

May 16, 2025

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works 2025-2026 Gas Cost Rate Filing – Docket No. R-2025-3053241  
Office of Consumer Advocate v. PGW – Docket No. C-2025-3053308  
Office of Small Business Advocate v. PGW – Docket No. C-2025-3053807

Dear Secretary Chiavetta:

Enclosed for electronic filing is the Joint Petition for Full Settlement of All Issues and Statements in Support with regard to the above-referenced matters. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww  
Enclosure

cc: Hon. Christopher P. Pell w/enc.  
Cert. of Service w/enc.

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the Joint Petition for Full Settlement of All Issues, upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Deanne M. O'Dell, Esq.

Dated: May 16, 2025

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2025-3053241
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2025-3053308
Office of Small Business Advocate	:	Docket No.	C-2025-3053807
	:		
v.	:		
	:		
	:		
Philadelphia Gas Works	:		

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**JOINT PETITION  
FOR FULL SETTLEMENT OF ALL ISSUES  
PHILADELPHIA GAS WORKS’  
2025-2026 GCR PROCEEDING**

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Dated May 16, 2025

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## **A. INTRODUCTION**

Philadelphia Gas Works (“PGW” or the “Company”) and the Office of Consumer Advocate (“OCA”) (collectively “the Settling Parties”)<sup>1</sup> hereby submit this Joint Petition for Full Settlement of All Issues regarding PGW’s 2025-2026 Gas Cost Rate (“GCR”) Proceeding (“Settlement”), as captioned above, and respectfully request the following:

1. That Deputy Chief Administrative Law Judge (“ALJ”) Christopher P. Pell recommend that the Commission approve this Settlement and all of its terms and conditions without modification;
2. That the ALJ recommend, and the Commission authorize, PGW to file a tariff supplement to reflect rates and terms consistent with this Settlement and applicable to the Section 1307(f) purchased gas cost rate investigation at Docket No. R-2025-3053241, to be effective for services rendered on or after September 1, 2025, subject to quarterly adjustments permitted by Commission regulations, including a quarterly adjustment to be effective on September 1, 2025, to reflect actual experience and changes in forecasted natural gas prices utilizing the methodology as set forth in the supporting documents filed with this proceeding;
3. That based on the data and testimony submitted in this case, the ALJ recommend, and the Commission adopt, the Findings of Facts and Conclusions of Law set forth in Appendices A and B; and
4. That the Commission deem the complaints at Docket Nos. C-2025-3053308 and C-2025-3053807 satisfied, and mark the proceedings closed.

## **B. BACKGROUND**

5. On January 31, 2025, PGW filed its prefiling information required for its 2025-2026 Gas Cost Rate (“GCR”) Filing. PGW indicated that it would submit its annual GCR filing on or before March 1, 2025.

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<sup>1</sup> While the Bureau of Investigation and Enforcement (“I&E”), Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement, each has authorized the Settling Parties to state their non-opposition to the Settlement. None of these parties pre-served testimony in this proceeding.

6. On February 7, 2025, OCA filed a Formal Complaint, Public Statement and Verification with the Commission. The Complaint was docketed at C-2025-3053308. Also on February 7, 2025, Harrison W. Breitman, Esq. and Ryan Morden, Esq. entered a Notice of Appearance on behalf of OCA.
7. On February 10, 2025, PICGUG filed a Petition to Intervene in this proceeding.
8. On February 11, 2025, Michael A. Podskoch, Jr., Esq. entered a Notice of Appearance on behalf of I&E.
9. On February 25, 2025, Rebecca Lyttle, Esq., entered a Notice of Appearance on behalf of OSBA.
10. On February 28, 2025, PGW filed its Section 1307(f) filing which included: proposed tariff revisions (Supplement No. 177 to PGW's Gas Service Tariff – Pa P.U.C. No. 2 and Supplement No. 120 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, 2025, and the direct testimony of Florian Teme (PGW St. 1) and Ryan E. Reeves (PGW St. 2).
11. On March 7, 2025, OSBA filed a Complaint, Public Statement, and Verification with the Commission. The Complaint was docketed at C-2025-3053308.
12. The GCR filing was assigned to the Office of Administrative Law Judge and Deputy Chief Administrative Law Judge (“ALJ”) Christopher P. Pell.
13. On March 3, 2025, a Prehearing Conference Order was issued informing the participants that a Prehearing Conference was scheduled for March 11, 2025 and providing other procedural direction in advance of the Prehearing Conference.
14. A Prehearing Conference was held on March 11, 2025. Counsel for PGW, I&E, OCA, OSBA and PICGUG participated.
15. By Prehearing Order #1 entered March 18, 2025, ALJ Pell granted PICGUG's Petition to Intervene, designated PGW, I&E, OCA, OSBA and PCIGUG as the active parties of record and adopted a litigation schedule and discovery modifications. An evidentiary hearing was also scheduled for April 16, 2025.

16. On March 17, 2025, PGW filed a Motion for Protective Order which was granted pursuant to Prehearing Order #2 dated March 20, 2025.
17. In accordance with the procedural schedule, on March 28, 2025, OCA pre-served OCA Statement 1: Direct Testimony of Jerome D. Mierzwa. On this same date, OSBA, I&E, and PICGUG filed letters stating that they would not be pre-serving direct testimony.
18. On April 8, 2025, PGW pre-served the written rebuttal testimony of Ryan Reeves. The other active parties filed letters stating their intention not to preserve written rebuttal testimony.
19. On April 14, 2025, all active parties filed letters stating their intention not to pre-serve written surrebuttal testimony.
20. On April 14, 2025, PGW notified ALJ Pell that a full settlement with OCA had been reached and all other active parties indicated that they would not oppose the settlement. The parties requested either cancellation of the evidentiary hearing with submission of their evidence through separate motion or that the witnesses be excused from appearing at the hearing. The parties also respectfully requested that they be permitted to file their Joint Petition for Settlement and Statements in Support on May 16, 2025, which was the date previously set for Reply Briefs.
21. ALJ Pell granted the parties request, cancelled the evidentiary hearing scheduled and directed the filing of further petitions and/or motions on or before May 16, 2025.
22. On May 16, 2025, a Joint Petition for Admission of Evidence and Motion to Admit Into the Record was filed by all parties which identified the testimony, supporting schedules and exhibits that the parties request be admitted into the record as evidence in this proceeding.
23. This Settlement addresses all issues pertaining to PGW's 2025-2026 annual GCR Filing.

### **C. SETTLEMENT**

24. The undersigned Settling Parties support adoption of PGW's GCR for 2025-2026 as filed and agree to the following:
  - a. PGW will include in its next GCR filing for 2026-2027, a natural gas load duration curve chart that visually represents the natural gas demand by firm sales and firm choice customers in its service territory, ordered from highest to lowest,

and shows the impact on capacity resources as projected for the 2026-2027 winter period.

- b. PGW also agrees to provide the underlying excel file used to generate the chart to the parties.
- c. Nothing in this Settlement Agreement shall limit or prevent PGW from presenting or submitting any type of scenario, gas load duration curve, or any other information with respect to PGW's 2026-2027 proceeding.

#### **D. CONDITIONS OF SETTLEMENT**

25. The Settling Parties agree, based upon evidence of record in this proceeding concerning PGW's projected gas purchases and gas purchasing policies, that PGW's projected gas purchases and projected gas purchasing policies comply with the standards of Section 1318 of the Public Utility Code. Nevertheless, it is expressly understood and agreed that the Settlement is made solely for the purpose of setting prospective rates that shall be subject to the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, and further review in an appropriate future proceeding. The Settlement is not intended in any way to limit or prevent I&E, OSBA or OCA from reviewing, after such projected gas purchases actually have been made, or gas purchasing practices which actually are implemented, whether PGW's gas purchases and gas purchasing practices complied with Section 1318. If, in an appropriate future proceeding, gas purchases and gas purchasing practices from January 1, 2024 through August 31, 2025 are challenged, the Commission's findings based upon Section V of the Settlement shall not bar the examination of such purchases and practices, including, but not limited to, disallowance of, or reductions to, such costs during the eight-month interim period commencing January 1, 2024, and the twelve-month application period commencing September 1, 2025, and ending on August 31, 2026.

26. This Settlement will go into effect upon the Commission's entry of a final order approving the Settlement, in full and without modification. If the Commission rejects the Settlement, the Agreement will automatically terminate and be null and void with the exception of paragraph D.27. below, which will continue in full force and effect. The Settlement also shall automatically become null and void (except for paragraph D.27. below) if the Commission, in approving the Settlement, modifies any of its terms or conditions or adds any conditions, unless it is subsequently accepted by the aggrieved signatory party, or parties, as so modified. If the Commission approves the Settlement in full and without modification, the Stipulation:

- (a) shall be deemed to resolve with prejudice all issues addressed by this Settlement; and
- (b) shall be implemented and shall be enforceable notwithstanding the pendency of a petition for reconsideration or a legal challenge to the Commission's approval, unless such implementation and enforcement of the Settlement is stayed or enjoined by the Commission, another regulatory agency, or a Court having competent jurisdiction over the matter.

27. This Settlement is made without admission against or prejudice to any factual or legal positions which any of the signatories hereto may assert in subsequent litigation in the event that the Commission does not issue a final Order approving this Settlement in full and without modification. If the Commission does not adopt this Settlement in accordance with the terms set forth herein, the Settling Parties reserve their full right to argue that the Commission is without the legal authority to order the implementation of all or part of the terms and conditions set forth herein and no party shall be deemed to have waived or be estopped from asserting such a position before the Commission or before any court.

28. This Settlement Petition may be executed in counterparts, all of which shall constitute one agreement binding on all signatories and shall have the same force and effect as an original instrument, notwithstanding that the signatories may not be signatories to the same original or the same counterpart.

29. Statements in Support of this Settlement are attached hereto as Appendices D and E.

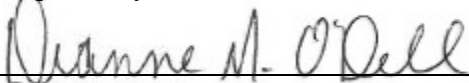
30. The Settling Parties agree to waive exceptions to the ALJ's Recommended Decision if the ALJ recommends that the Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding be approved without change or modification.

**E. CONCLUSION**

**WHEREFORE**, the Settling Parties, by their respective counsel, respectfully request as follows:

- That Deputy Chief Administrative Law Judge Christopher P. Pell and the Commission approve this Settlement including all terms and conditions thereof; and
- That the Commission enter an order consistent with this Settlement, resolving and terminating the 2025-2026 GCR proceeding.

Respectfully submitted,



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*For Philadelphia Gas Works*

# Appendix A

## **APPENDIX A: PROPOSED FINDINGS OF FACT**

### **Evidence**

1. PGW's rate design and GCR calculation methodology are described by Florian Teme, Vice President, Marketing, Sales and Energy Planning of Philadelphia Gas Works in PGW Direct Testimony St. No. 1 filed on February 28, 2025 with PGW's Annual GCR filing.
2. PGW's gas purchasing policies and strategies applicable to Fiscal Year 2026 and those utilized in Fiscal Year 2025 as well as PGW's price analysis and buying advisory service are described by Ryan E. Reeve, Director of Gas Supply, Transportation and Control of PGW in PGW Direct Testimony St. No. 2 filed on February 28, 2025 with PGW's Annual GCR filing.
3. PGW's Pre-Filing and Annual Filings made on January 31, 2025 and February 28, 2025 contain all the supporting schedules and documentation to support its proposed GCR and as required by Commission regulations.

### **PGW's GCR Calculation**

4. The GCR is a mechanism used to flow through the costs of natural gas and other raw materials in a timely and equitable manner with the specific elements of PGW's GCR set forth in its Gas Services Tariff. (PGW St. 1 at 8). The pricing methodology utilized by the Company is consistent with that used in the recent quarterly filings with the inclusion of the additional months in the 20-month forecast. Specifically, the company utilized actual prices for January 2025 and the NYMEX Futures close data (as of January 2, 2025) for the 19 forecast months of February 2025 through August 2026. (PGW St. No. 1 at 10).

5. 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 gas pipeline system to deliver natural gas into the PGW gas distribution system. PGW relies on the interstate pipeline for all natural gas supply, storage, and transportation services, except for PGW's own on-system peak shaving facilities. PGW owns and operates two liquefied natural gas ("LNG") facilities that are used primarily both to meet intraday, daily, and seasonal supply needs as well as to meet peak day requirements. In addition, PGW uses off-system natural gas storage services to meet winter peak requirements. (PGW St. No. 2 at 2).
6. 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 and they are the only interstate pipeline facilities with physical connections to the PGW service territory. (PGW St. 2 at 3-4). Thus, all of PGW's supply contracts utilize these pipelines, and the contracts recognize pipeline receipt and delivery rights. The contracts also contain the ability to "lock up" the price for upcoming months or to have the pricing default to an agreed upon market index if there is no market advantage in fixing a price before the month begins. As a result, PGW not only ensures security of supply from the pipelines but also can take advantage of varying basis differentiated pricing in the market. (PGW St. No. 2 at 3-4).
7. On each pipeline, PGW has an allocation of capacity for which it has contracted, and which is paid for by PGW's GCR customers. PGW has the right to transport a combined approximately 300,000 Dth a day from the pipelines. This capacity allows PGW to purchase natural gas via long-term contracts or daily purchases from supply areas covered by the contract and move that gas as high-priority (or firm) status to PGW's city gate. (PGW St. 2R at 2).

8. PGW utilizes storages and LNG to meet operational requirements. Bundled storage contracts give PGW the right to both store and deliver gas via bundled pipeline capacity. Unbundled storage contracts provide storage rights for gas which is transported on PGW's firm pipeline transportation capacity. These storages provide off-system storage, and LNG provides on-system storage. While both types of storages are important to fulfill operational requirements, PGW's on-system LNG storage is vital during peak days when customer demand exceeds the amount of gas that can be physically provided through PGW's city gates. (PGW St. No. 4-5).
9. PGW's off-site storages are locations where PGW can deliver pipeline gas to be called upon later. PGW has six storage contracts, five storages contracts that are bundled and one that is unbundled. Unbundled storage requires PGW to use its own firm capacity assets to deliver the gas to PGW's city gate. Bundled storages are storage contracts that provide pipeline capacity to PGW's city gate which is then used to deliver the gas when PGW withdraws gas from storage. The benefit of these bundled storage arrangements is that they allow PGW to have more gas delivered to its city gate than it could if it relied only on its standard pipeline capacity. However, each of the off-site storages has their own rules and restrictions such as maximum volumes, when PGW can withdraw stored gas, how much it can withdraw a day or during a given period, how much it must keep in the storage at a given time and how much gas must be withdrawn by a certain date. All of these rules can impact PGW's ability to use the storages throughout the year. (PGW St. 2R at 3).
10. PGW has approximately 4 Bcf of LNG storage behind its city gate with the ability to vaporize and inject the gas into its distribution system. PGW, at its maximum, can vaporize roughly 550,000 Mcf per Day (between its two LNG facilities, Richmond and Passyunk). PGW liquifies its LNG at its Richmond LNG facility. PGW's Natural Gas Liquefier is an open-loop Expander type of liquefier that is designed to produce about 2.2 Bcf of LNG a year. Due to the type of liquefier, its operation can be limited due to several factors, so the 10-year average of the facility shows that, on average, it produces only 1.77 Bcf a year. (PGW St. 2R at 3).

11. PGW also utilizes prepaid gas arrangements wherein it agrees to purchase gas from a gas supplier for (typically) 25-30 years. PGW does not pay for the entire 30 years of purchases up front but receives a monthly invoice for gas received by PGW. The natural gas is purchased from a gas supplier, through a government authority. The authority issues a tax-free long-term bond and uses the proceeds to “prepay” for the natural gas it will purchase on behalf of various municipal gas utilities, including PGW. The gas supplier sells the natural gas to the authority, which then, in turn, sells it to PGW at a discount, in recognition of the fact that the supplier is able to invest the prepayment at taxable rates. In order to share some of this investment income, the supplier provides PGW with natural gas at significant discounts on a market index price. The size of the discount is determined based on the spread between non-taxable and taxable investments. As noted, the gas is purchased on index, but PGW receives a discount from the current index price due to the investment arbitrage. In FY 2025, PGW saved approximately \$11 million per year from thirteen prepaid deals for its GCR customers. In FY 2026, PGW forecasts that prepaid gas arrangements will save its customers approximately \$11.2 million (for firm supply arrangements) (PGW St. No. 2 at 6).
12. 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. (PGW St. No. 2 at 6).
13. PGW is not affiliated with any pipeline or gas supply entity, nor does it have any contracts for local production. (PGW St. 2 at 4).
14. PGW pursues a least cost procurement policy consistent with its obligation to provide safe, adequate, and reliable service to its customers, using a portfolio approach in both contract structure and pricing. The portfolio approach allows PGW to remove some of the volatility in purchasing natural gas supplies for its ratepayers. PGW does this by utilizing a mix of: (1) daily index priced swing contracts, (2) physical forward purchase contracts, (3) storage, and (4) LNG, as appropriate given market conditions, and to the extent PGW is not constrained by its financial condition. (PGW St. 2 at 2-3).
15. PGW engaged Intercontinental Exchange (“ICE”) to provide price analysis and buying advisory services. The cost for ICE is \$35,520 annually which is a cost savings of \$89,480 over PGW’s prior arrangement with Planalytics. (PGW St. No. 2 at 9).

16. To ensure system reliability while seeking to procure gas at the least cost, PGW physically sources the gas in accordance with its firm pipeline paths. The pipelines give PGW firm entitlements on their systems for the sourcing of gas for which PGW pays a demand charge. By sourcing supply in this way, PGW ensures its sole entitlement to this space on the pipeline and cannot be accused of infringement. Transporting gas from different locations also mitigates the impact of potential regional disruptions because not all of the supply enters the pipe at the same location. As a result, if there is a disruption at one location, not all of PGW's supply will be affected. PGW's Gas Planning Department also runs a supply status model during the winter operating season which recognizes normal and design winter conditions and the latest actual balance of gas in all storage facilities. Gas Management utilizes the output of this model to make recommendations or changes to its supply operating strategy to ensure that peak day needs and design winter conditions can be met from that point forward. (PGW St. 2 at 5).
17. PGW also uses capacity release and off-system sales when available. The prices for the off-system sales are negotiated and 75% of associated credits and margins are returned to customers through the GCR. (PGW St. 2 at 7). In FY 2024, PGW's capacity release resulted in a \$10,375,621 credit to offset natural gas costs. PGW's off-system sales efforts produced a \$496,030 credit to offset natural gas costs. While PGW's FY 2025 does not end until August 31, 2025, to date FY 2025, PGW's capacity releases resulted in a \$3,840,073 credit to offset natural gas costs. PGW's FY 2025 to date off-system sales efforts produced \$1,495,373 credit to offset natural gas costs. (PGW St. 2 at 8). PGW is projecting that it will credit to the GCR in FY 2026 \$16,733,398 from capacity releases, off-system sales, and asset management arrangements. (PGW St. 1 at 12).
18. The details of PGW's actual gas purchases for the 12 months ending December 31, 2024 are presented in Schedule 1 included with Tab 3, Item 53.64(c)(1) of PGW's February 28, 2025 Annual Filing. The details of PGW's forecast for the period of January 1, 2024 through August 31, 2025 are also presented in Schedules 2, 3 and 4 included with Tab 3 of PGW's February 28, 2025 Annual Filing.

19. Each of the schedules provided in Tab 2 of the Annual Filing which are provided consistent with the filing requirements of Section 53.64(a) for the proposed GCR for the period September 1, 2025 through August 31, 2026, which corresponds to PGW's Fiscal Year ("FY") 2026 are described in detail by PGW Witness Teme. (PGW St. No. 1 at 3-7).
20. The volumetric rates charged to PGW's customers are the distribution charge and the Gas Cost Rate plus the Merchant Function Charge ("MFC") and Gas Procurement Charge ("GPC"). The distribution charge consists of a number of charges. The GCR is the mechanism used to flow through the costs of natural gas costs and other raw materials in a timely and equitable manner. (PGW St. No. 1 at 7-8).
21. Generally, the cost of gas purchased to meet the requirements of PGW's customers constitutes the largest single item in the delivered price of gas. Recovery of these costs from ratepayers through the GCR provides the flexibility to rapidly reflect current conditions without the time delay inherent in a full-scale base rate alteration. The intent is to achieve an annual balance of the costs incurred for fuel and its pass-through to customers. The costs for pipeline transportation, storage capacity and related fuel prices charged by the interstate pipeline suppliers are largely outside of distributor control. (PGW St. No. 1 at 8-9).
22. Various adjustments are then made to the total applicable expenses eligible for the GCR. Natural gas refunds and interest on the refunds are credited in the calculation of the GCR in the fiscal year received. An adjustment is made to correct for any over or under recovery during the previous period resulting from differences between rates used to project the prior GCR and those actually experienced. The interest expense or credit on the over or under recovery is applied to calculate the total adjustment. An additional adjustment is made for the Interruptible Revenue Credit which is a credit that firm sales customers receive for the interruptible sales margin. (PGW St. No. 1 at 9).

## CAPACITY NEEDS

23. A natural gas distribution company's required capacity must be evaluated based on its supply requirements on a "design" basis. To properly evaluate its supply needs, PGW projects customer requirements for a Design (coldest) Hour, Design Day, and Design Winter. These gas requirements form the basis for capacity commitments for pipeline supply, storage, and transportation contracting. The "design day" is essentially the "worst case scenario" that PGW is reasonably capable of experiencing on a single day. For this, PGW assumes an average temperature of 0 degrees for a single day. But PGW must also be ready to meet a "design winter" which, again, is a "worst case scenario" that could occur over the course of the several winter months when customer demand is greatest. Thus, PGW's current portfolio of gas supply assets are set to meet both its design day and design winter requirements. (PGW St. 2R at 4).
24. There are multiple factors that affect PGW's daily capacity requirements, and which need to be analyzed. These include, but are not limited to, differences between projections and actual gas usage, changes in the weather forecast, and changes in the gas markets. PGW considers all of these factors to determine capacity requirements. Since the previous day's events impact the decision-making as to what is needed in the future, most models would develop a large range probability field. (PGW St. 2R at 6).
25. In his Direct Testimony, OCA Witness Mierzwa recommended that PGW present an analysis evaluating the interstate pipeline capacity entitlements necessary for it to reliably meet the design day requirements of its firm customers on a least cost basis or, alternatively, that the Commission direct PGW to reduce its interstate pipeline capacity entitlements by 70,000 Dth/day. (OCA St. No. 1 at 4-5).
26. To show the need for PGW's existing capacity portfolio, PGW Witness Reeves calculated PGW's supply requirements if the cold event that occurred between December 25, 2017 to January 10, 2018 had occurred 10 days earlier than it did. In such an event, even with its existing level of capacity, PGW would have come dangerously close to having to try to buy high-priced gas from the daily market or, if such gas were not available, might have had to curtail customers. (PGW St. 2R at 7-8).

27. As part of PGW's gas portfolio management, when PGW is not using its capacity to serve its customers, PGW releases the capacity into the open market to generate revenue to offset natural gas costs. When PGW releases capacity, it always releases the capacity with the right to recall. The right to recall allows PGW to appropriate the released capacity at PGW's sole discretion if circumstances change and PGW needs the capacity after all. This strategy allows PGW to offset costs while making sure PGW will have the capacity available for when firm customers need the supply. (PGW St. No. 2R at 10).
28. PGW has released roughly 58,000 Dth per day so far for the upcoming Summer Season (April through October) at an average price of \$0.4776 per Dth. These releases will generate approximately \$6 million for ratepayers. Plus, in the last four winters seasons, PGW was able to release, on average, 45,000 Dth/per day and recovered, on average, approximately \$10 million per year of costs for its ratepayers.

# Appendix B

## **APPENDIX B - PROPOSED CONCLUSIONS OF LAW**

### **Historical Reconciliation Period Standards**

1. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2024, it is requested that ALJ Pell and the Commission find that PGW has met the standards of Section 1318 of the Public Utility Code, 66 Pa. C.S. § 1318, as required by Section 1307(f)(5) of the Public Utility Code, 66 Pa. C.S. § 1307(f)(5), as to all actual purchased gas costs in the historical period. It is requested that the Commission find that, during the twelve months ended December 31, 2024, 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.

### **Interim and Projected Period Findings**

2. With respect to the eight-month interim period beginning on January 1, 2024, and with respect to the projected twelve-month period beginning September 1, 2025, when rates contained in this Settlement will be in effect, it is requested that the Commission find, based upon information presently available and based upon evidence of record in this proceeding concerning PGW's projected purchases and purchasing policies, that 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.

# Appendix C

## **APPENDIX C -Sample Ordering Paragraphs for Recommended Decision**

1. The Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding submitted by the Philadelphia Gas Works, the Bureau of Investigations and Enforcement and the Office of Consumer Advocate is approved.
2. Philadelphia Gas Works is authorized to file a tariff supplements to reflect rates and terms consistent with this order to be effective for services rendered on or after September 1, 2025, 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, 2025, to reflect actual experience and changes in forecasted natural gas prices.
3. PGW is permitted to continue 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.
4. Philadelphia Gas Works is permitted to continue to be authorized to recover in the GCR the annual fee for its contract with Intercontinental Exchange ("ICE").
5. Philadelphia Gas Works will include in its next GCR filing for 2026-2027, a natural gas load duration curve chart that visually represents the natural gas demand by firm sales and firm choice customers in its service territory, ordered from highest to lowest, and shows the impact on capacity resources as projected for the 2026-2027 winter period. PGW will also provide the underlying excel file used to generate the chart to the parties.
6. Consistent with previously approved Commission direction, Philadelphia Gas Works shall proceed as follows for its next 2026-2027 GCR and subsequent GCR filings.
  - Provide written notice to customers by bill insert in the one-month billing cycle commencing on the date of the annual 1307(f) filing, on March 1, of a tariff addendum and tariff or tariff supplement reflecting changes in purchased gas costs and ending no later than thirty (30) days after the filing of such tariff addendum and tariff or tariff supplement, instead of beginning such notice with the one-month billing cycle commencing thirty (30) days prior to the filing of the tariff addendum and tariff or tariff supplement as required by 52 Pa. Code § 53.68(a);
  - In company offices in which payments are accepted, provide public notice on the date of the annual 1307(f) filing, March 1, of a tariff addendum and tariff or tariff

supplement reflecting changes in purchased gas costs, instead of thirty (30) days prior to the filing of such tariff addendum and tariff or tariff supplement as required by 52 Pa. Code §§ 53.68(a) and 53.45(b); and

- Provide estimated data for both January and February in the March 1 quarterly 1307(f) filing instead of providing actual data for January alone as required by 52 Pa. Code § 53.64(i)(5)(i).
7. The Commission terminates its investigation at Docket No. R-2025-3053241, deems the complaints at Docket Nos. C-2025-3053308 and C-2025-3053807 satisfied, and marks the proceedings closed.

# Appendix D

**Appendix D to Joint Petition for Settlement**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2025-3053241
	:		
	:		
Office of Consumer Advocate	:	Docket No.	C-2025-3053308
Office of Small Business Advocate	:	Docket No.	C-2025-3053807
	:		
	:		
v.	:		
	:		
Philadelphia Gas Works	:		

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**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT  
OF PHILADELPHIA GAS WORKS’ 2025-2026 GCR PROCEEDING**

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Philadelphia Gas Works (“PGW” or the “Company”) offers this Statement In Support of the Joint Petition for Full Settlement of All Issues (“Settlement”) of its 2025-2026 Gas Cost Rate (“GCR”) Proceeding as filed by PGW and the Office of Consumer Advocate (“OCA”) (“Settling Parties”)<sup>1</sup>. The Settlement addresses the agreement by PGW to include data regarding its natural gas demand by firm sales and firm choice customers which shows the impact on capacity resources as part of its 2026-2027 GCR filing. The agreement addresses issues raised by OCA regarding PGW’s capacity reserves.

While the Bureau of Investigation and Enforcement (“I&E”), Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) do not join in this Settlement, each has authorized the Settling Parties to state their

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<sup>1</sup> As noted in the Settlement, the Bureau of Investigation and Enforcement (“I&E”), Office of Small Business Advocate (“OSBA”) and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) have each authorized the Settling Parties to state their non-opposition to the Settlement. None of these parties pre-served testimony in this proceeding.

non-opposition to the Settlement. None of these parties pre-served testimony in response to PGW's proposals.

PGW respectfully requests that Deputy Chief Administrative Law Judge Christopher P. Pell ("ALJ") and the Commission: (1) approve the Settlement without modification as in the public interest; and (2) make the findings as required by Sections 1317 and 1318 of the Public Utility Code.

## **I. BACKGROUND**

The procedural history of this proceeding is set forth in the Settlement and all the facts necessary to approve the Settlement are included in the record of the proceeding through the filing and supporting data, the testimony, exhibits and schedules.

## **II. THE SETTLEMENT SATISFIES PGW'S LEGAL OBLIGATIONS**

Approval of this Settlement will result in the continuation of PGW's application of a least cost fuel procurement policy consistent with the Company's obligation to provide safe, adequate, and reliable service. PGW accomplishes this by: (1) using a portfolio approach in contract structure and pricing in the natural gas pipeline capacity and gas supply; and (2) using capacity release credits, off-system sales margins (when available) and asset management margin/credit/fees/ as an additional cost-saving strategy.

The Settlement sets forth a series of proposed findings of fact, conclusions of law and ordering paragraphs. These are required by Section 1318 of the Public Utility Code which states that "[n]o rates for a natural gas distribution utility shall be deemed just and reasonable unless the commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to its customers," and that the Commission is required to make "specific findings" in that required, including findings

in four specific areas.<sup>2</sup> The findings, conclusions and ordering paragraphs offered in the Settlement highlight the process and information relied upon by PGW to calculate its GCR; all the referenced facts are supported by PGW's pre and annual filings, testimony, schedules and exhibits all of which satisfy the requirements of Section 1318 specifically and the Public Utility Code in general. As such, PGW respectfully requests that they be accepted by the ALJ and the Commission.

### **III. APPROVAL OF THE SETTLEMENT TERMS IS IN THE PUBLIC INTEREST**

The GCR filing presented by PGW is in full and complete compliance with all statutory and regulatory requirements. Approving PGW's 1307(f) filing as proposed in the Settlement is consistent with the Commission's goal of ensuring that PGW is pursuing a least cost procurement policy and will result in rates and surcharges that are just, reasonable, and compliance with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

Only OCA elected to submit testimony regarding PGW's proposed GCR for 2025-2026. OCA Witness Jerome D. Mierzwa suggested that PGW's upstream capacity portfolio is in excess of the amount needed to reliably serve PGW customers. (OCA St. No. 1 at 4-5). Based on this, OCA recommended that PGW provide a detailed analysis and evaluation regarding reduction of its interstate pipeline capacity entitlements or, alternatively, that PGW's GCR costs should be reduced to exclude the cost of approximately 70,000 Dth/Day of upstream pipeline capacity that is currently under contract by PGW. (OCA St. No. 1 at 10).

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<sup>2</sup> 66 Pa. C.S. §1318(a).

In response to Mr. Mierzwa's testimony, PGW Witness Ryan Reeves explained why PGW's existing capacity portfolio is necessary and appropriate to ensure that PGW has the capacity it needs to serve its customers in the face of reasonably plausible circumstances. (PGW St. No. 2R at 2-5). Mr. Reeves illustrated this by detailing what would have happened if an actual 16-day cold event period, where the PGW service territory experienced over 43 Degree Days at the end of December 25, 2017 to January 18, 2018, had occurred 10 days earlier than it did. In that scenario, and assuming PGW's existing level of available pipeline capacity, PGW would nevertheless have come dangerously close to having to try to buy high-priced gas from the daily market (via "bundled" or "gate delivered contracts) or, if such gas had not been available, might have had to curtail customers. (PGW St. No 2R at 6-10). If PGW's capacity contracts had been reduced by 70,000 Dths a day it would have definitely had to attempt to procure extremely high-priced gas or curtailed customers. Id.

In addition, Mr. Reeves explained and provided an example supporting the view that removing 70,000 Dths/Day of capacity from PGW's gas portfolio would reduce PGW's ability to release that capacity, which would reduce the revenues generated for customers from capacity release. Based on this, Mr. Reeves set forth PGW's opinion that the projected cost savings to the customer from Mr. Mierzwa's proposal would be negligible but would place at risk the ability of PGW to maintain the assets it needs to provide reliable and cost-effective natural gas service to its customers (PGW St. No. 2R at 11).

Finally, Mr. Reeves testified that it will likely become more difficult for PGW to get gate delivered gas due to the common view of the natural gas industry that the current interstate pipeline systems' available capacity is undersized for current demand and will only become more constrained in the future as natural gas demand continues to increase across the country,

especially in the Northeast Market. (PGW St. No. 2R at 12). This further supports PGW's current capacity resource practices.

For all these reasons, PGW did not agree with OCA's views as expressed by Mr. Mierzwa and concluded that OCA's approach would create unreasonable risk for ratepayers in terms of curtailment or higher gas prices with little to no savings. (PGW St. No. 2R at 12).

OCA and PGW agreed to resolve the issue of the reasonableness of PGW's capacity resources with an agreement by PGW to provide specific data related to firm customers' natural gas demand and the impact on capacity resources as projected for the 2026-2027 winter period. (Settlement at 3). PGW also agreed to provide the underlying excel file used to generate the chart and the parties agreed that the settlement shall not limit or prevent PGW from presenting or submitting any type of scenario, gas load duration curve, or any other information with respect to PGW's 2026-2027 proceeding. (Settlement at 4).

The proposed settlement of this single issue raised regarding PGW's proposed 2025-2026 GCR is reasonable and in the public interest. First, it does not require PGW to undertake any changes at this time regarding its capacity resource planning which will ensure that it may continue its current processes which have shown to be reasonable and beneficial to its ratepayers. Second, it does ensure that additional information will be included as part of PGW's 2026-2027 GCR filing to enable parties to continue to assess PGW's capacity resource policies to consider whether to recommend any future changes. PGW submits this is a reasonable approach given the importance of ensuring capacity resources to meet the needs of firm customers while also ensuring the cost effective acquisition and use of such resources for ratepayers.

As no other party provided testimony regarding any other aspect of PGW's GCR calculations and OCA and PGW have reached a reasonable resolution of the one issue raised,

PGW's GCR filing, as modified by the Settlement, is reasonable, consistent with its statutory requirements and should be adopted.

#### IV. CONCLUSION

PGW respectfully requests that ALJ Pell and the Commission approve this Settlement without modification, because it supports PGW's least cost procurement policy, satisfies the Commission's requirements at Sections 1317 and 1318 of the Public Utility Code, and is in the public interest.

Respectfully submitted,



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Dated: May 16, 2025

*For Philadelphia Gas Works*

# Appendix E



On February 7, 2025, the OCA filed a Notice of Appearance, Formal Complaint and Public Statement. On February 10, 2025, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Notice of Intervention. On February 11, 2025, the Bureau of Investigation and Enforcement (I&E) filed its Notice of Appearance. On February 28, 2025, the Office of Small Business Advocate (OSBA) filed its Notice of Appearance. On March 7, 2025, the OSBA filed its Complaint and Public Statement. On March 3, 2025, the OALJ issued a Notice setting the date and time for the prehearing conference in this matter for March 11, 2025, at 10:00 A.M.

The OCA retained Jerome D. Mierzwa<sup>1</sup> to provide technical assistance and to review the Company's gas purchasing practices and operations. Mr. Mierzwa reviewed the Company's preliminary and definitive filing in this matter. In addition, the OCA served discovery on the Company and reviewed all Company responses.

The OCA filed Direct Testimony on March 28, 2025, wherein Mr. Mierzwa testified that, in light of historic purchased gas costs, PGW acquires more gas than necessary to serve its system and customers:

PGW currently maintains 389,357 Dth/day of capacity in excess of the design day requirements of its firm customers. Maintaining this level of excess capacity is not justified, reasonable, or consistent with least cost gas procurement. I recommend that in its rebuttal testimony, PGW present an analysis evaluating the interstate pipeline capacity entitlements necessary for it to reliably meet the design day requirements of its firm customers on a least cost basis. The intervening parties to this proceeding should then evaluate PGW's analysis and either accept or propose modifications to that analysis in their surrebuttal testimony, with the Commission making the final determination as to the interstate pipeline capacity entitlements PGW should maintain. in the design day requirements of its firm customers that has occurred since the winter of 2022-2023.

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

OCA Statement 1 at 4-5.

Mr. Mierzwa further testified that if PGW declined to present analysis evaluating its pipeline capacity entitlements, he recommended that the Commission direct PGW to reduce its interstate pipeline capacity by 70,000 Dth/day to better reflect the needs of its system. *Id.* No other non-Company party submitted Direct Testimony in this proceeding.

In Rebuttal Testimony submitted on April 8, 2025, PGW witness Ryan E. Reeves disagreed with Mr. Mierzwa's assessment and testified that "PGW's existing capacity portfolio is necessary and appropriate to ensure that PGW has the capacity it needs to serve its customers in the face of reasonably plausible circumstances." PGW St. 2R at 1.

Subsequently, in accordance with the Commission's Rules and Regulations at 52 Pa. Code Section 5.321, the parties undertook discussions in an attempt to reach settlement. Following good faith negotiations, on April 14, 2025, the Joint Petitioners informed the ALJ that they had reached a settlement in principle of all issues in the proceeding. The terms and conditions of the settlement agreement reached by the Joint Petitioners are now embodied in the "Settlement Petition" that accompanies this instant Appendix/Statement in Support. The OCA submits that the Company has met the requirements of 66 Pa. C.S. Sections 1307(f) and 1318, and that the Settlement is in the public interest for the reasons set forth below.

## **II. TERMS AND CONDITIONS OF SETTLEMENT**

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

parties submitted their joint settlement petition for approval, the principal issue for the Commission is whether the agreement serves the public interest. *Pa. Public Utility Commission v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

The settling parties (PGW and OCA)<sup>2</sup> agree to accept the underlying data and calculations submitted by PGW in its January 31, 2025, Pre-filing and its February 28, 2025, Annual Filing subject to the terms and conditions contained in the Settlement. Settlement ¶¶ 24-30. The OCA was the only party to raise any issue regarding PGW's PGC for the 2025-2026 period. *See* OCA St. 1. The OCA recommended in its testimony that PGW provide an analysis evaluating its interstate pipeline capacity needs in its Rebuttal Testimony. OCA St. 1 at 4-5. Based on the OCA's review of PGW's Rebuttal Testimony, the parties agreed that PGW providing a load distribution curve in excel format would provide all parties with a better understanding of PGW's procurement practices.

To provide clarity moving forward in future PGC proceedings, the Parties agreed to settle the issue as follows:

- a. PGW will include in its next GCR filing for 2026-2027, a natural gas load duration curve chart that visually represents the natural gas demand by firm sales and firm choice customers in its service territory, ordered from highest to lowest, and shows the impact on capacity resources as projected for the 2026-2027 winter period.
- b. PGW also agrees to provide the underlying excel file used to generate the chart to the parties
- c. Nothing in this Settlement Agreement shall limit or prevent PGW from presenting or submitting any type of scenario, gas load duration curve, or any other information with respect to PGW's 2026-2027 proceeding.

Settlement ¶24(a)-(c).

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<sup>2</sup> The other parties in this proceeding, which include I&E, OSBA, and PICGUG, do not join in this Settlement but authorized the Settling Parties to state their non-opposition to the Settlement.

These Settlement provisions represent a reasonable compromise and will provide the Parties with additional information in PGW's next 1307(f) prefilings. In subparagraph (a), including a load duration curve chart that visually represents PGW's natural gas demand by firm sales and firm choice customers in the manner agreed to in this Settlement provides the parties with important data that will enhance the parties' understanding of PGW's procurement practices. *See* Settlement ¶24(a). Including a load duration curve in the next BRC without requiring the parties to seek this information in discovery promotes judicial efficiency and allows the parties to develop a greater understanding of PGW's procurement practices within the statutory timeframe. In subparagraph (b), providing the underlying excel file used to generate the chart in subparagraph (a) is a positive benefit to parties in the next GCR proceeding because it increases transparency and provides a clearer rationale for PGW's position. Settlement ¶24(b). In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the Settlement is in the public interest and should be adopted.

#### IV. CONCLUSION

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

Respectfully Submitted,

/s/ Ryan Morden

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