purchase contracts, storage, and LNG, as appropriate given market conditions, and to the extent PGW is not constrained by its financial condition. PGW Statement 2 at 3-5.

12. PGW utilized Planalytics to provide price analysis and energy buying advice for a \$125,000 annual fee under a contract ended February 28, 2023. PGW Statement 2 at 11.

13. PGW utilizes Intercontinental Exchange (ICE) to provide price analysis and buying advisory service for a fee of approximately \$50,000 per year and seeks only to recover the cost of ICE's services in the GCR. PGW Statement 2 at 11.

14. PGW utilizes a supply status model to make recommendations or changes in its supply operating strategy to ensure that peak day needs, and design winter conditions can be met from that point forward. PGW Statement 2 at 5-6.

15. PGW utilizes capacity release transactions and off-system sales to reduce the cost of gas supply when available. The prices for the off-system sales transactions are

negotiated; PGW retains 25% of associated credits and margins (excluding capacity release to firm transportation suppliers) and the remaining 75% is returned to customers through the GCR. PGW Statement 2 at 9 -10.

16. PGW submitted supporting schedules as required by Section 53.64(a) in support of its GCR. PGW Statement 1 at 3-7; March 1, 2024, Filing at Tab 2 Schedules 1-16, as revised by JSSE Exhibit 1.

17. The details of PGW's actual gas purchases for the 12 months ending December 31, 2023, are presented in Schedule 1 to PGW's March 1, 2024, Filing, as revised by JSSE Exhibit 1.

18. The details of PGW's forecast for the period of January 1, 2023, through August 31, 2024, are also presented in Schedules 2, 3 and 4 included with Tab 3 of PGW's March 1, 2024 Filing.

19. PGW applied the prime interest rate of 8.50% to over/under collections for September through December 2023. I&E Statement 1 at 5-6; PGW's March 1, 2024, Filing; JSSE Exhibit 1.

DISCUSSION

Section 1307(f)(5) of the Public Utility Code (Code),⁶ requires that the Commission determine that PGW's historic period actual gas costs meet the least cost fuel procurement standards set forth in Section 1318 of the Code.⁷ In addition, Section 1318 findings must be made with respect to the new purchased gas cost rates to be established in this proceeding.

⁶ 66 Pa.C.S. § 1307(f)(5).

⁷ 66 Pa.C.S. § 1318.

In determining whether PGW is pursuing a least cost fuel procurement policy as required by Section 1318, the Commission must make the following specific findings: (1) that the utility has fully and vigorously represented its ratepayers' interests before the Federal Energy Regulatory Commission; (2) that the utility has taken all prudent steps necessary to negotiate favorable gas supply contracts and to relieve the utility from terms in existing contracts with its gas suppliers which are or may be adverse to ratepayer interests; (3) that the utility has taken all prudent steps necessary to obtain lower cost gas supplies on both short-term and long-term bases both within and outside the Commonwealth, including the use of gas transportation arrangements with pipelines and other distribution companies; and (4) that the utility has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.⁸

A. EVIDENCE PRESENTED BY PGW

The evidence presented by PGW in support of its GCR includes its pre- and annual filings, and testimony and evidence on rate design and GCR calculation methodology and gas purchasing policies and strategies applicable to Fiscal Year 2025 and those utilized in Fiscal Year 2024 as well as PGW's price analysis and buying advisory service.⁹

PGW presented the credible testimony of Florian Teme, Vice President, Marketing, Sales and Energy Planning¹⁰ and Ryan Reeves, Director of Gas Supply, Transportation and Control. Mr. Reeves provided testimony concerning PGW's distribution system, its interstate suppliers, and gas purchasing policies and supply strategy.¹¹ Mr. Reeves

⁸ *Id.* § 1318(a)

⁹ See PGW Statements 1, 2.

¹⁰ Mr. Teme's testimony focused on PGW rate design and GCR calculation methodology, and other calculations underpinning the information and documentation provided by PGW in its pre- and annual GCR filing and amendments thereto. PGW Statement 1 at 2.

¹¹ PGW Statement 2 at 2.

described PGW’s portfolio approach to contract structure and pricing, which he averred “allows PGW to remove some of the volatility in purchasing natural gas supplies for its ratepayers.”¹²

Mr. Reeves noted that PGW uses four categories of supply to minimize the impact of market volatility on gas supply i.e., daily index price swing contracts, physical forward purchased contracts, and its own storage and liquified natural gas facilities.¹³ Mr. Reeves described the benefits of each category, noting that daily index priced swing contract provide operational flexibility and supply security.¹⁴ PGW uses physical forward purchased contracts, including pre-paid natural gas arrangements as another means of ensuring adequate seasonal and long- term supplies. He noted that PGW utilizes storage fields and observed that gas obtained under contract or stored acts as a “physical fixed price counter to market conditions.”¹⁵ Finally, he noted that PGW uses on-line and off-line storage and LNG facilities to meet operational requirements.¹⁶

Mr. Reeves noted that PGW negotiates terms such as lock up and pricing default provisions in its supply contracts with the interstate pipeline facilities it relies upon to meet customer demand to contain and minimize cost under gas supply contracts.¹⁷ He also highlighted PGW’s use tax exempt bond financed prepaid gas purchase arrangements, which he testified allow PGW “to obtain significant discounts on those purchases, the savings from which are passed on to [its] sales customers.”¹⁸

¹² *Id.* at 3.

¹³ *Id.* at 2.

¹⁴ *Id.* at 3-4.

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 4-5.

¹⁷ *Id.* at 4.

¹⁸ *Id.* at 6-7.

In his testimony, Mr. Reeves noted that consistent with the sharing arrangement approved by the Commission in PGW's 2008-2009 GCR proceeding, it would continue to engage in off-system sales and applying 75% of sales margin and capacity release credits to offset purchased gas costs.¹⁹

He also observed that PGW "reviews each of its existing contracts on a regular basis to ensure that none of the contracts are adverse to its customers' interests. Whenever appropriate, PGW initiates renegotiations (if the contract permits) to change the terms."²⁰

Mr. Reeves noted that after operational requirements are met, PGW utilizes all of its supply assets as part of PGW's overall cost saving strategy to demonstrate that it has not withheld from the market or caused to be withheld from the market any gas supplies which should have been utilized as part of a least cost fuel procurement policy.²¹

In addition to the testimony and evidence referenced above, I find persuasive I&E's Statement in Support of the Settlement, which specifically addresses PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2023 and the eight-month interim period beginning on January 1, 2023 and the twelve month period beginning September 1, 2024.

As to the historical reconciliation period ending December 31, 2023, I&E unequivocally states that "the purchased gas costs that PGW incurred during the historic period adhered to a least cost fuel procurement policy."²² As to the interim and projected period, I&E acknowledges that under the Settlement, PGW's gas cost rate will rise by \$0.3823/Mcf from its

¹⁹ *Id.* at 9, citing *Pennsylvania Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-2008-2021348 (Opinion and Order entered October 15, 2008).

²⁰ *Id.* at 6.

²¹ *Id.* at 5.

²² I&E Statement in Support at 4.

current rate of \$3.8396/Mcf.²³ Nevertheless, I&E “maintains that the Company’s gas purchasing practices have satisfied its least cost procurement obligation and that ratepayers are protected in that PGW gains no unwarranted financial advantages through its projected gas purchases and projected gas purchasing policies.”²⁴

As discussed in more detail below, PGW, I&E and OCA have each confirmed that with respect to PGW’s gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2023, PGW has met the standards of Section 1318 of the Public Utility Code²⁵ and as to all actual purchased gas costs in the historical period by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate and reliable service to its customers.²⁶

B. DESCRIPTION AND TERMS OF THE JOINT PETITION FOR SETTLEMENT

The Joint Petition is a 14-page document signed by three of the five parties to this proceeding. Although OSBA and PICGUG did not sign the Joint Petition for Settlement, the Settling Parties indicated in the Settlement that OSBA and PICGUG authorized them to state their non-opposition to the Settlement. Appendix A contains Proposed Findings of Fact. Appendix B contains proposed conclusions of law. Appendix C contains Sample Ordering Paragraphs. Appendix D contains a Statement in Support of the Settlement by PGW. Appendix E contains a Statement in Support of the Settlement by I&E. Appendix F contains a Statement in Support of the Settlement by OCA.

²³ *Id.*

²⁴ *Id.* As discussed in more detail below, the Settlement resolves the one and only issue raised by I&E in this proceeding as to any of the data and information, provided by PGW in this proceeding.

²⁵ 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa. C.S. § 1307(f)(5),

²⁶ Joint Petition, Appendix B.

The essential terms of the Settlement of the Philadelphia Gas Works' GCR proceeding are set forth in Section C of the Joint Petition for Settlement. The settlement terms in Section C, are verbatim, as follows:²⁷

The undersigned Settling Parties support adoption of PGW's GCR for 2024-2025 as filed except that the interest rate calculations for September through December 2023 shall be based on the following:

- a. PGW will apply the prime interest rate of 8.50% to the over/under collections for September through December 2023. The results revisions are described below:
 - ii. The initially filed projected E-Factor²⁸ to be effective September 1, 2024, of \$(0.6671)/Mcf is revised to \$(0.6640)/Mcf.
 - iii. The initially filed projected Gas Cost Rate ("GCR") to be effective September 1, 2024, of \$4.2188/Mcf is revised to \$4.2219/Mcf.
 - iv. The Settling Parties support Commission approval to file tariff supplements to reflect rates and terms consistent with the Settlement to be effective for services rendered on or after September 1, 2024, subject to quarterly adjustments permitted by Commission regulations at 52 Pa. Code § 53.64(i)(5), including a quarterly adjustment to be effective on September 1, 2024, to reflect actual experience and changes in forecasted natural gas prices.

b. In supporting the agreed-to revision to the interest rate, the parties support Commission approval of the below revised schedules contained in PGW Hearing Exhibit 1 in lieu of the versions filed on March 1, 2024, Tab 2:

- i. Schedule 1 Levelized Gas Cost Rate REV
- ii. Schedule 1(a) Price to Compare in Mcf REV
- iii. Schedule 5(a) FY 2024 Interest Calculation

²⁷ Joint Petition at 4. For ease of reference, the original paragraph numbering has been reproduced.

²⁸ I&E witness, Zachari Walker defined the E-factor and its function in his testimony. According to Mr. Walker, "E-factor is the means to true-up a natural gas distribution company's (NGDC) historic actual gas costs with the historic actual gas revenues billed to the NGDC-supplied customers. The difference between the gas costs and billed revenues makes up the majority of the total E-factor dollars. An E-factor rate is a billable rate expressed as a dollar amount per Mcf. PGW's E-factor rate is called the Gas Adjustment Cost (GAC). The E-factor rate, or GAC, is a component of the Company's overall GCR." I&E Statement 1 at 3.

- iv. Schedule 5(b) FY 2024 Interest on Natural Gas Refunds REV
- v. Schedule 5I FY 2024 Demand and Commodity Interest Calculation REV
- vi. Schedule 7 Calculation of Recovered Charges REV
- vii. Schedule 8 Change in Rates REV

C. SETTLING PARTIES' STATEMENTS IN SUPPORT

In the Settlement and their respective Statements in Support of the Settlement, PGW, OCA and I&E explicitly and unequivocally affirm that “PGW’s pre- and annual filings, testimony, and PGW Hearing Exhibit No. 1 satisfy the requirements of Section 1318 specifically and the Public Utility Code in general.”²⁹ They also affirm that the Settlement is in the public interest and complies with the Public Utility Code and request that the presiding officer and the Commission approve the Joint Petition in its entirety. OSBA and PICGUC have each authorized the Settling Parties to state that it neither supported nor opposed the Settlement.

It is the policy of the Commission to encourage settlements.³⁰ In its policy statement regarding settlements in major rate cases the Commission provides in pertinent part:

In the Commission’s judgment, the results achieved from a negotiated Settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.^[31]

Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative hearing resources. A settlement, which allows the parties to avoid the substantial costs of preparing and serving testimony and the cross-examination of witnesses in lengthy hearings, the preparation and service of briefs, reply briefs,

²⁹ Settlement ¶ 22, PGW Statement in Support Section III, I&E Statement in Support Section V, OCA Statement in Support at 2.

³⁰ 52 Pa. Code § 5.231.

³¹ 52 Pa. Code § 69.401.

exceptions and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission’s decision, yields significant expense savings for the company’s customers. That is one reason why settlements are encouraged by long-standing Commission policy.

In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest.³² The Joint Petition will be examined in accordance with the above principles.

1. Interest Calculation

I&E was the only party to this proceeding to raise an issue relating to PGW’s March 1, 2024, Filing. Through the direct testimony of I&E witness Zachari Walker and supporting documentary evidence, I&E asserted that the Company applied an incorrect interest rate of 7.50% for interest calculations on over/under collections during the period of September 2023 through December 2023. I&E’s witness provided testimony and evidence indicating that the correct prime interest rate of 8.50%, should have been applied to such calculations for that period.³³

PGW acknowledged the error and in JSSE Exhibit 1 provided updated schedules to reflect the revised interest rate.³⁴ I&E maintains that as a result of the revision, the Company’s E-factor was calculated in accordance with established Commission practices, and that it is “satisfied that the Company’s E-factor calculation is appropriate and accurate.”³⁵

³² *Pa. Pub. Util. Comm’n v. York Water Co.*, Docket No. R-00049165 (Opinion and Order entered Oct. 4, 2004); *Pa. Pub. Util. Comm’n v. C S Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991).

³³ I&E Statement 1, at 5-6; I&E Exhibit No. 1.

³⁴ *See* Joint Stipulation; JSSE Exhibit 1; Joint Petition at 4; PGW Statement in Support at 3.

³⁵ I&E Statement in Support at 4-5.

Section C of the Joint Petition provides that the prime interest rate of 8.50% will be applied to the over/under collections for September through December 2023. Application of the 8.50% interest rate to the over/under collections for the fourth quarter of 2023 necessitates changes to certain schedules provided by PGW in its March 1, 2024, filing. Revisions to the affected schedules were adopted by all parties under the Joint Stipulation³⁶ and by the Settling Parties as part of the Settlement.³⁷

In its Statement in Support of the Settlement, I&E explicitly states that “all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement.”³⁸ Summarizing its position and recommendation on the Settlement, I&E stated “the purchased gas costs that PGW incurred during the historic period adhered to a least cost fuel procurement policy [which] benefits ratepayers because [it] directly impacts customer gas bills and obligates the Company to provide safe, adequate and reliable service to its customers.”³⁹

2. Settlement in General

In further support of the Settlement, PGW indicated that approval of this Settlement will result in PGW pursuing a least cost fuel procurement policy consistent with the Company’s obligation to provide safe, adequate, and reliable service.⁴⁰ The Settlement addresses the issue identified by I&E in this proceeding and proposes a reasonable settlement.⁴¹ Furthermore, PGW stated that approving PGW’s 1307(f) filing with the changes as set forth in the Settlement: (a) is consistent with the Commission’s goal of ensuring the least cost

³⁶ See JSSE Exhibit 1.

³⁷ Joint Petition at 4.

³⁸ *Id.*

³⁹ *Id.* at 4.

⁴⁰ PGW Statement in Support at 2.

⁴¹ *Id.* at 3.

procurement policy; (b) will result in rates and surcharges that are just, reasonable, and in compliance with the Public Utility Code; and (c) reduces the administrative burden and costs to resolve the issues.⁴²

For its part, OCA opined that it found the terms and conditions of the Settlement Agreement in the public interest.⁴³ OCA submitted that the important provisions contained in the Settlement are designed to benefit ratepayers, and that the Settlement should be approved because it is in the public interest.⁴⁴

The Settlement contains several provisions that are clearly designed to advance the least cost procurement objective which ultimately benefits ratepayers. The Settling Parties agree to accept the underlying data and calculations submitted by PGW in its February 1, 2024, Pre-filing and its March 1, 2024, Filing, as revised under the Settlement. The GCR adopted by the Settlement is \$4.2219 per Mcf.

The Settlement indicates that PGW will pursue a least cost fuel procurement policy consistent with the Company's obligation to provide safe, adequate, and reliable service by: (1) using a portfolio approach in contract structure and pricing; and (2) using capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees as an additional cost-saving strategy. Additionally, the Settlement also provides that 75% of all off-system sales margins, capacity release credits and asset management margins/credits/fees will be applied as an offset to purchased gas costs, which will directly benefit PGW's ratepayers.

The Settlement addresses the single issue raised in this proceeding by I&E, which was the only entity that submitted testimony, and proposes a reasonable settlement of the issue. I&E and OCA's statements indicating that the terms and conditions of the Settlement are in the public interest and should be approved are convincing.

⁴² *Id.*

⁴³ OCA Statement in Support at 3.

⁴⁴ *Id.* at 2.

After considering the testimony and evidence presented by PGW and I&E, the Settlement and Statements in Support, as well as the savings achieved by not fully litigating this case, it is my opinion that the Settlement is fair, just, reasonable and in the public interest. Accordingly, I recommend that the Joint Petition for Settlement of Philadelphia Gas Works' 2024-2025 GCR Proceeding be approved in its entirety and without modification.

CONCLUSIONS OF LAW

1. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2023, PGW has met the standards of Section 1318 of the Public Utility Code, as required by Section 1307(f)(5) of the Public Utility Code, as to all actual purchased gas costs in the historical period. 66 Pa.C.S. §§ 1307(f)(5), 1318.

2. During twelve months ended December 31, 2023, PGW met the requirements of Section 1318(a) of the Public Utility Code, by pursuing a least-cost fuel procurement policy, consistent with its obligation to provide safe, adequate, and reliable service to its customers. 66 Pa.C.S. § 1318(a).

3. With respect to the eight-month interim period beginning on January 1, 2023, and the projected twelve-month period beginning September 1, 2024, the rates to be adopted by the Commission result from PGW's compliance with all of the provisions of Section 1318 of the Public Utility Code. 66 Pa.C.S. § 1318.

4. A Settlement should be approved, if it is fair, just, reasonable, and promotes the public interest. *See, Pa. Pub. Util. Comm'n v. C S Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa.P.U.C. 1 (1985).

5. The Joint Petition for Settlement of Philadelphia Gas Works' 2024-2025 GCR Proceeding filed with the Commission on April 30, 2024, is just, reasonable and in the

public interest. *Pa. Pub. Util. Comm'n v. C S Water & Sewer Assocs.*, 74 Pa.P.U.C. 767 (1991); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa.P.U.C. 1 (1985).

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement of the Philadelphia Gas Works' 2024-2025 Gas Cost Rate Proceeding, including all appendices and documents identified therein, be admitted into the record of the proceeding at Docket No. R-2024-3045966.

2. That the Joint Petition for Settlement of the Philadelphia Gas Works' 2024-2025 Gas Cost Rate Proceeding submitted by the Philadelphia Gas Works, the Bureau of Investigation and Enforcement and the Office of Consumer Advocate at Docket No. R-2024-3045966 be approved in its entirety without modification.

3. That Philadelphia Gas Works be authorized to file tariff supplements, on at least one day's notice to the Commission, to reflect rates and terms consistent with the terms of the Joint Petition for Settlement of the of the Philadelphia Gas Works' 2024-2025 Gas Cost Rate Proceeding filed April 30, 2024 and this Order to be effective for services rendered on or after September 1, 2024, subject to quarterly adjustments permitted by Commission regulations at 52 Pa. Code § 53.64(i)(5), including a quarterly adjustment to be effective on September 1, 2024, to reflect actual experience and changes in forecasted natural gas prices.

4. That Philadelphia Gas Works be permitted to retain 25% of capacity release credits (excluding capacity release to firm transportation suppliers), off-system sales margin and asset management margin/credit/fees with the remaining 75% applied as an offset to purchased gas costs.

