

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2025-3053241
Office of Consumer Advocate	:	C-2025-3053308
Office of Small Business Advocate	:	C-2025-3053807
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

RECOMMENDED DECISION

Before
Christopher P. Pell
Deputy Chief Administrative Law Judge

INTRODUCTION

This Decision recommends that the Joint Petition for Settlement of Philadelphia Gas Works’ 2025-2026 Gas Cost Rate (GCR) Proceeding filed on May 16, 2025, by the Philadelphia Gas Works and the Office of Consumer Advocate (Joint Petition) be approved by the Commission. Therefore, I recommend that the Joint Petition be approved in its entirety and without modification, that PGW be authorized to file a tariff supplement to reflect rates and terms consistent with the Settlement terms 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 as permitted by Commission regulations. The last reasonable public meeting date before the suspension deadline is August 14, 2025. The Joint

Petition is unopposed by any other party, supported by substantial evidence, and is in the public interest.

HISTORY OF THE PROCEEDING

On January 31, 2025, Philadelphia Gas Works (PGW or Company) filed its pre-filing information required for its 2025-2026 GCR Filing. PGW indicated that it would submit its annual GCR filing on or before March 1, 2025.

On February 7, 2025, the Office of Consumer Advocate (OCA) filed a Formal Complaint, Public Statement and Notice of Appearance on behalf of Harrison W. Breitman, Esq. and Ryan Morden, Esq. The Complaint was docketed at C-2025-3053308.

On February 10, 2025, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Petition to Intervene in this proceeding.

On February 11, 2025, Michael A. Podskoch, Jr, Esq., entered a Notice of Appearance on behalf of the Commission's Bureau of Investigation and Enforcement (I&E).

On February 28, 2025, PGW filed its 2025-2026 GCR Filing. PGW proposed increasing the GCR from \$5.1300/McF, which became effective March 1, 2025, to \$5.2578/McF.¹

Also on February 28, 2025, Rebecca Lytle, Esq., entered a Notice of Appearance on behalf of the Office of Small Business Advocate (OSBA).

¹ PGW St. 1 at 3.

The gas cost rate 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 Deputy Chief Administrative Law Judge Christopher P. Pell.

On March 7, 2025, the OSBA filed a Verification, Public Statement, and a Formal Complaint. The Complaint was docketed at C-2025-3053807.

A prehearing conference in this matter was held on March 11, 2025. Counsel for PGW, I&E, OCA, OSBA, and PICGUG participated.

No party opposed the Petition to Intervene filed by PICGUG. Accordingly, I granted PICGUG's Petition to Intervene during the Prehearing Conference and memorialized their status in my March 18, 2025, Prehearing Order #1. Therefore, the active parties to this proceeding are PGW, OCA, OSBA, I&E, and PICGUG.

In my March 18, 2025, Prehearing Order #1, I also established the procedural schedule and the procedures applicable to this proceeding.

On March 17, 2025, PGW filed a Motion for Protective Order pursuant to the provisions of 52 Pa. Code §5.365(a). By Prehearing Order #2 dated March 20, 2022, I granted PGW's Motion for Protective Order.

The Parties engaged in formal and informal discovery.

On March 28, 2025, OCA served the Direct Testimony of Jerome D. Mierzwa, OCA Statement No. 1. Also on March 28, 2025, I&E, OSBA and PICGUG each submitted correspondence indicating that they would not be serving direct testimony.

On April 8, 2025, PGW served the Rebuttal Testimony of Ryan E. Reeves, Statement No. 2R. I&E, OCA, OSBA, and PICGUG submitted correspondence indicating that they would not be serving rebuttal testimony.

On April 14, 2025, I&E, OCA, OSBA, and PICGUG each submitted correspondence indicating that they would not be serving surrebuttal testimony.

Also on April 14, 2025, Deanne M. O'Dell, Esq., counsel for PGW, contacted me on behalf of the parties to advise that a settlement had been reached. Ms. O'Dell further advised that none of the parties oppose the settlement, and that the parties requested that the evidentiary hearing scheduled for April 16, 2025, be cancelled, and the parties be permitted to move for admission of their testimony as part of their Joint Petition for Settlement. This request was granted via email on April 14, 2025.

On May 16, 2025, the Settling Parties, PGW and OCA, filed their Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding and Statements in Support of the Settlement.² The terms of the Settlement were set forth in Section C of the Settlement. I&E, OSBA, and PICGUG did not join the Settlement; however, the Settling Parties indicated that I&E, OSBA, and PICGUG authorized them to state their non-opposition to the Settlement.³

Also on May 16, 2025, PGW, OCA, I&E, OSBA, and PICGUG filed a Joint Stipulation for Admission of Evidence and Motion to Admit into the Record. The

² On May 23, 2025, the Settling Parties filed a corrected page 4 to the Joint Petition for Full Settlement to correct two typographical errors that appeared in the original filing.

³ Joint Petition for Settlement at 1, n.1.

parties' Joint Stipulation for Admission of Evidence and Motion to Admit into the Record was granted by Order issued on May 30, 2025.

On May 16, 2025, PICGUG filed a letter with the Secretary confirming that it does not oppose the Settlement reached by the Settling Parties.

The record consists of a 24-page transcript, the Company's filing, the testimony and exhibits submitted by PGW and OCA, the Joint Petition for Settlement and appendices, and the Settling Parties' Statements in Support of the Settlement. Neither I&E nor OSBA filed any statement in response to the filing of the Joint Petition.

The record closed on May 16, 2025, the date the Settling Parties filed the Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding.

The statutory deadline for the Commission to act on this matter is September 1, 2025. The last reasonable public meeting date is August 14, 2025.

FINDINGS OF FACT

1. 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).

2. 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 New York Mercantile Exchange (NYMEX) Futures close data (as of January 2, 2025) for the 19 forecast months of February 2025 through August 2026. (PGW St. 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 gas pipeline system to deliver natural gas into the PGW gas distribution system. (PGW St. 2 at 2).

4. 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 St. 2 at 2).

5. 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. (PGW St. 2 at 2).

6. PGW uses off-system natural gas storage services to meet winter peak requirements. (PGW St. 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, and they are the only interstate pipeline facilities with physical connections to the PGW service territory. (PGW St. 2 at 3-4).

8. All of PGW's supply contracts utilize these pipelines, and the contracts recognize pipeline receipt and delivery rights. (PGW St. 2 at 3).

9. 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. (PGW St. 2 at 3).

10. PGW ensures security of supply from the pipelines and also takes advantage of varying basis differentiated pricing in the market. (PGW St. 2 at 3-4).

11. 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 St. 2R at 2).

12. 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).

13. PGW utilizes storages and LNG to meet operational requirements. (PGW St. 2 at 4).

14. Bundled storage contracts give PGW the right to both store and deliver gas via bundled pipeline capacity while unbundled storage contracts provide storage rights for gas which is transported on PGW's firm pipeline transportation capacity. (PGW St. 2 at 4).

15. These storages provide off-system storage, and LNG provides on-system storage. (PGW St. 2 at 4).

16. 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. 2 at 4).

17. PGW's off-site storages are locations where PGW can deliver pipeline gas to be called upon later. (PGW St. 2R at 3).

18. PGW has six storage contracts, five that are bundled and one that is unbundled. (PGW St. 2R at 3).

19. Unbundled storage requires PGW to use its own firm capacity assets to deliver the gas to PGW's city gate. (PGW St. 2R at 3).

20. 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. (PGW St. 2R at 3).

21. 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. (PGW St. 2R at 3).

22. 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).

23. 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 St. 2R at 3).

24. PGW, at its maximum, can vaporize roughly 550,000 Mcf per Day (between its two LNG facilities, Richmond and Passyunk). (PGW St. 2R at 3).

25. PGW liquifies its LNG at its Richmond LNG facility. (PGW St. 2R at 3).

26. 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).

27. PGW also utilizes prepaid gas arrangements, wherein it agrees to purchase gas from a gas supplier for (typically) 25-30 years. (PGW St. 2 at 5).

28. 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. (PGW St. 2 at 5-6).

29. 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. The gas is purchased on index, but PGW receives a discount from the current index price due to the investment arbitrage. (PGW St. 2 at 6).

30. In Fiscal Year (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. 2 at 6).

31. 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. 2 at 6).

32. 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).

33. 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. (PGW St. 2 at 2-3).

34. 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 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 St. 2 at 3).

35. PGW engaged Intercontinental Exchange (ICE) to provide price analysis and buying advisory services. (PGW St. 2 at 9).

36. 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. 2 at 9).

37. 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. (PGW St. 2 at 5).

38. Transporting gas from different locations 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 St. 2 at 5).

39. PGW's Gas Planning Department 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).

40. 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).

41. 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. (PGW St. 2 at 8).

42. 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 St. 2 at 8).

43. 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).

44. 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).

45. 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. 1 at 7-8).

46. A natural gas distribution company's required capacity must be evaluated based on its supply requirements on a "design" basis. (PGW St. 2R at 4).

47. 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. (PGW St. 2R at 4).

48. 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).

49. There are multiple factors that affect PGW's daily capacity requirements, and which need to be analyzed, including but 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).

50. 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. (PGW St. 2R at 10).

51. When PGW releases capacity, it always releases the capacity with the right to recall. (PGW St. 2R at 10).

52. 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. (PGW St. 2R at 10).

53. 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. 2R at 10).

54. 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. (PGW St. 2R at 11).

55. These releases will generate approximately \$6 million for ratepayers. (PGW St. 2R at 11).

DESCRIPTION AND TERMS OF THE JOINT PETITION FOR SETTLEMENT OF
THE PHILADELPHIA GAS WORKS' 2025-2026 GCR PROCEEDING

The Joint Petition is a six-page document signed by two of the five Parties. Although I&E, OSBA, and PICGUG did not sign the Joint Petition for Settlement, the Settling Parties indicated in the Settlement that I&E, 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 the OCA.

The essential terms of the Settlement of the Philadelphia Gas Works' GCR proceeding are set forth at Section C, Paragraph 24 of the Joint Petition for Settlement. These settlement terms are verbatim as follows:

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.

Joint Petition at 3-4.

DISCUSSION

Section 1307(f)(5) of the Public Utility Code (Code), 66 Pa.C.S. § 1307(f)(5), 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, 66 Pa.C.S. § 1318. In addition, Section 1318 findings must be made with respect to the new Purchased Gas Cost (PGC) rates to be established in this proceeding. *Id.*

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. 66 Pa.C.S. § 1318(a).

PGW and OCA have agreed to a Settlement that resolves all of the issues in this proceeding. The Settling Parties agree that the Settlement is in the public interest and complies with the Public Utility Code. PGW and OCA each provided statements in support of the Settlement, each requesting that the presiding officer and the Commission approve the Joint Petition for Settlement in its entirety. PICGUG provided a statement indicating that it does not oppose the Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding. Neither I&E or OSBA has indicated any opposition to the Settlement.

It is the policy of the Commission to encourage Settlements. 52 Pa. Code § 5.231. 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.

52 Pa. Code § 69.401.

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, 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. *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).

The Joint Petition will be examined in accordance with the above principles.

As discussed in more detail below, the proposed Settlement is reasonable and in the public interest and therefore should be approved without modification by the Commission. It represents a just and fair compromise of the Settling Parties. This conclusion is based on my analysis of the key terms of the Settlement and accompanying Statements in Support.

A. SETTLEMENT AND STATEMENTS IN SUPPORT

The Settling Parties 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.⁴

By way of further explanation of the Settlement, the OCA's witness Jerome D. Mierzwa offered testimony in this proceeding averring that, in light of historic purchased gas costs, PGW acquires more gas than necessary to serve its system and customers.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.⁶ 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."⁷

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. PGW also agreed to provide the underlying excel file used to

⁴ Settlement ¶¶ 24-30.

⁵ OCA St. 1 at 4-5.

⁶ *Id.*

⁷ PGW St. 2R at 1.

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. PGW Statement in Support at 5.

PGW maintains that 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 that have been 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. PGW Statement in Support at 5.

The OCA avers that the Settlement provisions represent a reasonable compromise and will provide the Parties with additional information in PGW's next 1307(f) prefiling. 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.⁸ 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

⁸ See Settlement ¶ 24(a).

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.⁹ In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, the OCA maintains that the Settlement is in the public interest and should be adopted. OCA Statement in Support at 5.

B. SETTLEMENT IN GENERAL

PGW indicated that 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. PGW Statement in Support at 2. Furthermore, PGW stated that 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 in compliance with the Public Utility Code. In addition, the Settlement reduces the administrative burden and costs to resolve the issues. For all these reasons, PGW maintains that the Settlement is in the public interest and should be adopted. PGW Statement in Support at 3.

For its part, the OCA averred that the terms of the Settlement are in the public interest and in the interest of PGW's ratepayers. OCA Statement in Support at 6.

⁹ Settlement ¶ 24(b).

The Settlement contains 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 January 31, 2025, pre-filing and its February 28, 2025, annual filing. The PGC rate adopted by the Settlement is \$5.2578 per McF.

The terms of the Settlement ensure 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.

Moreover, the Settlement addresses the issue identified by the OCA in this proceeding (the only entity that submitted testimony) and proposes a reasonable settlement of that issue. The OCA's support indicating that the terms and conditions of the Settlement are in the public interest and should be approved is convincing.

After considering the Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 Proceeding 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' 2025-2026 GCR Proceeding be approved in its entirety and without modification.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 1307(f), 1318.

2. With respect to PGW's gas purchases and gas purchasing practices during the twelve-month historical reconciliation period ended December 31, 2024, 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.

3. 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. 66 Pa.C.S. § 1318(a).

4. With respect to the eight-month interim period beginning on January 1, 2025, and the projected twelve-month period beginning September 1, 2025, when rates contained in this Settlement will be in effect, 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.

5. A Settlement should be approved, if it is fair, just, reasonable, and promotes the public interest. *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).

6. The Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 GCR Proceeding filed with the Commission on May 16, 2025, is just, reasonable

and in the public interest. *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).

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That The Joint Petition for Settlement of Philadelphia Gas Works' 2025-2026 Gas Cost Rate Proceeding, including all appendices and documents identified therein, is admitted into the record of the proceeding at Docket No. R-2025-3053241.

2. That the Joint Petition for Settlement of the Philadelphia Gas Works' 2025-2026 Gas Cost Rate Proceeding submitted by the Philadelphia Gas Works and the Office of Consumer Advocate at Docket No. R-2025-3053241 be approved in its entirety without modification.

3. That the Philadelphia Gas Works be authorized to file a tariff supplement, 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 Philadelphia Gas Works' 2025-2026 Gas Cost Rate Proceeding filed May 16, 2025 and 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.

4. That the 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.

5. That the Philadelphia Gas Works shall be authorized to continue to recover in the Gas Cost Rate the annual fee for its contract with Intercontinental Exchange (ICE).

6. That the Philadelphia Gas Works be required to include in its next Gas Cost Rate 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, and also be required to provide the underlying excel file used to generate the chart to the parties.

7. That, consistent with previously approved Commission direction, Philadelphia Gas Works be permitted to proceed as follows for its 2026 Gas Cost Rate and subsequent Gas Cost Rate filings:

- a. 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);
- b. 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

- c. 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).

8. That the Formal Complaint filed by the Office of Consumer Advocate at Docket No. C-2025-3053308 be deemed satisfied.

9. That the Formal Complaint filed by the Office of Small Business Advocate at Docket No. C-2025-3053807 be dismissed.

10. That the Commission Investigation at Docket No. R-2025-3053241 be terminated and marked closed.

Date: June 6, 2025

/s/
Christopher P. Pell
Deputy Chief Administrative Law Judge