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May 20, 2026

VIA ELECTRONIC FILING

Matthew Homsher, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: PA Public Utility Commission, *et al.* v. Philadelphia Gas Works
2023 PGW Remand Filing - Docket Nos. R-2023-3037933, *et al.*

Dear Secretary Homsher,

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

Sincerely,

Bryce R. Beard
Bryce R. Beard

BRB/dmc
Enclosure

cc: The Honorable Eranda Vero (*via email; w/attachments*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Joint Petition of Settlement upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email

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Date: May 20, 2026

/s/ Bryce R. Beard

Bryce R. Beard Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**JOINT PETITION FOR
SETTLEMENT OF REMAND PROCEEDING**

May 20, 2026

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EXHIBIT AND STATEMENTS IN SUPPORT

Exhibit 1	Agreed Upon Method of Allocating Peak Demand Costs of the Distribution Main for Rate IT
Statement A	Statement in Support of Joint Petition for Settlement of Philadelphia Gas Works
Statement B	Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate
Statement C	Statement in Support of Joint Petition for Settlement of the Office of Small Business Advocate
Statement D	Statement in Support of Joint Petition for Settlement of the Philadelphia Industrial and Commercial Gas Users Group
Statement E	Letter of Non-opposition to the Joint Petition for Settlement of the Bureau of Investigation and Enforcement
Statement F	Letter of Non-opposition to the Joint Petition for Settlement of the Tenant Union Representative Network
Statement G	Letter of Non-opposition to the Joint Petition for Settlement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania
Statement H	Letter of Non-opposition to the Joint Petition for Settlement of Vicinity

TO ADMINISTRATIVE LAW JUDGE ERANDA VERO:

Philadelphia Gas Works (“PGW” or the “Company”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) (collectively, the “Joint Petitioners”) hereby file this Joint Petition for Settlement of this proceeding, on remand from the Commonwealth Court of Pennsylvania. The Bureau of Investigation and Enforcement (“I&E”), Tenant Union Representative Network (“TURN”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Grays Ferry Cogeneration Partnership (“Grays Ferry”), and Vicinity Energy Philadelphia Inc. (“VEPI”) (“Grays Ferry” and “VEPI” collectively “Vicinity”) do not oppose this Settlement.

The Joint Petitioners, by their respective counsel, submit this Joint Petition For Settlement (“Settlement” or “Joint Petition”), between and among all of the Joint Petitioners, in the above-captioned proceeding and request that Administrative Law Judge Eranda Vero (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”) approve the Settlement without modification. In support of this Settlement, the Joint Petitioners state as follows:

I. BACKGROUND

1. PGW is a city natural gas distribution operation as defined in the Public Utility Code, 66 Pa. C.S. § 102. PGW manages a distribution system of approximately 6,000 miles of gas mains and service lines supplying approximately 500,000 customers in the City and County of Philadelphia.

2. On February 27, 2023, PGW filed Supplement No. 159 to PGW’s Gas Service Tariff – PA. P.U.C. No. 2 (Supplement No. 159) and Supplement No. 105 to PGW’s Supplier Tariff – Pa. P.U.C. No. 1 (Supplement No. 105) to become effective April 28, 2023, seeking a general rate increase calculated to produce \$85.8 million (10.3%) in additional annual revenues.

3. By Order entered April 20, 2023 (“Suspension Order”), the Pennsylvania Public Utility Commission (“Commission”) instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), Supplement No. 159 and Supplement No. 105 were suspended by operation of law until November 28, 2023, unless permitted by Commission Order to become effective at an earlier date. The matter was assigned to the Office of ALJ for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

4. I&E filed a Notice of Appearance. Five formal complaints were filed by: OCA¹; OSBA²; PICGUG³; Vicinity⁴; and James Williford.⁵ In addition, CAUSE-PA, TURN, and POWER Interfaith (“POWER”) intervened.

5. Various issues were litigated in this proceeding, including the appropriate allocation of peak demand costs to Rate IT in PGW’s proposed Class Cost of Service Study (“CCOSS”).

6. On November 9, 2023, the Commission entered an order approving an overall revenue increase of \$26.2 million. Among other things, the Commission agreed with the Recommended Decision to approve PGW’s proposed treatment of Rate IT in the CCOSS.⁶

7. On February 14, 2024, PICGUG petitioned the Commonwealth Court of Pennsylvania for review of the Commission’s January 18, 2024 order.

¹ The OCA’s complaint was docketed at C-2023-3038846.

² The OSBA’s complaint was docketed at C-2023-3038885.

³ PICGUG’s complaint was docketed at C-2023-3039059.

⁴ Vicinity’s complaint was docketed at C-2023-3038727.

⁵ Mr. Williford’s complaint was docketed at C-2023-3039130.

⁶ On January 18, 2024, the Commission issued another Order addressing reconsideration and clarification requests. Thus, the January 18 order was the Commission’s “Final Order.”

8. By Order dated August 1, 2025, the Commonwealth Court vacated the January 18, 2024, order of the Commission and remanded the matter to the Commission for further explanation of the issues described further herein.

9. On November 24, 2025, this matter was reassigned to the Commission's Office of Administrative Law Judge ("OALJ") for issuance of a Recommended Decision per the Commonwealth Court's August 1, 2025 Order. ALJ Eranda Vero was assigned to preside.

10. A Prehearing Conference Order on Remand issued December 10, 2025 scheduled a telephonic prehearing conference on January 5, 2026.

11. Direct testimony in relation to the issues on remand was submitted on March 19, 2026 by PGW, OCA, OSBA, and PICGUG; rebuttal testimony was submitted on April 16, 2026 by PGW and PICGUG.

12. Negotiations were conducted by the Joint Petitioners in an effort to achieve a settlement of all of the issues in this proceeding prior to hearing. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein that resolves all issues.

13. As described more fully herein and in the attached Statements of Support, the Joint Petitioners believe that this Settlement is in the public interest and support or do not oppose its adoption by the Commission. Principally, the Joint Petitioners have agreed to allocate the peak demand costs of PGW's distribution system for Rate IT in the CCOSS by using 50% actual, historical peak demand responsibility and 50% design day responsibility. This equal weighting will be used by PGW in future base rate filings, and accepted by the settling Parties for the five-year period commencing upon the date of the Commission's Final Order in this Remand proceeding. The settlement benefits all parties, as well as giving the Commission certainty and a fair and reasonable resolution of the issues to be determined on remand.

II. TERMS AND CONDITIONS OF SETTLEMENT

14. The Joint Petitioners hereby respectfully request that the ALJ and Commission approve the terms of the Settlement as follows:

A. ALLOCATION OF PEAK DEMAND COSTS

15. The Joint Petitioners agree to the following with respect to PGW's allocation of peak demand costs:

- i. In any PGW base rate case commenced on or before five years from the date of the Commission's Final Order on Remand in this Proceeding, PGW shall file a Cost of Service Study (COSS) that allocates peak demand costs of the distribution system for Rate IT using 50% actual, historical peak demand responsibility and 50% design day responsibility.⁷ No rate changes will occur as a result of this remand proceeding (Docket No. R-2023-3037933). All parties retain their rights to contest/defend other cost allocation and rate design treatment of Rate IT.
- ii. In any PGW base rate case commenced on or before five years from the date of the Commission's Final Order on Remand in this Proceeding, the parties shall not challenge PGW's allocation of peak demand costs in its filed COSS as set forth above, unless and until the Commission or a court directs otherwise.
- iii. In any PGW base rate case commenced after five years from the date of the Commission's Final Order on Remand in this Proceeding, PGW is under no obligation to submit a COSS with the allocation provided above, and all parties shall have the right to challenge and propose their own alternative allocations.
- iv. The parties to the remand proceeding will petition the Commission to resolve this remand proceeding as soon as practicable on this basis and report the same to the Commonwealth Court in a manner determined to be appropriate by the signatory parties to this settlement.
- v. The terms agreed upon in Subparagraph Nos. i–iii and as depicted in Exhibit 1 to this settlement cannot be used as precedent in any future proceeding except as provided therein.

⁷ The method of doing this will be reflected in an Exhibit 1 to this Settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

16. The Joint Petitioners have each prepared, and attached hereto, as Statements A through D, their Statements in Support setting forth the bases upon which they believe that the Settlement is fair, just, reasonable, non-discriminatory, lawful and in the public interest.

17. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- A. The Settlement Provides a Reasonable Resolution. The Settlement represents a balanced compromise of the settling parties in this proceeding and is a reasonable resolution of the issue of allocating peak demand costs of the distribution system for Rate IT.
- B. Certainty in allocation with Opportunity to Re-Evaluate After Five Years. The Settlement proposes a compromise resolution of the issue of allocating peak demand costs of the distribution system for Rate IT for a period of five years, which provides the Joint Petitioners with an opportunity to revisit the compromise reached here after that period.
- C. Substantial Litigation and Associated Costs Will Be Avoided. The Settlement amicably and expeditiously resolves all issues in the proceeding. The administrative burden and costs to litigate these matters to conclusion would have been significant.
- D. The Settlement Is Consistent with Commission Policies Promoting Negotiated Settlements. The Joint Petitioners arrived at the Settlement after submitting testimony into the record and having in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements (52 Pa. Code §§ 5.231, 69.391, 69.401–69.406) and is supported by a substantial record.
- E. Reporting the settlement to the Commonwealth Court. The parties have agreed to notify the Commonwealth Court of the settlement of this remand proceeding in a manner the signatory parties deem appropriate. After the settlement is approved, the parties, in conjunction with the Commission, will provide any notices deemed to be required to ensure the remand proceeding is fully resolved.

IV. ADDITIONAL TERMS AND CONDITIONS

18. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement. This Settlement may not be cited as precedent in any future proceeding, except to the extent set forth in the Settlement.

19. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any party in this or any other proceeding, if it were fully litigated.

20. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.

21. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, with the exception of this paragraph, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw from the Settlement as provided above, each of the Joint Petitioners reserves their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

22. All Joint Petitioners support the Settlement, and have agreed to make all reasonable and good faith efforts to obtain approval of the Settlement by the ALJ and the Commission without modification. The Parties agree that such good faith efforts do not include opposing or responding to comments or oppositions to the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding on remand.

23. If the ALJ, in the Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) any modifications to the terms and conditions of this Settlement; or (b) any additional matters proposed by the ALJ in the Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

24. Each term and condition set forth in this Joint Petition, whether or not set out in a numbered paragraph, shown in a table or other graphic presentation, bolded, italicized or otherwise emphasized, or set forth in the body, a footnote, parenthetical, or appendix, is a material consideration to the entry into this Settlement by the Joint Petitioners.

25. This Settlement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the ALJ approve the Settlement on Remand as set forth herein, including all terms and conditions, without modification.
2. That the remand proceeding at Docket No. R-2023-3037933 be marked closed.
3. That the Commission enter an Order approving the Settlement without modification.
4. That the Commission take any action determined to be required to inform the Commonwealth Court of its Order resolving the matter and requesting that the Commonwealth Court docket be marked closed.

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Date: May 20, 2026

EXHIBIT 1

Agreed Upon Method of Allocating Peak Demand Costs of the Distribution Main for Rate IT

PHILADELPHIA GAS WORKS

COMPARISON OF AS-REQUESTED COST OF SERVICE TO COST OF SERVICE ALLOCATING NO PEAK DEMAND FOR RATE IT WITH REVENUES UNDER PROPOSED, COMPLIANCE AND PARITY RATES
 BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED AUGUST 31, 2024
 WITHOUT GAS COSTS

Service Classification (1)	As-Requested Cost of Service (in 000's)		No Peak Demand for Rate IT Cost of Service (in 000's)		Variance (6)	PGW (As-Requested) Under Proposed Rates		Revenue Increase		PGW (Final Order) Under Compliance Rates		Revenue Increase	
	Amount	Percent	Amount	Percent		Amount (in 000's)	Percent	Amount	Percent Increase	Amount (in 000's)	Percent	Amount	Percent Increase
	(2)	(3)	(4)	(5)		(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Residential	\$ 395,080	74.71%	\$ 403,350	76.28%	\$ 8,271	\$ 419,616	79.60%	\$ 68,090	19.37%	\$ 369,312	79.53%	\$ 17,786	5.06%
Commercial	72,531	13.72%	74,466	14.08%	1,935	72,656	13.78%	10,857	17.57%	64,979	13.99%	3,180	5.15%
Industrial	5,606	1.06%	5,783	1.09%	177	5,880	1.12%	960	19.52%	5,201	1.12%	281	5.71%
Municipal	6,771	1.28%	6,985	1.32%	214	6,299	1.20%	1,427	29.28%	5,291	1.14%	418	8.58%
PHA - GS	1,999	0.38%	2,040	0.39%	41	2,006	0.38%	358	21.70%	1,753	0.38%	105	6.37%
PHA - Rate 8	2,984	0.56%	3,081	0.58%	97	2,992	0.57%	377	14.44%	2,724	0.59%	110	4.21%
NGVS	55	0.01%	56	0.01%	0	35	0.01%	8	29.77%	29	0.01%	2	7.37%
Interruptible*	33,547	6.34%	22,789	4.31%	(10,759)	16,516	3.13%	3,743	29.30%	13,928	3.00%	1,155	9.04%
Grays Ferry/Veolia	10,222	1.93%	10,245	1.94%	23	1,129	0.21%	-	0.00%	1,129	0.24%	-	0.00%
Total	\$ 528,794	100.00%	\$ 528,794	100.00%	\$ 0	\$ 527,130	100.00%	\$ 85,820	19.45%	\$ 464,347	100.00%	\$ 23,037	5.22%

*Assumes Rate IT Class is interruptible for cost allocation purposes in Column 4.

**PGW VS. PICGUG UNDER PARITY RATES
BASED ON AS-FILED 2023 COSS**

PHILADELPHIA GAS WORKS

**COMPARISON OF AS-REQUESTED COST OF SERVICE TO COST OF SERVICE ALLOCATING NO PEAK DEMAND TO RATE IT WITH REVENUES UNDER PRESENT AND PARITY REVENUE
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED AUGUST 31, 2024
WITHOUT GAS COSTS**

Service Classification (1)	As-Requested Cost of Service (in 000's)		No Peak Demand for Rate IT Cost of Service (in 000's)		Variance (6)	Pro Forma Revenue Under Present Rates		PGW (As-Requested) Under Parity Rates		Revenue Increase		PGW (No Peak Demand for Rate IT) Under Parity Rates		Revenue Increase	
	Amount	Percent	Amount	Percent		Amount (in 000's)	Percent	Amount (in 000's)	Percent	Amount	Percent Increase	Amount (in 000's)	Percent	Amount	Percent Increase
	(2)	(3)	(4)	(5)		(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Residential	\$ 395,080	74.71%	\$ 403,350	76.28%	\$ 8,271	\$ 351,526	79.66%	\$ 395,080	74.71%	\$ 43,554	12.39%	\$ 403,350	76.28%	\$ 51,825	14.74%
Commercial	72,531	13.72%	74,466	14.08%	1,935	61,799	14.00%	72,531	13.72%	10,731	17.36%	74,466	14.08%	12,666	20.50%
Industrial	5,606	1.06%	5,783	1.09%	177	4,920	1.11%	5,606	1.06%	686	13.95%	5,783	1.09%	863	17.54%
Municipal	6,771	1.28%	6,985	1.32%	214	4,873	1.10%	6,771	1.28%	1,898	38.95%	6,985	1.32%	2,112	43.34%
PHA - GS	1,999	0.38%	2,040	0.39%	41	1,648	0.37%	1,999	0.38%	350	21.26%	2,040	0.39%	391	23.75%
PHA - Rate 8	2,984	0.56%	3,081	0.58%	97	2,614	0.59%	2,984	0.56%	369	14.12%	3,081	0.58%	467	17.85%
NGVS	55	0.01%	56	0.01%	0	27	0.01%	55	0.01%	28	104.30%	56	0.01%	29	105.71%
Interruptible*	33,547	6.34%	22,789	4.31%	(10,759)	12,773	2.89%	33,547	6.34%	20,774	162.64%	22,789	4.31%	10,016	78.41%
Grays Ferry/Veolia	10,222	1.93%	10,245	1.94%	23	1,129	0.26%	10,222	1.93%	9,093	805.37%	10,245	1.94%	9,116	807.42%
Total	\$ 528,794	100.00%	\$ 528,794	100.00%	\$ 0	\$ 441,310	100.00%	\$ 528,794	100.00%	\$ 87,484	19.82%	\$ 528,794	100.00%	\$ 87,484	19.82%

*Assumes Rate IT Class is interruptible for cost allocation purposes in Columns 4 and 13.

PHILADELPHIA GAS WORKS
COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED 2023 RATE CASE RATES
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED AUGUST 31, 2024
WITHOUT GAS COSTS AND
THE 50/50 ALLOCATION OF PRO FORMA PEAK DEMAND DISTRIBUTION RELATED COSTS TO THE RATE IT CLASS

Service Classification (1)	Pro Forma		Pro Forma Margin Revenues,				Revenue Increase	
	Cost of Service (in 000's)		Under Present Rates		Under Proposed 2023 Rate Case Rates		Amount (8)	Percent Increase (9)
	Amount (2)	Percent (3)	Amount (in 000's) (4)	Percent (5)	Amount (in 000's) (6)	Percent (7)		
Residential	\$ 402,268	76.07%	\$ 351,526	79.66%	\$ 419,616	79.60%	\$ 68,090	19.37%
Commercial	74,212	14.03%	61,799	14.00%	72,656	13.78%	10,857	17.57%
Industrial	5,760	1.09%	4,920	1.11%	5,880	1.12%	960	19.52%
Municipal	6,958	1.32%	4,873	1.10%	6,299	1.20%	1,427	29.28%
PHA - GS	2,034	0.38%	1,648	0.37%	2,006	0.38%	358	21.70%
PHA - Rate 8	3,069	0.58%	2,614	0.59%	2,992	0.57%	377	14.44%
NGVS	56	0.01%	27	0.01%	35	0.01%	8	29.77%
Interruptible	24,195 *	4.58%	12,773	2.89%	16,516	3.13%	3,743	29.30%
Grays Ferry/Veolia	10,242	1.94%	1,129	0.26%	1,129	0.21%	-	0.00%
Total	\$ 528,794	100.00%	\$ 441,310	100.00%	\$ 527,130	100.00%	\$ 85,820	19.45%
NGS/LNG and Contract Revenue	686		686		686		-	
Surcharges	79,027		79,027		79,027		-	
Other Operating Revenues	(4,205)		(2,391)		(4,205)		(1,814)	
Total Other Revenues	75,508		77,322		75,508		(1,814)	
Total	\$ 604,302		\$ 518,631		\$ 602,638		\$ 84,006	16.2%

*Allocation of peak demand related costs are based on a 50/50 ratio of peak day to design day demands.

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTORS 2 AND 2A. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS.

Factors are based on the maximum day extra demand throughput for each classification.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 2	Allocation Factor 2A*
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)
<u>Volumetric Costs</u>					
Residential	95,409	429,513	334,104	0.75798	0.76829
Commercial	28,268	107,276	79,008	0.17925	0.18168
Industrial	2,316	9,559	7,243	0.01643	0.01666
Municipal	2,623	11,394	8,771	0.01990	0.02017
PHA GS	459	2,131	1,673	0.00379	0.00385
PHA R8	1,196	5,251	4,054	0.00920	0.00932
NGVS	55	70	15	0.00003	0.00003
Interruptible	31,867	36,934	5,068	0.01150	
Grays Ferry/Veolia	10,471	11,316	845	0.00192	
Total	<u>172,664</u>	<u>613,445</u>	<u>440,781</u>	<u>1.00000</u>	<u>1.00000</u>

* Factor 2A excludes Interruptible volumes.

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTORS 2B. CALCULATION OF MAXIMUM DAY EXTRA DEMAND FACTORS.

Factors are based on the maximum day extra demand throughput for each classification.

Service Classification	Pro Forma Average Daily Throughput Volumes (Mcf)	Peak Day Capacity (Mcf)	Extra Capacity (Mcf)	Allocation Factor 2B
(1)	(2)	(3)	(4)=(3)-(2)	(5)
<u>Volumetric Costs</u>				
Residential	95,409	429,513	334,104	0.75059
Commercial	28,268	107,276	79,008	0.17750
Industrial	2,316	9,559	7,243	0.01627
Municipal	2,623	11,394	8,771	0.01971
PHA GS	459	2,131	1,673	0.00376
PHA R8	1,196	5,251	4,054	0.00911
NGVS	55	70	15	0.00003
Interruptible	31,867	36,934	5,068	0.01138
Grays Ferry/Veolia	33,663	38,850	5,187	0.01165
Total	<u>195,856</u>	<u>640,979</u>	<u>445,123</u>	<u>1.00000</u>

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 3. ALLOCATION OF COSTS ASSOCIATED WITH DISTRIBUTION

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 3
	MCF/Day	Allocation Factor	Weighted Factor*	Allocation Factor 2	Weighted Factor*	
(1)	(2)	(3)	(4)=(3)x 0.50000	(5)	(6)=(5)x 0.50000	(7)=(4)+(6)
<u>Volumetric Costs</u>						
Residential	95,409	0.55257	0.27629	0.75798	0.37899	0.65528
Commercial	28,268	0.16372	0.08186	0.17925	0.08962	0.17148
Industrial	2,316	0.01341	0.00671	0.01643	0.00822	0.01492
Municipal	2,623	0.01519	0.00760	0.01990	0.00995	0.01755
PHA GS	459	0.00266	0.00133	0.00379	0.00190	0.00323
PHA R8	1,196	0.00693	0.00346	0.00920	0.00460	0.00806
NGVS	55	0.00032	0.00016	0.00003	0.00002	0.00018
Interruptible	31,867	0.18456	0.09228	0.01150	0.00575	0.09803
Grays Ferry	10,471	0.06064	0.03032	0.00192	0.00096	0.03128
Total	<u>172,664</u>	<u>1.00000</u>	<u>0.50000</u>	<u>1.00000</u>	<u>0.50000</u>	<u>1.00000</u>

* The weighting of the factors is based on the percentage of average daily throughput.

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 3A. ALLOCATION OF COSTS ASSOCIATED WITH DISTRIBUTION, OTHER THAN MAINS

Factors are based on the weighting of the factors derived from average daily throughput volumes and from maximum day extra capacity demand for each service classification, as follows:

Service Classification	Average Daily Throughput			Maximum Day Extra Demand		Allocation Factor 3A (7)=(4)+(6)
	MCF/Day (2)	Allocation Factor (3)	Weighted Factor* (4)=(3)x 0.50000	Allocation Factor 2B (5)	Weighted Factor* (6)=(5)x 0.50000	
<u>Volumetric Costs</u>						
Residential	95,409	0.48714	0.24357	0.75059	0.37529	0.61886
Commercial	28,268	0.14433	0.07217	0.17750	0.08875	0.16091
Industrial	2,316	0.01183	0.00591	0.01627	0.00814	0.01405
Municipal	2,623	0.01339	0.00670	0.01971	0.00985	0.01655
PHA GS	459	0.00234	0.00117	0.00376	0.00188	0.00305
PHA R8	1,196	0.00611	0.00305	0.00911	0.00455	0.00761
NGVS	55	0.00028	0.00014	0.00003	0.00002	0.00016
Interruptible	31,867	0.16271	0.08135	0.01138	0.00569	0.08705
Grays Ferry	33,663	0.17188	0.08594	0.01165	0.00583	0.09176
Total	195,856	1.00000	0.50000	1.00000	0.50000	1.00000

* The weighting of the factors is based on the percentage of average daily throughput.

STATEMENT A

**Statement in Support of Joint Petition for Settlement
of
Philadelphia Gas Works**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**PHILADELPHIA GAS WORKS’
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT
OF REMAND PROCEEDING**

Philadelphia Gas Works (“PGW” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Settlement of this remand proceeding (“Settlement” or “Joint Petition”) filed in the above-captioned case before the Pennsylvania Public Utility Commission (“PUC” or “Commission”).

This Settlement is joined in by PGW the Office of Consumer Advocate (“OCA”), Office of Small Business Advocate (“OSBA”), and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”). (collectively, the “Joint Petitioners”). The Bureau of Investigation and Enforcement (“I&E”), Tenant Union Representative Network (“TURN”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Grays Ferry Cogeneration Partnership (“Grays Ferry”), and Vicinity Energy Philadelphia Inc. (“VEPI”) all do not oppose the settlement of this matter on remand.

PGW believes that the Settlement is in the best interests of PGW and its customers, and, therefore, is in the public interest and should be approved expeditiously and without modification. The Settlement was reached after extensive appellate litigation and submission of written

testimony on remand by the active parties, and after a series of negotiations and discussions concerning the issue central to this remand proceeding: the allocation in the Class Cost of Service Study (“CCOSS”) of peak demand costs of the distribution system for interruptible transportation (“Rate IT”) customers.¹ It therefore represents a reasonable resolution of this remaining issue in the instant remand proceeding while properly considering the interests of ratepayers and other stakeholders.

I. BACKGROUND

As more fully set forth in the Joint Petition, on February 27, 2023, PGW filed Supplement No. 159 to PGW’s Gas Service Tariff – PA. P.U.C. No. 2 (Supplement No. 159) and Supplement No. 105 to PGW’s Supplier Tariff – Pa. P.U.C. No. 1 (Supplement No. 105) to become effective April 28, 2023, seeking a general rate increase calculated to produce \$85.8 million (10.3%) in additional annual revenues (hereinafter, “2023 Base Rate Proceeding”). The Commission’s Bureau of Investigation and Enforcement (“BIE”) filed a Notice of Appearance. Five formal complaints were filed by: the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”); Grays Ferry and VEPI (collectively, “Vicinity”); and James Williford. In addition, CAUSE-PA, TURN, and POWER Interfaith (“POWER”) intervened.

On November 9, 2023, after full litigation, the Commission entered an order approving an overall revenue increase of \$26.2 million. Among other things, the Commission agreed with the Recommended Decision² and approved PGW’s proposed CCOSS, which allocated peak demand costs to Rate IT customers on the basis of their actual contribution to historic peak demand. The

¹ Rate IT customers (or interruptible customers), use the distribution system each and every day but may face interruptions of natural gas service during periods of high demand on the system. During the “interruption,” a Rate IT customer would not receive all or a portion of the gas that would normally be delivered.

² *Pa. Pub. Util. Comm’n v. PGW*, Docket Nos. R-2023-3037933 *et al.* (Recommended Decision entered Sept. 5, 2023).

Commission agreed with the ALJs that, “for cost allocation purposes, interruptible customers are not truly interruptible.” The Commission determined that because Rate IT customers receive the equivalent of Firm service³ (by using PGW’s distribution system during peak periods), the costs incurred to be able to provide service during periods of peak demand should be allocated to Rate IT customers in the same manner as to Firm service customers, and that, for this reason, among others, Rate IT customers were substantially underpaying their costs to serve at present rates in effect at that time.

On February 14, 2024, PICGUG petitioned the Commonwealth Court of Pennsylvania for review of the Commission’s January 18, 2024 Order. By Order dated August 1, 2025, the Commonwealth Court vacated the January 18, 2024, Order of the Commission and remanded the matter to the Commission for further explanation of the issues described further herein. On November 24, 2025, this matter was reassigned to the Commission’s Office of Administrative Law Judge (“OALJ”) for issuance of a Recommended Decision per the Commonwealth Court’s August 1, 2025 Order. ALJ Eranda Vero was assigned to preside. A telephonic prehearing conference occurred on January 5, 2026.

Direct testimony in relation to the issues on remand was submitted on March 19, 2026 by PGW, OCA, OSBA, and PICGUG; rebuttal testimony was submitted on April 16, 2026 by PGW and PICGUG; there was no surrebuttal or rejoinder testimony filed. Negotiations were conducted by the Parties in an effort to achieve a settlement of the issues in this proceeding prior to a hearing. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein that resolves all issues.

³ “Firm” service customers are expected to receive uninterrupted service of natural gas, even during periods of high demand on the system. *See* PGW St. No. 1-RD at 6. Rates for typical Firm Service customers are shown in PGW witness Teme’s testimony. *Id.* at 13.

II. STANDARD OF REVIEW OF SETTLEMENTS

The Commission encourages parties in contested on-the-record proceedings to settle cases.⁴ Settlements eliminate the time, effort, and expense the parties must expend litigating a case and at the same time conserves administrative resources. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.⁵

The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters.⁶ Instead, the benchmark for determining the acceptability of a settlement is whether the proposed terms and conditions are in the public interest.⁷

By definition, a “settlement” reflects a compromise of the positions that the parties of interest have held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the agreement reached suits the public interest.⁸

⁴ See 52 Pa. Code § 5.231.

⁵ *Id.* § 69.401.

⁶ See, e.g., *Pa. Pub. Util. Comm’n v. Borough of Schuylkill Haven Water Dept.*, Docket Nos. R-2015-2470184, *et al.* (Opinion and Order entered Oct. 22, 2015, adopting the Recommended Decision dated Sept. 1, 2015 at 9–10); *Pa. Pub. Util. Comm’n v. City of Lancaster – Bureau of Water*, Docket Nos. R-2010-2179103, *et al.* (Opinion and Order entered July 14, 2011), at 11; *Warner v. GTE North, Inc.*, Docket No. C-00902815 (Opinion and Order entered April 1, 1996).

⁷ See *Pa. Pub. Util. Comm’n v. Allied Util. Servs., Inc.*, Docket Nos. R-2015-2479955, *et al.* (Opinion and Order entered Apr. 7, 2016, adopting the Recommended Decision dated Feb. 26, 2016), at 8

⁸ See, e.g., *Pa. Pub. Util. Comm’n v. York Water Co.*, Docket No. R-00049165 (Opinion and Order entered Oct. 4, 2004, adopting the Recommended Decision dated Aug. 30, 2004).

In their supporting statements, the Joint Petitioners concluded that this Settlement resolves all contested issues in this case, fairly balances the interests of the Company and its ratepayers, is in the public interest, and is consistent with the requirements of the Public Utility Code.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST AND SHOULD BE APPROVED EXPEDITIOUSLY AND WITHOUT MODIFICATION

A. Introduction

The Commonwealth Court’s Order remanding this proceeding indicated that it did not believe that there was sufficient evidence on the record to determine whether the Commission’s decision adopting PGW’s proposed method of allocating peak demand costs to the Rate IT Class was supported by substantial evidence.⁹ To address this perceived deficiency, the Court requested that the PUC provide additional information in the form of responses to several questions.¹⁰ The Joint Petitioners, and PGW and PICGUG in particular, presented extensive evidence to respond to the Commonwealth Court questions. However, in the course of developing that record, the Joint Petitioners determined that a reasonable resolution could be had of the ultimate question in the remand proceeding: whether the Commission’s allocation of peak demand costs to the Rate IT customer class was just, reasonable, non-discriminatory, and otherwise in accordance with law. The proposed resolution of this question, and the ample evidence supporting its reasonableness, is set forth below.

B. The Settlement Provisions Are in the Public Interest

1. Allocation of Peak Demand Costs
 - a. PGW’s Position

⁹ *Phila. Indus. and Commercial Gas Users Grp. v. Pa. Pub. Util. Comm’n*, 342 A.3d 140, 156 (Pa. Commw. Ct. 2025).

¹⁰ *Id.* at 157–58.

The sole issue in this remand proceeding is the appropriate manner in which to allocate peak demand costs to Rate IT in the CCOSS used as a basis for determining the allocation of rate increase in the 2023 Base Rate Proceeding. The Commission ruled in favor of PGW’s as-filed CCOSS and methodologies. This included accepting PGW’s use of the Average and Excess Demand Method, which requires that “excess demand” responsibility be allocated to each class. PGW’s cost of service expert witness Greg Herbert explained that, prior to the 2023 Base Rate Proceeding, PGW’s CCOSS study had used PGW’s “design day” to allocate the peak demand cost responsibility.¹¹ PGW’s “design day” is defined as the level of gas that would flow on essentially the coldest day that Philadelphia historically has had (when average temperature is zero degrees Fahrenheit).¹² Notably, PGW assumes that the IT class would be interrupted on that design day, and, therefore, the IT class received no allocation of peak demand costs in the prior CCOSSs.¹³

For the 2023 study, historic peak day demand by class was used by PGW witness Constance Heppenstall, who served as Senior Project Manager, Rate Studies with Gannett Fleming until retiring after the 2023 Base Rate Proceeding. That was done for at least two reasons. First, PGW does not have data to accurately develop the design day demands allocated by class. Second, if design day demand were used, the Rate IT class would not receive any allocation of peak demand costs because, as noted, pursuant to PGW’s system-wide design day supply model, the Rate IT customers are assumed to be interrupted on the design day.¹⁴ Therefore, Ms. Heppenstall determined to allocate extra peak demand costs using historic peak demand because Rate IT class customers are, in reality, always taking service on PGW’s actual peak day. In fact, PGW determined upon further investigation in this case that PGW has never actually interrupted the Rate

¹¹ PGW St. No. 2-RR at 3–4.

¹² PGW St. No. 1-RD at 9; PGW St. No. 1-RR at 2 n.2.

¹³ PGW St. No. 1-RR at 3–4, 9.

¹⁴ *Id.*

IT class since the Rate IT class was established in 2003.¹⁵ Thus, since Rate IT customers have never been interrupted, and design day data is and was not available by class, Ms. Heppenstall determined it was reasonable to allocate extra capacity costs based on each class's historic peak day throughputs.

For a number of reasons, Mr. Herbert (Ms. Heppenstall's successor) also testified that this approach was reasonable. First, he clarified that the Rate IT class was not technically treated by PGW and the Commission as a "Firm" customer class for cost allocation.¹⁶ He explained that there are a number of factors in the CCOSS from which the IT Class is excluded because they do not contribute to those costs.¹⁷ There was only one cost allocation factor, Factor 2 (Factor 2 allocations by class are carried through in the development of Factors 2B, 3 and 3A) that "treated" IT customers as if they were firm: the extra capacity portion of these factors was developed based on each customer class's actual, historic peak day demands rather than hypothetical design day.¹⁸

Mr. Herbert went on to explain that the Commission-approved allocation of peak demand-related costs using actual peak demand responsibility was consistent with the purpose of a CCOSS, which is to allocate projected costs of a future test period to the various customer classes in proportion to each class's use of the facilities, commodity, and services on the basis of various usage characteristics of each class, such as quantity of gas consumed, sales and transportation, demand characteristics, and costs associated with metering, billing, and accounting.¹⁹ Since the IT

¹⁵ See PGW St. No. 1-RD at 9–10; PGW St. No. 1-RR at 2.

¹⁶ PGW St. No. 2-RD at 6–7.

¹⁷ PGW St. No. 2-RR at 3–4.

¹⁸ *Id.* at 4–5. While this cost allocation was characterized in the 2023 Base Rate Proceeding as "treating the IT customers as Firm," this was really just a shorthand method of characterizing PGW's position. In actuality, IT customers were "treated as firm" only for one specific cost allocation factor.

¹⁹ PGW St. No. 2-RD at 8.

Class has actually never been interrupted, they are clearly using the distribution system – and contributing to its costs – on the peak day.²⁰

Moreover, PGW presented evidence demonstrating that it considers both design day and actual historic peaks and annual usage in making current distribution system investment decisions.²¹

PGW witnesses Herbert and Teme also presented responses to each of the questions raised by the Commonwealth Court. In summary, the answers provided were as follows:

- (1) Whether treating PICGUG as technically “Firm” for purposes of rate allocation while, at the same time, requiring it to adhere to the obligations of interruptible customers under PGW’s Tariff violates PGW’s Tariff and, thus, Section 1303 of the Public Utility Code;

PGW and the Commission did not treat the Rate IT customers as technically “Firm” for the purposes of rate allocation. First, the revenue allocation of the rate increase to the Rate IT class is different than the treatment of allocating costs to the Rate IT class in the CCOSS. Second, the rate allocation to Rate IT was different than the allocation of rate increase to PGW’s Firm customers. Firm customer rates are higher than comparable IT customer rates by some 2–8 times.²² As explained above, PGW’s CCOSS also did not treat IT customers as “firm.” It merely allocated peak demand costs based on each class’s actual contribution to historic peak demand.

- (2) How under a cost causation analysis, Rate IT customers caused PGW’s distribution mains-related costs to be incurred;

PGW showed that, while it is impossible to trace the exact customer or class of customer that caused the original incurrence of cost, IT customer peak load is fully considered and accounted for when making replacement decisions. Moreover, the IT Class’s use of the distribution system on

²⁰ PGW St. No. 2-RR at 4–5.

²¹ See PGW Exh. FT-RD-1, Answer to OSBA Set I-8 (Remand) (“Low pressure distribution mains are sized based on the annual loads associated with the number of properties, customers and potential future annual and peak loads on a specific segment of pipe being replaced.”).

²² PGW St. No. 1-RD at 9–10, 13 (compare “IT A” with “FT Com,” and “IT E” with “FT Ind,” figures within “Total Annual Bill” column); PGW St. No. 2-RD at 6–8.

*every actual peak day further supports the conclusion that they are currently contributing to peak demand costs for the system.*²³

- (3) Whether the Commission applied a new retrospective benefits or “value of service” principle to conclude that interruptible customers should pay for the benefits that they ultimately received from a utility service for purposes of rate allocation, and if so, whether that principle is consistent with cost causation principles or whether it is a new ratemaking principle that should replace or supplement cost causation as the operative ratemaking rationale in this unique situation;

*As explained in the testimony, the Commission did not apply any sort of “retrospective benefits” or “value of service” principle. Instead it merely agreed that the best reflection of how peak demand costs are incurred on PGW’s distribution system is a class’s contribution to actual peak demand.*²⁴

- (4) Whether employing a benefits principle can be squared with the Commission’s duty to impose only “just and reasonable” rates considering the interruptible nature of Rate IT customers and their investment in systems to allow for interruptions in the event that PGW does call for a curtailment.

*While the IT Class is required to make an investment in alternative fuel capability in order to take interruptible service, they receive considerable benefits from that status. IT customers have rates that are a fraction of comparable firm transmission customers and also benefit from that fact that their natural gas suppliers are permitted to utilize interruptible upstream transportation to bring a customer’s gas to PGW’s city gate, an alternative that is much cheaper than firm transmission,²⁵ that PGW’s firm transportation customer suppliers are required to use. IT customers are also currently being exempt from all surcharges. Any cost an Interruptible customer incurs to qualify for Interruptible service is returned manyfold by the benefits of being on the IT rate.*²⁶

²³ PGW St. No. 1-RD at 10; PGW St. No. 2-RD at 8–10.

²⁴ PGW St. No. 1-RD at 10–11; PGW St. No. 2-RD at 8–9.

²⁵ PGW St. No. 1-RD-R at 5.

²⁶ PGW St. No. 1-RD at 11.

b. Position of Other Parties and PGW Response

OCA did not alter its position that it had taken in the 2023 Base Rate Proceeding and submitted testimony demonstrating the wide rate disparity between IT rates and the rates applicable to firm transmission customers.²⁷ PICGUG submitted testimony that generally repeated the arguments that it had made during the 2023 Base Rate Proceeding and on appeal, although it did newly claim that the reason PGW has never interrupted IT customers is because PGW has “excess capacity.”²⁸ OSBA testified that while, ideally, peak demand costs should be allocated on the basis of design day, the Rate IT allocation also may incorrectly fail to allocate costs associated with PGW’s universal service programs, its Distribution System Improvement Charge (“DSIC”), and other surcharges.²⁹

In response to these various arguments, PGW submitted the testimony of Mr. Herbert and Mr. Teme, which systemically refuted the arguments made challenging the PUC’s adopted allocation of peak demand.³⁰ PGW also submitted testimony showing that the PICGUG suggestion of “excess capacity” was based on testimony in another proceeding, by another party having to do with PGW’s *upstream* transportation capacity.³¹ IT customers do not utilize PGW’s upstream capacity to bring their gas to the city gate; therefore the levels of capacity that PGW keeps under

²⁷ OCA St. 1-Remand.

²⁸ PICGUG St. 1D-R, 8.

²⁹ OSBA Statement No. 1-RD at 19.

³⁰ PGW St. No. 1-RR; PGW St. No. 2-RR.

³¹ PGW St. No. 1-RR at 3–4.

contract to serve firm customers obviously has no relevance to why it has not interrupted IT customers.³²

PGW also submitted testimony by Mr. Herbert that demonstrated that, even if the CCOSS was modified to allocate peak demand costs using design day contribution – the method advocated by PICGUG – IT costs would still be millions of dollars below this adjusted cost of service.³³ In other words, even if PICGUG were successful in its arguments in this proceeding and the Commission adopted its proposed method for allocating peak demand costs, Rate IT’s 2023 revenues would still not be enough to cover their adjusted cost of service. In fact, such rates would need to be increased significantly if Rate IT customers were to be made to pay their full cost of service.³⁴

c. Proposed Settlement

The terms of the proposed Settlement are as follows:

1. In any PGW base rate case commenced on or before five years from the date of the Commission’s Final Order on Remand in this Proceeding, PGW shall file a Cost of Service Study (COSS) that allocates peak demand costs of the distribution system for Rate IT using 50% actual, historical peak demand responsibility and 50% design day responsibility.³⁵ No rate changes will occur as a result of this remand proceeding (Docket No. R-2023-3037933).
2. In any PGW base rate case commenced on or before five years from the date of the Commission’s Final Order on Remand in this Proceeding, the parties shall not challenge PGW’s allocation of peak demand costs in its filed COSS as set forth in Paragraph No. 1 herein unless and until the Commission or a court directs otherwise.

³² *Id.* In addition, testimony was submitted in that prior proceeding showing that PGW also did not have “excess capacity” in its upstream capacity assets, as the level it maintains is the amount needed to continue to serve firm customers on its design day. *Id.*

³³ PGW St. No. 2-RR at 8.

³⁴ *Id.* at 7–8; PGW St. No. 1-RD at 12.

³⁵ The method of doing this will be reflected in an Exhibit 1 to this Settlement. The parties agree that the terms in Paragraph Nos. 1, 2, and 3 (and as depicted in Exhibit 1 to this settlement) cannot be used as precedent in any future proceeding except as provided therein.

3. In any PGW base rate case commenced after five years from the date of the Commission's Final Order on Remand in this Proceeding, PGW is under no obligation to submit a COSS with the allocation provided in Paragraph No. 1 and all parties shall have the right to challenge and propose their own alternative allocations.
4. The parties to the remand proceeding will petition the Commission to resolve this remand proceeding as soon as practically possible on this basis and report the same to the Commonwealth Court in a manner determined to be appropriate by the signatory parties to this settlement.

d. The Settlement Terms are in the Public Interest

The proposed settlement terms represent a reasonable resolution of the issues raised by PICGUG's appeal and this remand proceeding. For the next five years, PGW will submit a CCOSS that equally weights the IT Class's design day demand contribution (i.e., zero) and the IT Class's contribution to actual peak demand, and the Joint Petitioners will not challenge that specific allocation. This will recognize the twin essential facts developed in the proceeding: that PGW assumes that the IT Class is interrupted on the design day, but that on any peak day other than the design day the IT class has always received service and, thus, contributes to the costs that PGW incurs. Moreover, it also gives consideration to the evidence showing that PGW considers both design day and actual peak day when making replacement decisions.

The Settlement also recognizes that rates should not change as a result of this proceeding because the modification to the CCOSS to reflect this revised allocation of peak demand costs would still find the IT Class revenues to be below their cost to serve. PGW witness Teme explained that, even under a CCOSS that allocated peak demand on the basis of design day, it would have taken an increase of 78% to move the Rate IT class to full cost of service, as opposed to the 162% rate increase that would have been needed based on the results of PGW's "as filed" (and

Commission-accepted) CCOSS.³⁶ Therefore, no rate adjustments were either necessary or appropriate as a result of this compromise.

The Settlement has the additional benefit of resolving this issue for the next several years, thereby saving the costs of litigating this issue in this case as well as in future Base Rate Proceedings.

III. CONCLUSION

The Settlement provides a reasonable means of resolving the issue raised by the active parties in this proceeding. It also reduces the administrative burden on the Commission and the litigation costs of all of the active parties. Accordingly, for the reasons set forth above and in the Joint Petition, PGW submits that the Settlement is in the public interest and should be approved without modification.

Therefore, PGW respectfully requests that the ALJ and the Commission:

- (a) expeditiously review and approve the Settlement, without modification;
- (b) mark the matter closed as resolved by this Settlement;
- (c) Communicate to Commonwealth Court that the Proceeding has been settled and resolved and no further action by the Court is necessary; and
- (d) take any other action deemed to be in the public interest.

Respectfully submitted,



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³⁶ PGW St. No. 1-RD at 12.

Dated: May 20, 2026

Counsel for Philadelphia Gas Works

STATEMENT B

Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate

The Commission’s November 9, 2023, Order (*Nov. 9 Order*), among other things, agreed with Administrative Law Judge (ALJ) Ashton’s and ALJ Vero’s recommendation to approve PGW’s proposed allocated class cost of service study (ACCOSS), which treated Rate IT customers as firm customers for ratemaking purposes. *Nov. 9 Order* at 137. The Commission approved a \$26.2 million overall revenue increase and found PGW’s ACCOSS to be reasonable. *Id.* at 137-139. The Commission also found PGW’s proposed revenue allocation to be reasonable and generally accepted a proportionate scale-back of PGW’s proposed revenue allocation to reflect the reduced \$26.2 million increase approved by the Commission. *Id.* These determinations were reaffirmed in the Commission’s January 18, 2024, Order on Reconsideration (*Jan. 18 Order*). *See Jan. 18 Order.*

On August 1, 2025, the Commonwealth Court of Pennsylvania issued an Order which vacated and remanded the Commission’s *Jan. 18 Order*. *See Philadelphia Indus. & Com. Gas Users Grp. v. Pennsylvania Pub. Util. Comm’n*, 342 A.3d 140 (Pa. Commw. Ct. 2025).

The Commonwealth Court ordered further explanation and clarification regarding:

1. Whether treating Philadelphia Industrial Commercial Gas Users Group as technically “Firm” for purposes of rate allocation while, at the same time, requiring it to adhere to the obligations of interruptible customers under Philadelphia Gas Work’s (PGW) Tariff violates PGW’s Tariff and, thus, Section 1303 of the PUC Code;
2. How, under a cost causation analysis, Rate IT customers **caused** PGW’s distribution mains-related costs to be incurred;
3. Whether the Commission applied a new retrospective benefits or “value of service” principle to conclude that interruptible customers should pay for the benefits that they ultimately received from a utility service for purposes of rate allocation, and if so, whether that principle is consistent with cost causation principles or whether it is a new ratemaking principle that should replace or supplement cost causation as the operative ratemaking rationale in this unique situation, and;

4. Whether employing a benefits principle can be squared with the Commission's duty to impose only "just and reasonable" rates considering the interruptible nature of rate IT customers and their investment in systems to allow for interruptions in the event that PGW does call for a curtailment.

Id.

On November 24, 2025, the proceeding was reassigned to the Commission's Office of Administrative Law Judge (OALJ) and subsequently assigned to ALJ Vero. On December 12, 2025, ALJ Vero issued a Prehearing Conference Order. On December 23, 2025, the parties sent an email to ALJ Vero jointly requesting an extension of the prehearing memorandum deadline from January 2, 2026, to January 16, 2026, as well as a modification to the prehearing conference date from January 5, 2026, to the week of January 19, 2026. On December 29, 2025, ALJ Vero granted the request via email and modified the prehearing memorandum deadline to January 16, 2026, at noon. On December 30, 2025, ALJ Vero issued a Corrected Call-In Telephonic Prehearing Conference Notice, which modified the Prehearing Conference date to January 22, 2026. On January 22, 2026, the Prehearing Conference was held. On February 18, 2026, ALJ Vero issued a Prehearing Order memorializing the procedural matters addressed at the Prehearing Conference.

On March 19, 2026, the OCA submitted the Direct Testimony of Jerome D. Mierzwa (OCA St. 1-Remand). Also on March 19, 2026, PGW, the Office of Small Business Advocate (OSBA), and the Philadelphia Industrial and Commercial Gas User Group (PICGUG) submitted direct testimony. On April 16, 2026, PGW and PICGUG submitted rebuttal testimony. On May 4, 2026, following good faith settlement negotiations, PGW's counsel informed ALJ Vero via email that all parties either agreed to, or did not oppose, a settlement in principle of all issues in this proceeding. On May 5, 2026, ALJ Vero informed the parties that evidentiary hearings were cancelled and set a May 20, 2026, deadline for the Joint Petition for Settlement. The terms and conditions of the settlement agreement reached by the Joint Petitioners (Settling Parties) are now

embodied in the “Settlement Petition” that accompanies this instant Appendix/Statement in Support. The OCA submits that the Settlement is in the public interest for the reasons set forth below.

II. LEGAL STANDARDS

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. PUC 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. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

III. SETTLEMENT

In the ACCOSS presented by PGW, distribution mains costs were allocated to each customer class utilizing an average and excess demand (AED) method wherein 50% of the costs were allocated based on the average daily usage of the class and 50% of the costs were allocated based on actual peak day usage in excess of average daily usage of the class. OCA St. 1-Remand at 3. In PGW’s ACCOSS, the excess usage of interruptible transportation customers served under Rate Interruptible Transportation (IT) was determined based on their actual contribution to historic peak demand. *Id.*

In PGW’s 2023 base rate case, PICGUG argued that the excess demand of interruptible customers should be set to zero in the ACCOSS because interruptible customers are technically interruptible. OCA St. 1-Remand at 3. In response to PICGUG’s claim, PGW explained that the

interruptible customer class should be treated the same as firm customers in the ACCOSS because they have not been interrupted for over 20 years. *Id.*

The Commission approved PGW's ACCOSS, which included the excess demand of interruptible customers in the allocation of distribution mains under the AED method. *See Nov. 9 Order* at 137-139. However, as discussed above, PICGUG petitioned the Commonwealth Court of Pennsylvania for review of the Commission's January 18, 2024, Opinion and Order, and, on August 1, 2025, the Commonwealth Court of Pennsylvania issued an Order which vacated and remanded the Commission's *Jan. 18 Order* for further explanation and clarification regarding four questions, as discussed *supra* in Section I. *See OCA St. 1-Remand* at 3-4.

OCA witness Mierzwa presented the results of PGW's ACCOSS, if modified to eliminate the allocation of peak-related excess demand costs to IT customers as recommended by PICGUG. *OCA St. 1-Remand* at 5; *OCA Sch. JDM-1*. Under PICGUG's recommendation, the cost of service for the IT class would have been \$22.8 million if PICGUG's recommendation were adopted. *Id.* However, this cost of service was based on the \$85.8 million increase initially requested by PGW. *OCA St. 1-Remand* at 5. The actual increase authorized by the Commission was \$26.2 million. *Id.* As such, OCA witness Mierzwa testified that "[i]f the cost of service of the IT class was proportionately reduced to reflect the actual increase authorized by the Commission, the cost of service of the Interruptible class would be reduced to \$20.2 million." *OCA St. 1-Remand* at 5. In PGW's 2023 base rate case, revenues at present rates for the Interruptible class were \$12.8 million, and PGW proposed to increase the rates of Interruptible customers by \$3.7 million to \$16.5 million. *OCA St. 1-Remand* at 6. The actual increase assigned to Interruptible customers in the 2023 base rate case was \$1.2 million, increasing Interruptible revenues to \$13.9 million, which is significantly less than the cost of service of \$20.2 million. *OCA St. 1-Remand* at 6. OCA witness

Mierzwa testified that this “[i]ndicat[ed] that no reduction to Interruptible rates would have been appropriate.” OCA St. 1-Remand at 6.

The Settling Parties agreed to resolve their differences over this issue, as follows:

- i. In any PGW base rate case commenced on or before five years from the date of the Commission’s Final Order on Remand in this Proceeding, PGW shall file a Cost of Service Study (COSS) that allocates peak demand costs of the distribution system for Rate IT using 50% actual, historical peak demand responsibility and 50% design day responsibility.* No rate changes will occur as a result of this remand proceeding (Docket No. R-2023-303933). All parties retain their rights to contest/defend other cost allocation and rate design treatment of Rate IT.
- ii. In any PGW base rate case commenced on or before five years from the date of the Commission’s Final Order on Remand in this Proceeding, the parties shall not challenge PGW’s allocation of peak demand costs in its filed COSS as set forth in Paragraph No. 1 herein unless and until the Commission or a court directs otherwise.
- iii. In any PGW base rate case commenced after five years from the date of the Commission’s Final Order on Remand in this Proceeding, PGW is under no obligation to submit a COSS with the allocation provided in Paragraph No. 1 and all parties shall have the right to challenge and propose their own alternative allocations.
- iv. The parties to the remand proceeding will petition the Commission to resolve this remand proceeding as soon as practically possible on this basis and report the same to the Commonwealth Court in a manner determined to be appropriate by the signatory parties to this settlement.
- v. The terms agreed upon in Paragraph Nos. 1, 2, and 3 and as depicted in Appendix A to this settlement cannot be used as precedent in any future proceeding except as provided therein.

Settlement ¶ 14.

The key disagreement that is resolved by this Settlement is whether the excess usage of Rate IT customers should be based on actual contribution to historic peak demand given that Rate IT customers have not been interrupted for decades, or set to zero based on design day demand as Rate IT customers are technically interruptible (and hence do not theoretically utilize the system at peak times according to design day due to PGW’s ability to interrupt PICGUG). OCA St. 1-Remand at 3; PGW St. 1-RD at 9-10; PICGUG St. 1D-R at 7-8. The Settlement essentially splits

the difference by requiring PGW to file a ACCOSS that allocates peak demand costs of the distribution system for Rate IT using 50% actual, historical peak demand responsibility and 50% design day responsibility in any PGW base rate case commenced on or before five years from the date of the Commission's Final Order on Remand in this proceeding. Settlement ¶ 14(i). Additionally, as part of this Settlement, the Settling Parties agree to not challenge PGW's proposed ACCOSS during this time-period. Settlement ¶ 14(ii).

Importantly, these Settlement provisions time-limit this agreement to five years, as opposed to requiring PGW to present an ACCOSS that assigns 50% of costs to actual historic peak demand responsibility and 50% of costs to design day responsibility in perpetuity. Settlement ¶ 14. Instead, after five years from the date of the Commission's Final Order on Remand, PGW is under no obligation to allocate 50% actual peak and 50% design day and all parties can challenge PGW's ACCOSS or propose their own alternative allocations. Settlement ¶ 14(iii).

Additionally, the Settlement further states that "no rate changes will occur as a result of this remand proceeding." Settlement ¶ 14(i). Thus, the Settlement prevents any immediate rate increase that could otherwise result from this proceeding, resolving a concern previously raised by the OCA. *See OCA Further Corrected Prehearing Memorandum* at 4.

The Settlement resolves all issues in the remand proceeding, saving the parties, the Commission, and the judiciary, resources in the event that this proceeding were to be fully litigated given the potential of further proceedings and appeals. The Settlement represents a unanimous and reasonable compromise between all Settling Parties by addressing the dispute in a fair and time-limited manner. The Settlement also promotes judicial economy by saving the Settling Parties, the Commission, and the Courts judicial resources due to continued litigation and further potential appeals as it resolves all issues before the Commission and the Commonwealth Court.

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/ Harrison W. Breitman
Harrison W. Breitman, Esq.
Senior Assistant Consumer Advocate
PA Attorney I.D. # 320580
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Office of Consumer Advocate
555 Walnut Street
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Phone: 717-783-5048
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Counsel for:
Darryl A. Lawrence
Consumer Advocate

Dated: May 20, 2026

STATEMENT C

Statement in Support of Joint Petition for Settlement of the Office of Small Business Advocate

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR
SETTLEMENT OF REMAND PROCEEDING
ON BEHALF OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

I. INTRODUCTION

The Office of Small Business Advocate (“OSBA”), one of the signatory parties (“Joint Petitioners”) to the Joint Petition (“Joint Petition”), for Settlement of Remand Proceeding (“Settlement”) with Philadelphia Gas Works’ (“PGW” or the “Company”) respectfully request that: (a) Administrative Law Judge (“ALJ”) Vero recommend an approval of the Settlement with set forth in this Joint Petition without modification; and (b) the Pennsylvania Public Utility Commission (“Commission”) approve and adopt the Settlement as set forth in this Joint Petition without modification.

The Small Business Advocate is authorized and directed to represent the interests of the Small Business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) participated in the remand of the above-captioned proceeding.

The issue at hand is a Remand from the Commonwealth Court of the Commission's Order regarding the PGW 2023 Base Rate case, concerning the narrow issue of allocation of system costs to customers taking interruptible transportation service. PGW's largest industrial and institutional customers generally take service under Rate IT. This service is near firm, in that customers have only been interrupted once in more than 20 years. As such, PGW treats these customers as firm for cost allocation purposes. While this approach was approved by the Commission in the 2023 case, it was appealed by the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"). PICGUG's primary rationale is that Rate IT customers incur costs to meet the requirements for Rate IT service, which means customers are obligated under PGW's tariff to either maintain alternate fuel capability or demonstrate that they can operate under an interruption. Overall, treating this customer class as receiving firm service yields a higher allocation of system costs and thus higher rates for this class. However, in the Remand guidance the Commonwealth Court expressed some questions related to this treatment.

The OSBA files this Statement of Support of the Joint Petition for Settlement of Remand Proceeding in response to the provisions stated below.

II. LEGAL STANDARD

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. PUC 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. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

III. TERMS AND CONDITIONS OF SETTLEMENT

The Joint Petitioners agree to resolve their differences and the OSBA supports the additional provisions listed below and finds them just and reasonable as well as beneficial to PGW's Small Business consumers.

The Settlement does not fully incorporate PICGUG's position and retains a level of treatment favorable to PGW's (and OSBA's) position in the rate case. Further, all parties retain the right to contest all other aspects of cost allocation in future rate cases, and PGW is only obligated to take this narrow cost allocation approach in any BRC that occurs in the next 5 years (which should be only one or two cases). Finally, because Rate IT is under-recovering its costs overall, this cost allocation approach is counterbalanced by issues of revenue allocation and rate gradualism. These issues that the Joint Petitioners settled are as follows:

- i. In any PGW base rate case commenced on or before five years from the date of the Commission's Final Order on Remand in this Proceeding, PGW shall file a Cost of Service Study (COSS) that allocates peak demand costs of the distribution system for Rate IT using 50% actual, historical peak demand responsibility and 50% design day responsibility.* No rate changes will occur as a result of this remand proceeding (Docket No. R-2023-3037933). All parties retain their rights to contest/defend other cost allocation and rate design treatment of Rate IT.
- ii. In any PGW base rate case commenced on or before five years from the date of the Commission's Final Order on Remand in this Proceeding, the parties shall not challenge PGW's allocation of peak demand costs in its filed COSS unless and until the Commission or a court directs otherwise.
- iii. In any PGW base rate case commenced after five years from the date of the Commission's Final Order on Remand in this Proceeding, PGW is under no obligation to submit a COSS with the allocation, and all parties shall have the right to challenge and propose their own alternative allocations.
- iv. The parties to the remand proceeding will petition the Commission to resolve this remand proceeding as soon as practicable on this basis and report the same to the Commonwealth Court in a manner determined to be appropriate by the signatory parties to this settlement.

- v. The terms agreed upon in Sub-Paragraphs Nos. i.-iii. and as depicted in Exhibit 1 to the Joint Petition cannot be used as precedent in any future proceeding except as provided therein.

A. Establishing The Method For Allocating The Cost Of Gas Mains And Time Frame For Implementation

The OSBA supports this provision and finds that it is just and reasonable for Small Business customers. The remand phase of this proceeding involves issues related to mains cost allocation for interruptible transportation customers, taking service under the Philadelphia Gas Works Rate IT. Within this context, the Parties addressed four topics where the Commonwealth Court sought further explanation and clarification, namely: (1) whether treating Rate IT customers as firm for “rate allocation” while requiring them to demonstrate interruptibility violates Section 1303 of the PUC Code; (2) how Rate IT customers cause PGW to incur mains costs; (3) whether value-of-service is the appropriate criterion for Rate IT service rather than cost causation; and (4) whether a value-of-service approach to rate design for Rate IT is consistent with the costs incurred by Rate IT customers to demonstrate their interruptibility.

The OSBA submitted expansive and substantive testimony addressing all these issues, including the conceptual and methodological underpinnings of proper cost allocation in these circumstances, the strengths and weaknesses of the respective Parties’ positions in the base rates case, and the long procedural history of this issue related to PGW, among other topics. The testimony also offered the Commission clear recommendations for reasonably addressing the issues and the Commonwealth Court’s concerns.

Under this first item of the Settlement, the Joint Petitioners agree on a cost allocation method that allocates peak demand costs of the distribution system for Rate IT

using 50% actual, historical peak demand responsibility and 50% design day responsibility. Based on OSBA's testimony, this approach represents a reasonable compromise between the positions of the parties in the base rates case. In addition, the Settlement places a time limit of five years for the implementation of this approach in any base rates proceeding. Finally, and critically to OSBA, all parties retain their rights to contest/defend other cost allocation and rate design treatment of Rate IT.

Overall, this Settlement term represents a reasonable compromise that is in the best interests of Small Business customers.

B. Constraint On Challenging The Proposed Cost Allocation Approach Unless Otherwise Directed By The Commission

This term is a procedural requirement related to the five-year time frame and proposed cost allocation method. The OSBA supports this term.

C. Right To Challenge And Propose Own Alternative Allocations After The Five-Year Prohibition Expires

This term represents an important provision for the OSBA. As discussed at length in OSBA testimony, the proper cost allocation treatment is subject to data limitations and methodological uncertainty and may be influenced by evolving Commission precedent over time. Allowing for the reopening of the analytic treatment concerning this issue after a reasonable time frame is in the best interests of Small Business customers.

D. Commission Resolution And Reporting To The Commonwealth Court.

The OSBA supports this procedural term.

E. Terms Cannot Be Used As Precedent.

The OSBA supports this procedural term.

IV. CONCLUSION

The OSBA submits that the terms of the Settlement are in the public interest and in the interest of PGW's Small Business ratepayers. This Statement in Support of Settlement of Remand Proceeding arises following extensive discovery and discussions and reflects compromises by all sides. Accordingly, this Statement in Support is made without any admission against, or prejudice to, any positions which any Joint Petitioner might adopt during any subsequent litigation of this proceeding (should this Joint Petition be rejected or modified), or in any other proceeding. If the Commission withholds such approval as to any of the terms and conditions, or alters any of the terms and conditions, any Joint Petitioner may withdraw from this Settlement upon written notice of its intent to the Commission.

WHEREFORE, The Office of Small Business Advocate respectfully requests that ALJ Vero, and the Commission approve this Joint Petition inclusive of its terms and conditions without modification, and that the Commission enter an Order consistent with this Settlement resolving and terminating the proceeding and resolving all outstanding complaints.

Respectfully submitted,

/s/ Rebecca Lyttle

Rebecca Lyttle
Assistant Small Business Advocate
Attorney ID No. 201399

Commonwealth of Pennsylvania
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101

Dated: May 20, 2026

STATEMENT D

**Statement in Support of Joint Petition for Settlement
of the
Philadelphia Industrial and
Commercial Gas Users Group**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**STATEMENT IN SUPPORT OF
THE PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP**

The Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), by and through their counsel, submits this Statement in Support ("Statement") of the Joint Petition for Settlement ("Joint Petition" or "Settlement") with respect to the remand by the Commonwealth Court of Pennsylvania ("Commonwealth Court") to the Pennsylvania Public Utility Commission ("PUC" or "Commission") of Philadelphia Gas Works' ("PGW") 2023 Base Rate proceeding.

As a result of settlement discussions, PICGUG, PGW, the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (collectively, "Joint Petitioners") have agreed upon the terms embodied in the foregoing Joint Petition.¹ PICGUG offers this Statement to further demonstrate that the Settlement is in the public interest and should be approved without modification.

I. BACKGROUND

1. On February 27, 2023, PGW filed Supplement No. 159 with the PUC requesting a general rate increase of approximately \$85.8 million to become effective on April 28, 2023. Because this filing would impact Rate IT – Interruptible Transportation customers on the Company's system, PICGUG filed a Complaint.

¹ As referenced in the Joint Petition, the other parties to this proceeding are not objecting to the Settlement.

2. As part of this filing, PGW submitted a Class Cost of Service Study ("CCOSS"), which, among other items, proposed to allocate peak demand costs to Rate IT. Because Rate IT customers are required to interrupt at the sole discretion of PGW, interruptible customers, unlike firm customers, do not cause the Company to incur any peak demand costs. Rather, PGW incurs these costs on behalf of its firm customers. Accordingly, PICGUG argued that Rate IT should not be allocated any peak demand costs under PGW's CCOSS.

3. On November 9, 2023, the PUC entered an Order in this proceeding, which, among other items, approved PGW's proposed treatment of Rate IT in the CCOSS.²

4. On February 14, 2024, PICGUG filed a Petition for Review with the Commonwealth Court of the Commission's January 18 Order, arguing that the PUC erred in concluding that Rate IT should be allocated certain firm costs under the CCOSS but remain interruptible pursuant to PGW's tariff requirements.

5. As detailed by PICGUG more fully throughout this proceeding and before the Commonwealth Court, Rate IT customers are subject to interruption by PGW at any time. Thus, to receive service under Rate IT, a customer must incur costs to install operable alternate fuel or other equipment capable of displacing the customer's daily gas consumption. Because PGW is not obligated to serve Rate IT customers on a peak day, Rate IT customers have not caused PGW to incur any peak demand costs. According to PGW, however, because the Company has voluntarily chosen not to interrupt Rate IT in the past, any CCOSS should allocate peak demand costs to Rate IT.

6. In addition, while PGW's preferred CCOSS would allocate peak demand costs to interruptible customers, PGW did not propose any changes to its Tariff, which would continue to

² On January 18, 2024, the Commission issued another Order addressing reconsideration and clarification requests. Thus, the January 18 order was the Commission's "Final Order."

require Rate IT customers to be fully interruptible at all times. As a result, Rate IT would be treated as firm for purposes of allocating peak demand costs in PGW's CCOSS but interruptible for purposes of PGW's Tariff, effectively creating a hybrid classification for Rate IT.

7. The Commonwealth Court issued an Opinion on August 1, 2025, vacating the PUC's Order, setting forth four questions regarding the issues underlying PICGUG's Petition, and remanding the proceeding to the Commission for further explanation and clarification of the issues raised in these questions.

8. On January 22, 2026, assigned Administrative Law Judge ("ALJ") Eranda Vero held an initial Prehearing Conference. Pursuant to the litigation schedule set forth in this proceeding, parties submitted several rounds of testimony, including the following statements submitted by PICGUG: (a) PICGUG Statement No. 1D-R: Remand Direct Testimony and Exhibits of Billie LaConte; and (b) PICGUG Statement No. 1R-R: Remand Rebuttal Testimony and Exhibit of Billie LaConte.

9. Negotiations were conducted by the Joint Petitioners in an effort to achieve a settlement with respect to the issues in this proceeding. As a result of those negotiations, the Joint Petitioners were able to reach agreement as set forth in the aforementioned Settlement. Moreover, the other parties to this proceeding indicated their non-opposition to the Joint Petition.

II. STATEMENT IN SUPPORT

10. The Commission has a strong policy favoring settlements. As set forth in the PUC's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391(a); *see also* 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Joint Petitioners engaged in negotiations that resulted in the foregoing Settlement.

11. The Joint Petitioners agree that approval of the proposed settlement is in the public interest for the following reasons:

- a. The Settlement represents a balanced compromise of the settling parties in this proceeding and is a reasonable resolution of how to allocate peak demand costs to Rate IT in PGW's CCOSS;³
- b. Substantial litigation and associated costs will be avoided, especially considering that the burden and costs to litigate these matters to conclusion would have been significant;⁴ and
- c. Because the Joint Petitioners arrived at this Joint Petition after serving testimony and having in-depth discussions, the Settlement constitutes reasonably negotiated compromises on the issues addressed.⁵

12. In addition, the Joint Petition specifically satisfies the concerns of PICGUG in the following ways:

- a. The key issue in this proceeding is how peak demand costs will be allocated to Rate IT in PGW's CCOSS. The Settlement presents a compromise of the parties' positions by confirming that PGW shall file a CCOSS that effectively "splits the difference" by using 50% actual, historical peak demand responsibility and 50% design day responsibility.⁶
- b. The Settlement implements this provision for five years, which provides Rate IT customers with certainty over a set period of time with respect to how peak demand costs will be allocated to Rate IT in any CCOSS filed by PGW for the next five years.⁷
- c. The Joint Petition specifically provides that agreement reached with respect to the allocation of peak demand costs to Rate IT cannot be used as precedent in any future proceeding except as provided in the Joint Petition, thereby ensuring that the terms of this Settlement cannot be used as precedent for other issues that may arise in PGW proceedings.⁸

³ Joint Petition at ¶ 17(A).

⁴ *Id.* at ¶ 17(C).

⁵ *Id.* at ¶ 17(D).

⁶ *Id.* at ¶¶ 15(i).

⁷ *Id.* at ¶ 15(ii).

⁸ *Id.* at ¶ 15(v).

13. PICGUG supports the Joint Petition because it is in the public interest; however, in the event the Joint Petition is rejected by the ALJ or the Commission, PICGUG will resume its litigation position, which differs from the terms of the Joint Petition.

14. As set forth above, PICGUG submits that the Settlement is in the public interest and adheres to Commission policies promoting negotiated settlements. The Settlement was achieved after several negotiations. Although the Joint Petitioners have invested time and resources in the negotiation of the Joint Petition, this process has allowed the parties and the Commission to avoid expending the substantial resources that would have been required to fully litigate the current issue in this proceeding while still reaching a just, reasonable, and non-discriminatory result. The Joint Petitioners have thus reached an amicable solution to this dispute as embodied in the Settlement. Approval of the Settlement will permit the Commission and Joint Petitioners to avoid incurring the additional time, expense, and uncertainty of further litigation of several major issues in this proceeding. *See* 52 Pa. Code § 69.391.

III. CONCLUSION

WHEREFORE, the Philadelphia Industrial and Commercial Gas Users Group respectfully requests that the Administrative Law Judge and the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement without modification.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Charis Mincavage (I.D. No. 82039)
Adeolu A. Bakare (I.D. No. 208541)
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Counsel to the Philadelphia Industrial and
Commercial Gas Users Group

Dated: May 20, 2026

STATEMENT E

**Letter of Non-opposition to the Joint Petition for
Settlement of the
Bureau of Investigation and Enforcement**



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

May 20, 2026

Administrative Law Judge Eranda Vero
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107
evero@pa.gov

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works
Docket No. R-2023-3037933
I&E Letter of Non-Opposition to Settlement

Your Honor:

Please allow this letter to serve as formal notice that the Bureau of Investigation and Enforcement (“I&E”) does not oppose the Joint Petition for Settlement of Remand Proceeding in the above-captioned proceeding.

Should you have any questions, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink that reads 'Carrie B. Wright'.

Carrie B. Wright
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 208185
(717) 783-6156
carwright@pa.gov

CBW/ac

STATEMENT F

Letter of Non-opposition to the Joint Petition for Settlement of the Tenant Union Representative Network



May 20, 2026

Via Email

Honorable Eranda Vero
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107
evero@pa.gov

Re: Pa. PUC v. Philadelphia Gas Works, Docket No. R-2023-3037933 (Remand)
TURN Non-Opposition to Settlement

Your Honor:

This letter is to inform Your Honor and the Commission that the Tenant Union Representative Network (TURN) does not oppose the Joint Petition for Settlement of Remand Proceeding in the above-referenced proceeding. TURN requests counsel for PGW append this letter of non-opposition to the Joint Petition to be filed as of the date hereof.

Respectfully,

/s/ Robert W. Ballenger
Robert W. Ballenger, Esq.

Counsel for TURN

Center City Office
1424 Chestnut St.
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(215) 981-3700

North Philadelphia Law Center
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Philadelphia, PA 19140-4136
(215) 227-2400

Logan Square Law Center
100 North 18th St., Suite 3400
Philadelphia, PA 19103-2707
(267) 443-2600

STATEMENT G

**Letter of Non-opposition to the Joint Petition for
Settlement of the Coalition for Affordable Utility
Services and Energy Efficiency in Pennsylvania**



May 20, 2026

Via Email

Honorable Eranda Vero
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107
evero@pa.gov

Re: Pa. PUC v. Philadelphia Gas Works, Docket No. R-2023-3037933

CAUSE-PA Non-Opposition to Settlement

Your Honor:

This letter is to inform Your Honor and the Commission that The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) does not oppose the Joint Petition for Settlement of Remand Proceeding in the above referenced proceeding.

Respectfully,

John
Sweet

John W. Sweet, Esq.
Counsel for CAUSE-PA

STATEMENT H

Letter of Non-opposition to the Joint Petition for Settlement of Vicinity



Todd S. Stewart
717.703.0806
tsstewart@hmslegal.com

Regulation is a maze. We can show you the way!

501 Corporate Circle, Suite 302, Harrisburg, PA 17110 Phone: 717.236.1300 Fax: 717.236.4841 www.hmslegal.com

May 19, 2026

VIA ELECTRONIC MAIL

Honorable Eranda Vero
Pennsylvania Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, PA 19107

RE: Pennsylvania Public Utility Commission v. Philadelphia Gas Works; Docket No.
R-2023-3037933; **DO NOT OPPOSE SETTLEMENT**

Dear Judge Vero:

Please accept this letter as notice that Grays Ferry Cogeneration Partnership and Vicinity Energy Philadelphia, Inc. (collectively "Vicinity") do not oppose the Settlement of the Remand proceeding of the above-captioned matter in the manner as agreed by the parties to the Settlement.

If you have any questions, please do not hesitate to contact my office.

Very truly yours,

A handwritten signature in blue ink, appearing to be "Todd S. Stewart", written over a horizontal line.

Todd S. Stewart
*Counsel for Grays Ferry Cogeneration
Partnership and Vicinity Energy
Philadelphia, Inc.*

TSS/jld
Enclosure

cc: Matthew L. Homsher, Secretary (via electronic filing)
Per Certificate of Service

CERTIFICATE OF SERVICE

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

VIA ELECTRONIC MAIL

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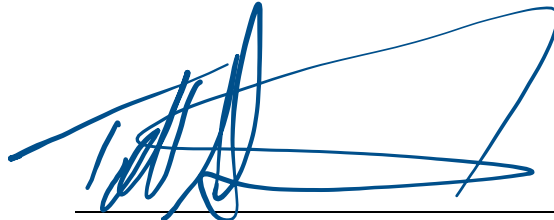
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DATED: May 19, 2026