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June 26, 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,

Pursuant to Administrative Law Judge Eranda Vero's June 11, 2026 Order at Docket R-2023-3037933, enclosed are Philadelphia Gas Works' testimony and exhibits admitted into the record in the above-referenced matter, including:

| Testimony        | Witness                                         | Exhibits                           |
|------------------|-------------------------------------------------|------------------------------------|
| PGW St. No. 1-RD | Remand Direct Testimony of Florian Teme         | Exhibit FT-RD-1                    |
| PGW St. No. 1-RR | Remand Rebuttal Testimony of Florian Teme       | Exhibits FT-RD-2 through FT-RD-4   |
| PGW St. No. 2-RD | Remand Direct Testimony of Gregory R. Herbert   | Exhibits GRH-RD-1 through GRH-RD-2 |
| PGW St. No. 2-RR | Remand Rebuttal Testimony of Gregory R. Herbert | None                               |

If you have any questions, please feel free to contact me.

Sincerely,

*Bryce R. Beard*

Bryce R. Beard

BRB/dmc  
Enclosures

cc: The Honorable Eranda Vero (*letter and COS only*)  
Certificate of Service (*letter and COS only*)

## **CERTIFICATE OF SERVICE**

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

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Date: June 26, 2026

/s/ Bryce R. Beard

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REMAND DIRECT TESTIMONY OF

**GREGORY R. HERBERT**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2023-3037933

REMAND TOPICS:

**COST OF SERVICE**

**RESPONSE TO REMAND QUESTIONS**

March 19, 2026

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| GRH-RD-1 | Cost of Service Study             |
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1    **I.    INTRODUCTION**

2    **Q.    PLEASE STATE YOUR NAME FOR THE RECORD.**

3    A.    Gregory R. Herbert.

4    **Q.    BY WHOM ARE YOU EMPLOYED?**

5    A.    I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett  
6    Fleming”).

7    **Q.    PLEASE DESCRIBE YOUR POSITION WITH GANNETT FLEMING  
8    VALUATION AND RATE CONSULTANTS, LLC AND BRIEFLY STATE YOUR  
9    GENERAL DUTIES AND RESPONSIBILITIES.**

10   A.    My title is Project Manager, Rate Studies. My duties and responsibilities include the  
11   preparation of accounting and financial data for revenue requirement and cash working  
12   capital claims, the allocation of cost of service to customer classifications, and the design  
13   of customer rates in support of public utility rate filings.

14   **Q.    HAVE YOU PRESENTED TESTIMONY IN RATE PROCEEDINGS BEFORE A  
15   REGULATORY AGENCY?**

16   A.    Yes. I have testified before the Pennsylvania Public Utility Commission, the Virginia  
17   State Corporation Commission, the New Jersey Board of Public Utilities, and the Illinois  
18   Commerce Commission. A list of cases in which I have testified or assisted other Gannett  
19   Fleming staff is attached to my testimony as Appendix A. Furthermore, I assisted former  
20   Gannett Fleming staff with the preparation of the cost of service allocation study in  
21   PGW’s prior two cases.

22   **Q.    WHAT IS YOUR EDUCATIONAL BACKGROUND?**

23   A.    I have a Bachelor of Science Degree in Economics from the Pennsylvania State  
24   University, State College, Pennsylvania.

1 **Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS?**

2 A. I am a member of the American Water Works Association, the Pennsylvania Municipal  
3 Authorities Association, and the National Association of Water Companies.

4 **Q. BRIEFLY DESCRIBE YOUR WORK EXPERIENCE.**

5 A. I joined the Gannett Fleming Valuation and Rate Consultants, LLC in May 2017, as a  
6 Rate Analyst. I was recently promoted to my current position as Project Manager, Rate  
7 Studies, where I assist utilities with the preparation of accounting and financial data  
8 regarding revenues under present and proposed rates, including pro forma adjustments to  
9 the historic test year (“HTY”), Future Test Year (“FTY”) and Fully Projected Future Test  
10 Year (“FPFTY”) revenues, and the design of customer rates. I also develop pro forma  
11 revenue requirements, and conduct cost allocations by customer class, and capital  
12 recovery fee studies for investor-owned and municipal-owned utilities. Prior to my  
13 employment at Gannett Fleming, I was a Senior Analyst, in the Performance Reporting  
14 Group of Cambridge Associates, LLC where I oversaw the financial preparation of  
15 monthly and annual performance and benchmarking reports for public and private  
16 endowment clients.

17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

18 A. I am testifying on behalf of Philadelphia Gas Works (“PGW” or the “Company”) in  
19 support of PGW’s position on the Commonwealth Court’s questions for consideration on  
20 remand related to PGW’s class cost of service study (“CCOS”) in Docket No. R-2023-  
21 3037933 (“2023 Rate Case”).

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

23 A. The purpose of my testimony is to address the remanded issues as they relate to PGW’s  
24 CCOS which was presented in PGW’s 2023 base rate case and which shows PGW’s costs

of providing service to each Rate Class. This CCOS was approved by the Commission in its final order in the proceeding. I will describe the principles, methodology, and data used in that CCOS and address the remanded issues, as appropriate.

**Q. WERE EXHIBITS GRH-RD-1 AND GRH-RD-2 PREPARED BY YOU OR UNDER YOUR DIRECTION AND SUPERVISION?**

A. Yes, they were. Exhibit GRH-RD-1 is a summary that shows the results of PGW's as-requested CCOS filed with the PUC in the 2023 Rate Case, the results of the alternate CCOS presented in Exhibit GRH-RD-2, and the revenues under the as-requested proposed rates, under compliance rates and under parity rates (rates that would bring all classes' revenues to the calculated cost of service). Exhibit GRH-RD-2 presents the alternative CCOS, which takes the 2023 Rate Case's filed CCOS and excludes assigning peak demand costs related to distribution mains to the Rate IT class.

**II. BACKGROUND**

**Q. PLEASE EXPLAIN THE PGW COST ALLOCATION AND THE ALLOCATION METHODOLOGIES THE WERE USED TO ALLOCATE COSTS TO THE VARIOUS CUSTOMER CLASSES TO WHICH PGW PROVIDES SERVICE?**

A. In PGW's prior 2023 base rate case, PGW witness Constance Heppenstall, my former colleague, supported PGW's CCOS, which was based on the Average and Excess Demand Method. The factors that allocated costs related to facilities that are designed to support excess demand were based on average daily usage and historical peak day usage by customer class.

**Q. HOW WERE DISTRIBUTION RELATED COSTS ALLOCATED TO THE RATE IT CUSTOMERS IN THE 2023 RATE CASE CCOS?**

A. The Rate IT class was allocated distribution related costs based on its average day and actual peak day demands by class. This method was used for all classes.



**Q. WHY WAS HISTORIC PEAK DAY DEMAND BY CLASS USED INSTEAD OF DESIGN DAY DEMAND IN THE CCOS?**

A. Historic peak day demand by class was used by PGW witness Heppenstall in the CCOS for at least two reasons. First, PGW does not have data to 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, pursuant to PGW's system-wide design day supply model, the Rate IT customers are assumed to be interrupted on the design day.<sup>1</sup> Therefore, there were two approaches available: 1) a distribution of costs related to meeting peak demand that allocated design day responsibility by class, which assumed that the IT class was taking service on that day could have been manufactured, or 2) actual historic peak demand could be used. My understanding, based on the review of the 2023 Rate Case, is that 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, I am informed that PGW has never interrupted the Rate IT class since the Rate IT class was established.<sup>2</sup> 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. I also believe Ms. Heppenstall's position on Rate IT class's cost allocation assignments is reasonable, and I followed the same methodologies for the Rate IT class for the CCOS in PGW's 2025 Rate Case (see Docket No. R-2025-3053112).

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<sup>1</sup> PGW defines the design day as a day when average temperature is 0 degrees Fahrenheit.

<sup>2</sup> See PGW St. 1-RD at 9–10.

**Q. WHAT WAS THE COMMISSION’S RULING IN THE FINAL ORDER OF THE 2023 RATE CASE REGARDING PGW’S CCOS?**

A. The Commission ruled in favor of PGW’s as-filed CCOS and methodologies. This included accepting PGW’s use of the Average and Excess Demand Method and the use of peak day demand instead of design day demand for cost allocation purposes.<sup>3</sup> However, the compliance rate design and revenue allocation, which was based on PGW’s as-filed CCOS, included specific procedures to follow to arrive at the filed compliance rates. For the scale back to get to compliance rate design, ARS revenue from GFCP/VEPI was credited back to the other classes except for the Rate IT class, and the Residential class received the initial \$7 million in the Compliance Rate Design scale back, because, under PGW’s revised rate design, the Residential class relative rate of return (“RROR”) was greater than 1.00 in PGW’s CCOS. PGW submitted a response to data request OCA-I-03 in this Remand Order proceeding that shows the calculations and the progression of the scale back from PGW’s original (as-filed) proposed rate allocation and the effect of mixing in the two initial scale back terms for GFCP/VEPI ARS revenue and the \$7 million scale back to the Residential class.

**III. RESPONSES TO COMMONWEALTH COURT QUESTIONS**

**Q. WHAT ARE THE QUESTIONS THAT THE COMMONWEALTH COURT ASKED FOR THE COMMISSION TO ADDRESS?**

A. The Commonwealth Court directed consideration of the following questions:

- (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;

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<sup>3</sup> See Pa. P.U.C. Docket R-2023-3037933 (Opinion and Order Nov. 9, 2023), at 138–39.

- (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.

**Q. PLEASE COMMENT ON THE FIRST REMAND ORDER QUESTION OF 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**

- A. 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 CCOS. Mr. Teme will comment further on how rate design was determined, however based on the results of PGW's filed CCOS in the 2023 Rate Case, the Rate IT class would have required a 162% increase to present rate revenues to recover 100% of the Rate IT class's indicated cost of service levels, and PGW proposed to gradually increase the Rate IT revenues under proposed rates by about 30% (or 1.5 times greater than the requested overall system increase of 19.45%). Secondly, the Rate IT class is not technically treated as a "Firm" customer class for cost allocation either. For cost allocation purposes, there are several factors from which Rate IT class is excluded, such as Factor 1 (and 1A and 1B), Factor 4,

1 and Factor 13. Customer classes like Rate IT can have unique or customized cost  
2 allocations based on how they are served by the utility. For example, the Rate IT class does  
3 not purchase gas like the firm customer classes and therefore is excluded from Factor 1,  
4 1A, and 1B, which are related to production costs in the CCOS. Customers that take service  
5 using PGW's Firm Transportation option are assigned these costs because they are  
6 production expenses that are allocated volumetrically based on average day demand for  
7 firm sales, excluding transportation sales.

8 Factors 2, 2A, 2B, 3, and 3A ("Average and Peak Demand Factors"), which allocate  
9 costs associated with facilities designed to support average day throughput and peak  
10 demands related to distribution, are assigned to the Rate IT class as well as the Firm  
11 customer classes. In PGW's originally filed CCOS in the 2023 Rate Case, the Rate IT class  
12 was allocated the portion of distribution costs related to serving average day demands,  
13 because the Rate IT customers utilize the distribution system to receive gas to their  
14 respective service lines. There was only one cost allocation factor, Factor 2 (Factor 2  
15 allocations by class are carried through in the development of Factors 2B, 3 and 3A) that  
16 "treated" IT customers as if they were firm: the extra capacity portion of these factors was  
17 developed based on each customer class's actual, historic peak day demands rather than  
18 hypothetical design day. The ALJs and the Commission agreed with PGW that this was an  
19 appropriate method to develop the Average and Peak Demand. As noted above, under a  
20 design day allocation methodology, the Rate IT customers would not receive *any* allocation  
21 of peak demand costs because IT customers are assumed to be interrupted on the design  
22 day. While this cost allocation was characterized in the 2023 Proceeding as "treating the  
23 IT customers as Firm," this was really just a shorthand method of characterizing PGW's

1 position. In actuality, IT customers were “treated as firm” only for one specific cost  
2 allocation factor.

3 **Q. PLEASE DESCRIBE PGW’S POSITION ON THE REMAND ORDER QUESTION**  
4 **OF HOW, UNDER A COST CAUSATION ANALYSIS, RATE IT CUSTOMERS**  
5 **CAUSED PGW’S DISTRIBUTION MAINS-RELATED COSTS TO BE**  
6 **INCURRED.**

7 A. The purpose of a CCOS is to allocate projected costs of a future test period to the various  
8 customer classes in proportion to each class’s use of the facilities, commodity, and  
9 services on the basis of various usage characteristics of each class, such as quantity of gas  
10 consumed, sales and transportation, demand characteristics, and costs associated with  
11 metering, billing, and accounting. There can be exceptions to these allocation  
12 methodologies to recognize actual circumstances. For example, in the 2023 Rate Case,  
13 PGW witness Heppenstall determined that the GFCP/VEPI customer paid for the  
14 distribution main that serves them and, as such, those costs would not be allocated to  
15 GFCP/VEPI using the otherwise applicable allocator because the customer has already  
16 paid for those facilities. However, it is my understanding the distribution system was  
17 installed years before the Rate IT class was established, but since Rate IT customers  
18 benefit from utilizing the distribution system to consume gas and the distribution system  
19 can support Rate IT’s peak demands, it should contribute to the costs that are incurred to  
20 operate the distribution system. I would also note that PGW considers both design day  
21 and actual historic peaks and annual usage in making current distribution system  
22 investment decisions.<sup>4</sup>

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<sup>4</sup> See PGW Answer to OSBA Set I-8 (Remand).

1 **Q. DO THE RATE IT CUSTOMERS RELY ON THE DISTRIBUTION SYSTEM TO**  
2 **TRANSPORT GAS TO EACH CUSTOMER'S RESPECTIVE SERVICE LINE**  
3 **OR PREMISE?**

4 A. Yes, the Rate IT customers rely on the distribution system to receive gas. As such, it is  
5 justified for the Rate IT class to be assigned distribution costs that are related to serving  
6 average day demands.

7 **Q. DOES THE RATE IT CLASS PEAK IN COMPARISON TO THE CLASS'S**  
8 **AVERAGE DAILY THROUGHPUT?**

9 A. Yes, it does. A distribution system is designed to not only meet average daily demands of  
10 the customer classes served but also their peak day demands. The average daily  
11 throughput for the Rate IT class in the 2023 Rate Case CCOS was 31,867 Mcf and the  
12 peak day usage was 73,869 Mcf, which means the Rate IT class can consume up to 2.3  
13 times (peak day to average day ratio;  $73,869 \div 31,867 = 2.3$ ) its average daily usage on a  
14 peak day. This indicates that the Rate IT class peaks and because PGW has never  
15 interrupted these customers, and has been able to avoid interrupting them on PGW's  
16 actual peak day each year, one must conclude that the distribution system is designed to  
17 handle the Rate IT class's peak demands. PGW's distribution system is also designed and  
18 constructed to meet customers' actual peak demands, which warrants treatment of the  
19 cost of excess capacity as a primary cost driver. As such, it is justified for the Rate IT  
20 class to be assigned distribution costs that are related to serving peak day demands.

1 **Q. PLEASE COMMENT ON THE REMAND ORDER QUESTION OF WHETHER**  
 2 **THE COMMISSION APPLIED A NEW RETROSPECTIVE BENEFITS OR**  
 3 **“VALUE OF SERVICE” PRINCIPLE TO CONCLUDE THAT INTERRUPTIBLE**  
 4 **CUSTOMERS SHOULD PAY FOR THE BENEFITS THAT THEY ULTIMATELY**  
 5 **RECEIVED FROM A UTILITY SERVICE FOR PURPOSES OF RATE**  
 6 **ALLOCATION, AND IF SO, WHETHER THAT PRINCIPLE IS CONSISTENT**  
 7 **WITH COST CAUSATION PRINCIPLES OR WHETHER IT IS A NEW**  
 8 **RATEMAKING PRINCIPLE THAT SHOULD REPLACE OR SUPPLEMENT**  
 9 **COST CAUSATION AS THE OPERATIVE RATEMAKING RATIONALE IN**  
 10 **THIS UNIQUE SITUATION?**

11 A. It is my understanding that the value of service principle was not necessarily applied.

12 However, PGW Witness Teme will address this question from the Remand Order in more  
 13 detail.

14 **Q. PLEASE COMMENT WHETHER EMPLOYING A BENEFITS PRINCIPLE CAN**  
 15 **BE SQUARED WITH THE COMMISSION’S DUTY TO IMPOSE ONLY “JUST**  
 16 **AND REASONABLE” RATES CONSIDERING THE INTERRUPTIBLE**  
 17 **NATURE OF RATE IT CUSTOMERS AND THEIR INVESTMENT IN SYSTEMS**  
 18 **TO ALLOW FOR INTERRUPTIONS IN THE EVENT THAT PGW DOES CALL**  
 19 **FOR A CURTAILMENT.**

20 A. PGW Witness Teme will address this question from the Remand Order in more detail.

21 **IV. RESULTS OF CCOS EXCLUDING THE PORTION OF PEAK DEMAND COSTS**  
 22 **RELATED TO DISTRIBUTION MAINS ASSIGNED TO THE RATE IT CLASS**

23 **Q. DID YOU DEVELOP A CCOS THAT EXCLUDES A PORTION OF PEAK**  
 24 **DEMAND COSTS RELATED TO DISTRIBUTION MAINS?**

25 A. Yes, I did. Exhibit GRH-RD-2 includes an alternate cost allocation study that I built from  
 26 PGW’s 2023 Rate Case as-filed CCOS. The alternative CCOS allocates costs associated  
 27 with peak demand related to distribution mains on the basis of peak demand but, contrary  
 28 to facts, assumes that IT customers were interrupted on that day, thereby excluding  
 29 assigning those costs to the Rate IT class, which is the contested issue in question for this  
 30 proceeding.

**Q. PLEASE EXPLAIN THE ADJUSTMENTS TO THE COST ALLOCATION FACTORS IN ORDER TO EXCLUDE ALLOCATING A PORTION OF PEAK DEMAND COSTS RELATED TO DISTRIBUTION MAINS TO THE RATE IT CLASS?**

A. The adjustment to exclude the assignment of peak demand costs to Rate IT class is simple. The peak day capacity portion of Factors 2, 2B, 3, and 3A that is allocated to the Firm customers is not allocated to the Rate IT class. The peak day capacity shown in column 3 of Factor 2 on Schedule F of the CCOS is set to equal the average daily throughput volumes for Rate IT class that is shown in column 2 of Factor 2, instead of inputting Rate IT's actual peak day throughput amount of 73,869 (Mcf) in column 3. As a result of the adjustment, the extra capacity portion is excluded from Rate IT in Factor 2 and is carried through in the development of Factors 2B, 3, and 3A that exclude peak demand costs from Rate IT. This adjustment treats Rate IT class as interrupted in association with costs of facilities that are designed to serve peak demands for cost allocation purposes — even though that class was NOT interrupted on the peak day. The costs that would otherwise have been allocated to the IT class are spread to all other classes, meaning that the costs assigned to other classes — including Residential, Commercial and Industrial customers — are increased while the cost of serving IT customers goes down.

**Q. HOW DOES THE ADJUSTMENT OF EXCLUDING PEAK DEMAND COSTS TO THE RATE IT CLASS REDUCE THE LEVEL OF COST OF SERVICE ASSIGNED TO THE RATE IT CLASS?**

A. As previously mentioned, the cost of service level for Rate IT that was originally filed with the PUC in the 2023 Rate Case was \$33,547 (in 000's), which assigned peak demand costs to the Rate IT class. When making the cost allocation adjustment to treat the Rate IT class as if they were interrupted on the peak day (excluding peak demand



costs from Factors 2, 2B, 3, and 3A), the cost of service level for Rate IT is \$22,789 (in 000's) shown on Schedule A of Exhibit GRH-RD-2, or a reduction of \$10,759(in 000's).

**Q. DID PGW'S AS-REQUESTED PROPOSED RATE DESIGN (OR REVENUE ALLOCATION) ORIGINALLY FILED WITH THE PUC MOVE THE RATE IT CLASS'S PROPOSED REVENUES TO FULLY RECOVER ITS INDICATED COST OF SERVICE LEVEL?**

A. No, PGW did not, and this is where I believe there might be a disconnect between revenue allocation versus cost allocation. PGW proposed to increase Rate IT revenues by \$3,743 million or about 30% for a total Rate IT revenue amount under proposed rates of \$16,516 million. The proposed rate design shows that the Rate IT class was under-recovering its cost of service by \$17,031 million when comparing PGW's as-filed CCOS results for Rate IT of \$33,547 million. This is illustrated on Exhibit GRH-RD-1, page 1 of 2 when comparing column 7 (revenues under proposed rates as-requested) to the results of the as-requested CCOS in column 2. However, under the Final Order compliance rate design, the PUC awarded the Rate IT a revenue increase of 9.04% or \$1,155 million, which shows that the Rate IT class is under-recovering its cost of service by \$19,619 million, which can be determined by comparing column 11 (revenues under compliance rates Final Order) to the results of the as-requested CCOS in column 2. The Rate IT class would require a 162% increase to fully recover its CCOS level of \$33,547 million, which is illustrated on Exhibit GRH-RD-1 at page 2.

I will take it one step further and compare the results of the CCOS in Exhibit GRH-RD-2, which allocates peak demand costs assuming that the IT class is interrupted (which is PICGUG's position in this case), with an indicated cost of service level of \$22,789 million, to PGW's proposed rate design. Rate IT class is still under-recovering its cost of service by \$6,273 million when comparing column 7 (revenues under proposed

1 rates as-requested) to the results of the as-requested CCOS in column 4 on Exhibit GRH-  
2 RD-1 at page 1. Under the Final Order / compliance rate design, the Rate IT class is  
3 under-recovering its cost of service level by \$8,861 million when comparing column 11  
4 (revenues under compliance rates Final Order) to the results of the as-requested CCOS in  
5 column 4 on Exhibit GRH-RD-1 at page 1. Thus, the Rate IT class would still require a  
6 78% increase to fully recover its CCOS level of \$22,789 even if PICGUG's position was  
7 accepted, which is illustrated on Exhibit GRH-RD-1 at page 2.

8 It can be concluded that cost allocation and revenue allocation are different.  
9 While cost allocation by class is considered for revenue allocation and the development  
10 of rate design, PGW acknowledged in its revenue allocation that a 162% increase would  
11 create rate shock. Therefore, PGW proposed to gradually move the Rate IT class toward  
12 cost of service over multiple rate cases by increasing revenues by a percentage that is  
13 greater than the overall system increase. It can also be concluded that, no matter if Rate  
14 IT is considered interrupted on the peak day for the sake of allocating costs related to  
15 peak demand of distribution mains, or if instead it has costs allocated to them in  
16 recognition that the IT class actually always takes service on the peak, PGW's proposed  
17 revenue increase for Rate IT class in the 2023 Rate Case significantly under-recovers the  
18 actual cost of IT service in either scenario.

19 **V. CONCLUSION**

20 **Q. DOES THAT COMPLETE YOUR REMAND DIRECT TESTIMONY?**

21 **A.** Yes. I reserve the right to file additional testimony as necessary.

## **APPENDIX A**

| <b>Year</b> | <b>Jurisdiction</b> | <b>Docket No.</b> | <b>Client Utility</b>                | <b>Subject</b>                     |
|-------------|---------------------|-------------------|--------------------------------------|------------------------------------|
| 2017        | MO PSC              | SR-2017-0286      | Missouri-American Water Company      | Cost of Service/Rate Design        |
| 2018        | PA PUC              | 2018-200208       | SUEZ Water Pennsylvania              | Revenue Requirements               |
| 2018        | NJ BPU              | WR18050593        | SUEZ Water New Jersey, Inc           | Cost Allocation/Rate Design        |
| 2019        | PA PUC              | 2018-3006814      | UGI Utilities Inc. - Gas Division    | Cost of Service Allocation Studies |
| 2019        | PA PUC              | 2019-3006904      | Newtown Artesian Water Co.           | Revenue Req./Rate Design           |
| 2019        | PA PUC              | 2019-3010955      | City of Lancaster – Sewer Fund       | Rev. Req./Cost of Service/Rates    |
| 2020        | PA PUC              | 2020-3017206      | Philadelphia Gas Works               | Cost of Service                    |
| 2020        | PA PUC              | 2020-3019369      | Pennsylvania American Water          | Cost of Service                    |
| 2020        | PA PUC              | 2020-3019371      | Pennsylvania American Water          | Cost of Service                    |
| 2020        | PA PUC              | 2020-3020256      | City of Bethlehem                    | Rev. Req./Cost of Service/Rates    |
| 2020        | CA PUC              | A2101003          | San Jose Water Company               | Rate Design                        |
| 2021        | PA PUC              | 2021-3026116      | Borough of Hanover                   | Revenue and Revenue Requirements   |
| 2021        | PA PUC              | 2021-3026682      | City of Lancaster – Water Fund       | Revenue and Revenue Requirements   |
| 2021        | PA PUC              | 2021-3027385      | Aqua Pennsylvania, Inc.              | Cost of Service/Rate Design        |
| 2021        | PA PUC              | 2021-3027386      | Aqua Pennsylvania Wastewater, Inc.   | Cost of Service/Rate Design        |
| 2022        | PA-PUC              | 2022-3031704      | Borough of Ambler                    | Rev. Req./Rate Design              |
| 2022        | PA-PUC              | 2022-3031673      | Pennsylvania American Water          | Cost of Service                    |
| 2022        | PA-PUC              | 2022-3031340      | York Water Company                   | Cost of Service/Rate Design        |
| 2022        | PA-PUC              | 2022-3032806      | York Water Company                   | Cost of Service/Rate Design        |
| 2022        | KY-PSC              | 2022-00161        | Northern Kentucky Water District     | Cost of Service/Rate Design        |
| 2022        | PUCO                | 22-1094-WW-AIR    | Aqua Ohio Inc.                       | Cost of Service                    |
| 2022        | PUCO                | 22-1096-ST-AIR    | Aqua Ohio Inc.                       | Cost of Service                    |
| 2023        | PA-PUC              | 2023-3037933      | Philadelphia Gas Works               | Cost of Service                    |
| 2023        | VA-SCC              | PUR-2023-00073    | Aqua Virginia, Inc.                  | Bill Analysis/Rate Design          |
| 2024        | NJ-BPU              | WR24010057        | Aqua New Jersey, Inc.                | Bill Analysis/Rate Design          |
| 2024        | IL-CC               | 24-0044           | Aqua Illinois, Inc.                  | Bill Analysis/Rate Design          |
| 2024        | PA-PUC              | R-2024-3045192    | Veolia Water Pennsylvania            | Rev. Req./Rate Design              |
| 2024        | PA-PUC              | R-2024-3045193    | Veolia Wastewater Pennsylvania       | Rev. Req./Rate Design              |
| 2024        | PA-PUC              | R-2024-3047822    | Aqua Pennsylvania, Inc. (Water)      | Bill Analysis                      |
| 2024        | PA-PUC              | R-2024-3047824    | Aqua Pennsylvania, Inc. (Wastewater) | Bill Analysis                      |
| 2024        | PA-PUC              | R-2024-3050208    | Newtown Artesian Water Co.           | Rev. Req./Rate Design              |
| 2025        | PA-PUC              | R-2025-3053112    | Philadelphia Gas Works               | Cost of Service                    |
| 2025        | PA-PUC              | R-2025-3053442    | The York Water Company               | Cost of Service and Rate Design    |
| 2025        | PA-PUC              | R-2025-3053573    | The York Water Company (WW)          | Cost of Service and Rate Design    |
| 2025        | NCUC                | W-218 Sub. 629    | Aqua North Carolina, Inc.            | Bill Analysis/Rate Design          |
| 2025        | PUC-TX              | Docket No. 58124  | Aqua Texas, Inc. (Water and WW)      | Bill Analysis/COS/Rate Design      |

PGW St. No. 2-RD

|      |        |                |                                             |                                 |
|------|--------|----------------|---------------------------------------------|---------------------------------|
| 2025 | VA-SCC | PUR-2025-00071 | Aqua Virginia, Inc. (Water and WW)          | Bill Analysis/COS/Rate Design   |
| 2025 | RIPUC  | 25-30-WW       | Veolia Rhode Island, Inc.                   | Cost of Service and Rate Design |
| 2025 | PUCO   | 25-0594-WW-AIR | Aqua Ohio, Inc. (Water)                     | Bill Analysis/COS/Rate Design   |
| 2025 | PUCO   | 25-0593-ST-AIR | Aqua Ohio, Inc. (Wastewater)                | Bill Analysis/COS/Rate Design   |
| 2025 | PA-PUC | R-2025-3057983 | Pennsylvania American Water                 | Cost of Service                 |
| 2025 | PA-PUC | R-2025-3058051 | Pennsylvania American Water<br>(Wastewater) | Cost of Service                 |
| 2025 | PA-PUC | R-2025-3057237 | City of Lancaster-Bureau of Water           | Rev. Req/COS/Rate Design        |
| 2026 | NJ-BPU | WR26010017     | Aqua New Jersey, Inc.                       | Bill Analysis/COS/Rate Design   |

Philadelphia Gas Works Exhibit GRH-RD-1

Witness: G.R. Herbert

PHILADELPHIA GAS WORKS

COST OF SERVICE ALLOCATION STUDY

AS OF AUGUST 31, 2024

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Mechanicsburg, Pennsylvania

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<br>Classification<br>(1) | <b><i>As-Requested</i></b><br>Cost of Service (in 000's) |         | <b><i>No Peak Demand for Rate IT</i></b><br>Cost of Service (in 000's) |         | Variance<br>(6) | PGW (As-Requested)<br><b><i>Under Proposed Rates</i></b> |         | Revenue Increase |                  | PGW (Final Order)<br><b><i>Under Compliance Rates</i></b> |         | 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.

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<br>Classification<br>(1) | <b>As-Requested</b><br>Cost of Service (in 000's) |         | <b>No Peak Demand for Rate IT</b><br>Cost of Service (in 000's) |         | Variance<br>(6) | Pro Forma Revenue<br><b>Under Present Rates</b> |         | PGW (As-Requested)<br><b>Under Parity Rates</b> |         | Revenue Increase |                  | PGW (No Peak Demand for Rate IT)<br><b>Under Parity Rates</b> |         | 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.

Philadelphia Gas Works Exhibit GRH-RD-2

Witness: G.R. Herbert

PHILADELPHIA GAS WORKS

COST OF SERVICE ALLOCATION STUDY

AS OF AUGUST 31, 2024

GANNETT FLEMING VALUATION AND RATE CONSULTANTS, LLC

Mechanicsburg, Pennsylvania



PHILADELPHIA GAS WORKS

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT AND PROPOSED RATES  
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED AUGUST 31, 2024  
WITHOUT GAS COSTS

| Service<br>Classification<br>(1) | Pro Forma<br>Cost of Service (in 000's) |                | Pro Forma Margin Revenues, |                |                          |                | Revenue Increase |                            |
|----------------------------------|-----------------------------------------|----------------|----------------------------|----------------|--------------------------|----------------|------------------|----------------------------|
|                                  | Cost of Service (in 000's)              |                | Under Present Rates        |                | Under Proposed Rates     |                | Revenue Increase |                            |
|                                  | Amount<br>(2)                           | Percent<br>(3) | Amount (in 000's)<br>(4)   | Percent<br>(5) | Amount (in 000's)<br>(6) | Percent<br>(7) | Amount<br>(8)    | Percent<br>Increase<br>(9) |
| Residential                      | \$ 403,350                              | 76.28%         | \$ 351,526                 | 79.66%         | \$ 419,616               | 79.60%         | \$ 68,090        | 19.37%                     |
| Commercial                       | 74,466                                  | 14.08%         | 61,799                     | 14.00%         | 72,656                   | 13.78%         | 10,857           | 17.57%                     |
| Industrial                       | 5,783                                   | 1.09%          | 4,920                      | 1.11%          | 5,880                    | 1.12%          | 960              | 19.52%                     |
| Municipal                        | 6,985                                   | 1.32%          | 4,873                      | 1.10%          | 6,299                    | 1.20%          | 1,427            | 29.28%                     |
| PHA - GS                         | 2,040                                   | 0.39%          | 1,648                      | 0.37%          | 2,006                    | 0.38%          | 358              | 21.70%                     |
| PHA - Rate 8                     | 3,081                                   | 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                    | 22,789                                  | 4.31%          | 12,773                     | 2.89%          | 16,516                   | 3.13%          | 3,743            | 29.30%                     |
| Grays Ferry/Veolia               | 10,245                                  | 1.94%          | 1,129                      | 0.26%          | 1,129                    | 0.21%          | -                | 0.00%                      |
| Total                            | <u>\$ 528,794</u>                       | <u>100.00%</u> | <u>\$ 441,310</u>          | <u>100.00%</u> | <u>\$ 527,130</u>        | <u>100.00%</u> | <u>\$ 85,820</u> | 19.45%                     |
| NGS/LNG and Contract Revenue     | 686                                     |                | 686                        |                | 686                      |                | -                |                            |
| Surcharges                       | 79,027                                  |                | 79,027                     |                | 79,027                   |                | -                |                            |
| Other Operating Revenues         | <u>(4,205)</u>                          |                | <u>(2,391)</u>             |                | <u>(4,205)</u>           |                | <u>(1,814)</u>   |                            |
| Total Other Revenues             | 75,508                                  |                | 77,322                     |                | 75,508                   |                | (1,814)          |                            |
| Total                            | <u>\$ 604,302</u>                       |                | <u>\$ 518,631</u>          |                | <u>\$ 602,638</u>        |                | <u>\$ 84,006</u> | 16.2%                      |

PHILADELPHIA GAS WORKS

COMPARISON OF COST OF SERVICE WITH REVENUES UNDER PRESENT RATES AND PARITY REVENUE  
BY SERVICE CLASSIFICATION FOR THE TWELVE MONTHS ENDED AUGUST 31, 2024  
WITHOUT GAS COSTS

| Service<br>Classification<br>(1) | Pro Forma<br>Cost of Service (in 000's) |                | Pro Forma Margin Revenues, |                |                          |                | Revenue Increase |                            |
|----------------------------------|-----------------------------------------|----------------|----------------------------|----------------|--------------------------|----------------|------------------|----------------------------|
|                                  | Amount<br>(2)                           | Percent<br>(3) | Under Present Rates        |                | Under Parity             |                | Amount<br>(8)    | Percent<br>Increase<br>(9) |
|                                  |                                         |                | Amount (in 000's)<br>(4)   | Percent<br>(5) | Amount (in 000's)<br>(6) | Percent<br>(7) |                  |                            |
| Residential                      | \$ 403,350                              | 76.28%         | \$ 351,526                 | 79.66%         | \$ 403,350               | 76.28%         | \$ 51,825        | 14.7%                      |
| Commercial                       | 74,466                                  | 14.08%         | 61,799                     | 14.00%         | 74,466                   | 14.08%         | 12,666           | 20.5%                      |
| Industrial                       | 5,783                                   | 1.09%          | 4,920                      | 1.11%          | 5,783                    | 1.09%          | 863              | 17.5%                      |
| Municipal                        | 6,985                                   | 1.32%          | 4,873                      | 1.10%          | 6,985                    | 1.32%          | 2,112            | 43.3%                      |
| PHA - GS                         | 2,040                                   | 0.39%          | 1,648                      | 0.37%          | 2,040                    | 0.39%          | 391              | 23.7%                      |
| PHA - Rate 8                     | 3,081                                   | 0.58%          | 2,614                      | 0.59%          | 3,081                    | 0.58%          | 467              | 17.8%                      |
| NGVS                             | 56                                      | 0.01%          | 27                         | 0.01%          | 56                       | 0.01%          | 29               | 105.7%                     |
| Interruptible                    | 22,789                                  | 4.31%          | 12,773                     | 2.89%          | 22,789                   | 4.31%          | 10,016           | 78.4%                      |
| Grays Ferry/Veolia               | 10,245                                  | 1.94%          | 1,129                      | 0.26%          | 10,245                   | 1.94%          | 9,116            | 807.4%                     |
| Total                            | <u>\$ 528,794</u>                       | <u>100.0%</u>  | <u>\$ 441,310</u>          | <u>100.0%</u>  | <u>\$ 528,794</u>        | <u>100.0%</u>  | <u>\$ 87,484</u> | 19.8%                      |
| 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                            | <u>\$ 604,302</u>                       |                | <u>\$ 518,631</u>          |                | <u>\$ 604,302</u>        |                | <u>\$ 85,670</u> | 16.5%                      |

PHILADELPHIA GAS WORKS

DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION  
UNDER PRESENT RATES

| Item<br>(1)                                            | Total<br>(2) | Residential<br>(3) | Commercial<br>(4) | Industrial<br>(5) | Municipal<br>(6) | PHA - GS<br>(7) | PHA -Rate 8<br>(8) | NGVS<br>(9) | Interruptible<br>(10) | Grays Ferry<br>(11) |
|--------------------------------------------------------|--------------|--------------------|-------------------|-------------------|------------------|-----------------|--------------------|-------------|-----------------------|---------------------|
| 1. Revenues From Tariff Sales<br>and Transportation    | \$ 441,289   | \$ 351,526         | \$ 61,799         | \$ 4,920          | \$ 4,873         | \$ 1,648        | \$ 2,594           | \$ 27       | \$ 12,773             | \$ 1,129            |
| 2. Other Revenues                                      | 77,226       | 54,403             | 18,273            | 1,445             | 1,855            | 381             | 818                | 25          | 8                     | 17                  |
| 3. Total Operating Revenues                            | 518,515      | 405,929            | 80,072            | 6,365             | 6,727            | 2,030           | 3,412              | 52          | 12,781                | 1,146               |
| 4. Less: Operating Expenses and City Contribution      | 381,864      | 289,265            | 59,893            | 4,698             | 5,693            | 1,511           | 2,503              | 53          | 11,817                | 6,432               |
| 5. Income Before Interest and Surplus                  | 136,651      | 116,664            | 20,179            | 1,667             | 1,034            | 519             | 909                | (0)         | 964                   | (5,286)             |
| 6. Less: Interest                                      | 64,310       | 47,655             | 9,749             | 760               | 948              | 274             | 422                | 9           | 3,331                 | 1,161               |
| 7. Current Revenue Over/Under Requirements             | 72,341       | 69,009             | 10,430            | 907               | 86               | 245             | 487                | (9)         | (2,367)               | (6,447)             |
| 8. Original Cost Measure<br>of Value (Factor 15.)      | 1,763,900    | 1,307,088          | 267,410           | 20,848            | 26,009           | 7,525           | 11,564             | 236         | 91,368                | 31,852              |
| 9. Rate of Return before Interest and Surplus, Percent | 7.75%        | 8.93%              | 7.55%             | 8.00%             | 3.98%            | 6.89%           | 7.86%              | -0.11%      | 1.06%                 | -16.60%             |
| 10. Relative Rate of Return                            | 1.00         | 1.15               | 0.97              | 1.03              | 0.51             | 0.89            | 1.02               | -0.01       | 0.14                  | -2.14               |

PHILADELPHIA GAS WORKS  
DEVELOPMENT OF RATE OF RETURN BY SERVICE CLASSIFICATION  
UNDER PROPOSED RATES

| Item<br>(1)                                            | Total<br>(2) | Residential<br>(3) | Commercial<br>(4) | Industrial<br>(5) | Municipal<br>(6) | PHA - GS<br>(7) | PHA -Rate 8<br>(8) | NGVS<br>(9) | Interruptible<br>(10) | Grays Ferr<br>(11) |
|--------------------------------------------------------|--------------|--------------------|-------------------|-------------------|------------------|-----------------|--------------------|-------------|-----------------------|--------------------|
| 1. Revenues From Tariff Sales<br>and Transportation    | 528,116      | \$ 419,616         | \$ 72,656         | \$ 5,880          | \$ 6,299         | \$ 2,992        | \$ 2,992           | \$ 35       | \$ 16,516             | \$ 1,129           |
| 2. Other Revenues                                      | 75,508       | 52,886             | 18,099            | 1,435             | 1,845            | 380             | 814                | 25          | 8                     | 17                 |
| 3. Total Operating Revenues                            | 603,623      | 472,501            | 90,755            | 7,315             | 8,144            | 3,372           | 3,806              | 60          | 16,524                | 1,146              |
| 4. Less: Operating Expenses and City Contribution      | 392,697      | 299,432            | 60,485            | 4,717             | 5,709            | 1,517           | 2,507              | 53          | 11,836                | 6,441              |
| 5. Income Before Interest and Surplus                  | 210,926      | 173,069            | 30,270            | 2,598             | 2,435            | 1,855           | 1,298              | 8           | 4,688                 | (5,295)            |
| 6. Less: Interest                                      | 64,310       | 47,655             | 9,749             | 760               | 948              | 274             | 422                | 9           | 3,331                 | 1,161              |
| 7. Current Revenue Over/Under Requirements             | 146,616      | 125,414            | 20,521            | 1,838             | 1,487            | 1,581           | 876                | (1)         | 1,357                 | (6,456)            |
| 8. Original Cost Measure<br>of Value (Factor 15.)      | 1,763,900    | 1,307,088          | 267,410           | 20,848            | 26,009           | 7,525           | 11,564             | 236         | 91,368                | 31,852             |
| 9. Rate of Return before Interest and Surplus, Percent | 11.96%       | 13.24%             | 11.32%            | 12.46%            | 9.36%            | 24.65%          | 11.23%             | 3.24%       | 5.13%                 | -16.62%            |
| 10. Relative Rate of Return                            | 1.00         | 1.11               | 0.95              | 1.04              | 0.78             | 2.06            | 0.94               | 0.27        | 0.43                  | -1.39              |

4

PHILADELPHIA GAS WORKS  
SUMMARY COST OF SERVICE BY SERVICE CLASSIFICATION

| Cost Function<br>(1)    | Cost of Service<br>(Schedule E)<br>(2) | Residential<br>(3) | Commercial<br>(4) | Industrial<br>(5) | Municipal<br>(6) | PHA- GS<br>(7) | PHA - Rate 8<br>(8) | NGVS<br>(9) | Interruptible<br>(10) | Grays Ferry<br>(11) |
|-------------------------|----------------------------------------|--------------------|-------------------|-------------------|------------------|----------------|---------------------|-------------|-----------------------|---------------------|
| <u>Volumetric Costs</u> |                                        |                    |                   |                   |                  |                |                     |             |                       |                     |
| Residential             | \$ 195,466                             | \$ 195,466         |                   |                   |                  |                |                     |             |                       |                     |
| Commercial              | 46,551                                 |                    | 46,551            |                   |                  |                |                     |             |                       |                     |
| Industrial              | 3,982                                  |                    |                   | 3,982             |                  |                |                     |             |                       |                     |
| Municipal               | 4,910                                  |                    |                   |                   | 4,910            |                |                     |             |                       |                     |
| PHA GS                  | 906                                    |                    |                   |                   |                  | 906            |                     |             |                       |                     |
| PHA R8                  | 2,248                                  |                    |                   |                   |                  |                | 2,248               |             |                       |                     |
| NGVS                    | 35                                     |                    |                   |                   |                  |                |                     | 35          |                       |                     |
| Interruptible           | 22,541                                 |                    |                   |                   |                  |                |                     |             | 22,541                |                     |
| Gray Ferry/Veolia       | -                                      |                    |                   |                   |                  |                |                     |             |                       | 10,245              |
| Total Volumetric Cost   | 276,640                                | 195,466            | 46,551            | 3,982             | 4,910            | 906            | 2,248               | 35          | 22,541                | 10,245              |
| <u>Customer Costs</u>   |                                        |                    |                   |                   |                  |                |                     |             |                       |                     |
| Residential             | 207,884                                | 207,884            |                   |                   |                  |                |                     |             |                       |                     |
| Commercial              | 27,914                                 |                    | \$ 27,914         |                   |                  |                |                     |             |                       |                     |
| Industrial              | 1,801                                  |                    |                   | \$ 1,801          |                  |                |                     |             |                       |                     |
| Municipal               | 2,075                                  |                    |                   |                   | \$ 2,075         |                |                     |             |                       |                     |
| PHA GS                  | 1,134                                  |                    |                   |                   |                  | \$ 1,134       |                     |             |                       |                     |
| PHA R8                  |                                        |                    |                   |                   |                  |                | \$ 833              |             |                       |                     |
| NGVS                    | 20                                     |                    |                   |                   |                  |                |                     | \$ 20       |                       |                     |
| Interruptible           | 248                                    |                    |                   |                   |                  |                |                     |             | \$ 248                | \$ -                |
| GTS/IT                  | -                                      |                    |                   |                   |                  |                |                     |             |                       |                     |
| Total Customer Costs    | 241,076                                | 207,884            | 27,914            | 1,801             | 2,075            | 1,134          | 833                 | 20          | 248                   | -                   |
| Total Excluding Gas Cos | \$ 517,716                             | \$ 403,350         | \$ 74,466         | \$ 5,783          | \$ 6,985         | \$ 2,040       | \$ 3,081            | \$ 56       | \$ 22,789             | \$ 10,245           |

PHILADELPHIA GAS WORKS

COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

| Account                                     | Factor Ref. | Cost of Service in '000's | Volumetric Costs |            |            |           |          |          |      |               |             | Customer Costs |      |      |      |          |          |      |               |
|---------------------------------------------|-------------|---------------------------|------------------|------------|------------|-----------|----------|----------|------|---------------|-------------|----------------|------|------|------|----------|----------|------|---------------|
|                                             |             |                           | Residential      | Commercial | Industrial | Municipal | PHA - GS | PHA - R8 | NGVS | Interruptible | Grays Ferry | Res            | Com  | Ind  | Muni | PHA - GS | PHA - R8 | NGVS | Interruptible |
| (1)                                         | (2)         | (3)                       | (4)              | (5)        | (6)        | (7)       | (8)      | (9)      | (10) | (11)          | (12)        | (13)           | (14) | (15) | (16) | (17)     | (18)     | (19) | (20)          |
| OPERATION AND MAINTENANCE EXPENSES          |             |                           |                  |            |            |           |          |          |      |               |             |                |      |      |      |          |          |      |               |
| PRODUCTION EXPENSES                         |             |                           |                  |            |            |           |          |          |      |               |             |                |      |      |      |          |          |      |               |
| <u>Manufactured Gas Production Expenses</u> |             |                           |                  |            |            |           |          |          |      |               |             |                |      |      |      |          |          |      |               |
| 701                                         | 1           | 319                       | 251              | 52         | 3          | 7         | 1        | 3        | 0    | -             | 0           | -              | -    | -    | -    | -        | -        | -    | -             |
| 703                                         | 1           | 397                       | 313              | 65         | 4          | 9         | 2        | 4        | 0    | -             | 1           | -              | -    | -    | -    | -        | -        | -    | -             |
| 706                                         | 1           | 6                         | 5                | 1          | 0          | 0         | 0        | 0        | 0    | -             | 0           | -              | -    | -    | -    | -        | -        | -    | -             |
| 707                                         | 1           | 276                       | 217              | 45         | 3          | 6         | 1        | 3        | 0    | -             | 0           | -              | -    | -    | -    | -        | -        | -    | -             |
| 712                                         | 1           | 842                       | 663              | 138        | 9          | 19        | 3        | 9        | 0    | -             | 1           | -              | -    | -    | -    | -        | -        | -    | -             |
| 734                                         | 1           | (596)                     | (470)            | (98)       | (6)        | (13)      | (2)      | (6)      | (0)  | -             | (1)         | -              | -    | -    | -    | -        | -        | -    | -             |
| 735                                         | 1           | 1,633                     | 1,286            | 267        | 17         | 36        | 7        | 17       | 0    | -             | 2           | -              | -    | -    | -    | -        | -        | -    | -             |
| 740                                         | 1           | 467                       | 368              | 76         | 5          | 10        | 2        | 5        | 0    | -             | 1           | -              | -    | -    | -    | -        | -        | -    | -             |
| 741                                         | 1           | 149                       | 117              | 24         | 2          | 3         | 1        | 2        | 0    | -             | 0           | -              | -    | -    | -    | -        | -        | -    | -             |
| 742                                         | 1           | 533                       | 420              | 87         | 6          | 12        | 2        | 5        | 0    | -             | 1           | -              | -    | -    | -    | -        | -        | -    | -             |
| Total - Manu. Gas Production Expenses       |             | 4,026                     | 3,172            | 659        | 43         | 89        | 16       | 41       | 0    | -             | 5           | -              | -    | -    | -    | -        | -        | -    | -             |
| <u>Other Gas Supply Expenses</u>            |             |                           |                  |            |            |           |          |          |      |               |             |                |      |      |      |          |          |      |               |
| 807                                         | 1           | 11,746                    | 9,253            | 1,923      | 126        | 261       | 48       | 119      | 1    | -             | 15          | -              | -    | -    | -    | -        | -        | -    | -             |
| 812                                         | 1           | 43                        | 34               | 7          | 0          | 1         | 0        | 0        | 0    | -             | 0           | -              | -    | -    | -    | -        | -        | -    | -             |
| 813                                         | 1           | 3,129                     | 2,465            | 512        | 34         | 70        | 13       | 32       | 0    | -             | 4           | -              | -    | -    | -    | -        | -        | -    | -             |
| Total Other Gas Supply Expenses             |             | 14,918                    | 11,752           | 2,443      | 160        | 332       | 61       | 151      | 1    | -             | 19          | -              | -    | -    | -    | -        | -        | -    | -             |
| Total Natural Gas Production Expenses       |             | 18,944                    | 14,924           | 3,102      | 203        | 421       | 77       | 192      | 1    | -             | 24          | -              | -    | -    | -    | -        | -        | -    | -             |
| OTHER STORAGE EXPENSE                       |             |                           |                  |            |            |           |          |          |      |               |             |                |      |      |      |          |          |      |               |
| 840                                         | 2A          | 1,327                     | 1,020            | 241        | 22         | 27        | 5        | 12       | 0    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |
| 841                                         | 2A          | 3,985                     | 3,062            | 724        | 66         | 80        | 15       | 37       | 0    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |
| 842                                         | 2A          | 333                       | 256              | 61         | 6          | 7         | 1        | 3        | 0    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |
| 843                                         | 2A          | 8,412                     | 6,463            | 1,528      | 140        | 170       | 32       | 78       | 0    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |
| 850                                         | 2A          | 1,272                     | 977              | 231        | 21         | 26        | 5        | 12       | 0    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |
| Total Natural Gas Storage Expense           |             | 15,329                    | 11,777           | 2,785      | 255        | 309       | 59       | 143      | 1    | -             | -           | -              | -    | -    | -    | -        | -        | -    | -             |

PHILADELPHIA GAS WORKS

COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

| Account                                               | Factor Ref. | Cost of Service in '000's | Volumetric Costs |              |            |            |            |            |          |               |              | Customer Costs |               |            |              |            |            |           |               |
|-------------------------------------------------------|-------------|---------------------------|------------------|--------------|------------|------------|------------|------------|----------|---------------|--------------|----------------|---------------|------------|--------------|------------|------------|-----------|---------------|
|                                                       |             |                           | Residential      | Commercial   | Industrial | Municipal  | PHA - GS   | PHA - R8   | NGVS     | Interruptible | Grays Ferry  | Res            | Com           | Ind        | Muni         | PHA - GS   | PHA - R8   | NGVS      | Interruptible |
| (1)                                                   | (2)         | (3)                       | (4)              | (5)          | (6)        | (7)        | (8)        | (9)        | (10)     | (11)          | (12)         | (13)           | (14)          | (15)       | (16)         | (17)       | (18)       | (19)      | (20)          |
| <b>DISTRIBUTION EXPENSES</b>                          |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| 870 Supervision And Engineering                       | 8           | 2,757                     | 911              | 238          | 21         | 24         | 4          | 11         | 0        | 126           | 58           | 967            | 324           | 27         | 28           | 6          | 9          | 0         | 1             |
| 871 Distribution Load Dispatching                     | 3A          | 2,159                     | 1,345            | 350          | 31         | 36         | 7          | 17         | 0        | 176           | 198          | -              | -             | -          | -            | -          | -          | -         | -             |
| 874 Mains And Services Expenses                       |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| Mains                                                 | 3           | 3,287                     | 2,168            | 567          | 49         | 58         | 11         | 27         | 1        | 303           | 103          | -              | -             | -          | -            | -          | -          | -         | -             |
| Services                                              | 6           | 3,287                     | -                | -            | -          | -          | -          | -          | -        | -             | -            | 3,056          | 179           | 5          | 10           | 23         | 6          | 0         | 7             |
| 875 M & R Station Expenses - General                  | 3A          | 2,280                     | 1,421            | 369          | 32         | 38         | 7          | 17         | 0        | 185           | 209          | -              | -             | -          | -            | -          | -          | -         | -             |
| 876 M & R Station Expenses - Industrial               | 5           | 152                       | -                | -            | -          | -          | -          | -          | -        | -             | -            | -              | -             | 152        | -            | -          | -          | -         | -             |
| 877 M & R Station Expenses - City Gate Station        | 3A          | 751                       | 468              | 122          | 11         | 13         | 2          | 6          | 0        | 61            | 69           | -              | -             | -          | -            | -          | -          | -         | -             |
| 878 Meter and House Regulator Expenses                | 4           | 18,880                    | -                | -            | -          | -          | -          | -          | -        | -             | -            | 12,158         | 5,650         | 331        | 503          | 74         | 159        | 6         | -             |
| 879 Customer Installations Expenses                   | 4           | 10,926                    | -                | -            | -          | -          | -          | -          | -        | -             | -            | 7,036          | 3,270         | 192        | 291          | 43         | 92         | 3         | -             |
| 880 Other Expenses                                    | 8           | 16,489                    | 5,447            | 1,423        | 124        | 146        | 27         | 67         | 1        | 753           | 349          | 5,785          | 1,940         | 161        | 169          | 36         | 55         | 2         | 3             |
| 881 Rents                                             | 8           | 10                        | 3                | 1            | 0          | 0          | 0          | 0          | 0        | 0             | 0            | 4              | 1             | 0          | 0            | 0          | 0          | 0         | 0             |
| 885 Maintenance Super. And Engineering                | 8           | 380                       | 126              | 33           | 3          | 3          | 1          | 2          | 0        | 17            | 8            | 133            | 45            | 4          | 4            | 1          | 1          | 0         | 0             |
| 887 Maint. Of Mains                                   | 3           | 30,061                    | 19,831           | 5,166        | 451        | 531        | 98         | 244        | 5        | 2,774         | 941          | -              | -             | -          | -            | -          | -          | -         | -             |
| 889 Maint. Of Measuring Station Expenses - General    | 3A          | 1,279                     | 797              | 207          | 18         | 21         | 4          | 10         | 0        | 104           | 117          | -              | -             | -          | -            | -          | -          | -         | -             |
| 890 Maint. Of Measuring Station Expenses - Industrial | 5           | 93                        | -                | -            | -          | -          | -          | -          | -        | -             | -            | -              | -             | 93         | -            | -          | -          | -         | -             |
| 891 Maint. Of Measuring Station Expenses - City Gate  | 3A          | 618                       | 385              | 100          | 9          | 10         | 2          | 5          | 0        | 50            | 57           | -              | -             | -          | -            | -          | -          | -         | -             |
| 892 Maint. Of Services                                | 6           | 2,487                     | -                | -            | -          | -          | -          | -          | -        | -             | -            | 2,313          | 135           | 4          | 8            | 17         | 4          | 0         | 5             |
| 893 Maint. Of Meters and House Regulators             | 7           | 3,703                     | -                | -            | -          | -          | -          | -          | -        | -             | -            | 3,491          | 176           | 4          | 6            | 15         | 7          | 0         | 3             |
| <b>Total Distribution Expenses</b>                    |             | <b>99,598</b>             | <b>32,902</b>    | <b>8,596</b> | <b>749</b> | <b>881</b> | <b>162</b> | <b>405</b> | <b>9</b> | <b>4,551</b>  | <b>2,110</b> | <b>34,943</b>  | <b>11,720</b> | <b>973</b> | <b>1,019</b> | <b>215</b> | <b>334</b> | <b>12</b> | <b>19</b>     |
| <b>CUSTOMER ACCOUNTING EXPENSES</b>                   |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| Operation                                             |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| 901 Supervision                                       | 7           | 2,839                     | -                | -            | -          | -          | -          | -          | -        | -             | -            | 2,676          | 135           | 3          | 5            | 12         | 6          | 0         | 2             |
| 902 Meter Reading Expenses                            | 7           | 868                       | -                | -            | -          | -          | -          | -          | -        | -             | -            | 818            | 41            | 1          | 1            | 4          | 2          | 0         | 1             |
| 903 Customer Records & Coll Expenses                  | 7           | 37,465                    | -                | -            | -          | -          | -          | -          | -        | -             | -            | 35,317         | 1,785         | 41         | 62           | 155        | 75         | 0         | 28            |
| <b>Total Customer Accounting Expenses</b>             |             | <b>41,172</b>             | <b>-</b>         | <b>-</b>     | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>     | <b>38,812</b>  | <b>1,962</b>  | <b>45</b>  | <b>69</b>    | <b>171</b> | <b>82</b>  | <b>0</b>  | <b>31</b>     |
| <b>CUSTOMER SERVICE AND INFORMATION EXPENSES</b>      |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| Operation                                             |             |                           |                  |              |            |            |            |            |          |               |              |                |               |            |              |            |            |           |               |
| 908 Customer Assistance Expenses                      | 7           | 6,334                     | -                | -            | -          | -          | -          | -          | -        | -             | -            | 5,971          | 302           | 7          | 11           | 26         | 13         | 0         | 5             |
| <b>Total Customer Service &amp; Info Expenses</b>     |             | <b>6,334</b>              | <b>-</b>         | <b>-</b>     | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   | <b>-</b> | <b>-</b>      | <b>-</b>     | <b>5,971</b>   | <b>302</b>    | <b>7</b>   | <b>11</b>    | <b>26</b>  | <b>13</b>  | <b>0</b>  | <b>5</b>      |

## PHILADELPHIA GAS WORKS

COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

|                                       |                                                       |                           | Volumetric Costs |            |            |           |          |          |       |               |             | Customer Costs |          |         |       |          |          |      |               |      |
|---------------------------------------|-------------------------------------------------------|---------------------------|------------------|------------|------------|-----------|----------|----------|-------|---------------|-------------|----------------|----------|---------|-------|----------|----------|------|---------------|------|
| Account                               | Factor Ref.                                           | Cost of Service in '000's | Residential      | Commercial | Industrial | Municipal | PHA - GS | PHA - R8 | NGVS  | Interruptible | Grays Ferry | Res            | Com      | Ind     | Muni  | PHA - GS | PHA - R8 | NGVS | Interruptible |      |
| (1)                                   | (2)                                                   | (3)                       | (4)              | (5)        | (6)        | (7)       | (8)      | (9)      | (10)  | (11)          | (12)        | (13)           | (14)     | (15)    | (16)  | (17)     | (18)     | (19) | (20)          |      |
| ADMINISTRATIVE AND GENERAL EXPENSES   |                                                       |                           |                  |            |            |           |          |          |       |               |             |                |          |         |       |          |          |      |               |      |
| 920                                   | Administrative & General Salaries                     | 10                        | 24,028           | 7,896      | 1,919      | 160       | 213      | 39       | 98    | 1             | 603         | 283            | 10,562   | 1,853   | 136   | 145      | 54       | 57   | 2             | 7    |
| 921                                   | Office Supplies and Expenses                          | 10                        | 19,700           | 6,474      | 1,573      | 131       | 175      | 32       | 80    | 1             | 494         | 232            | 8,659    | 1,519   | 111   | 119      | 45       | 47   | 1             | 6    |
| 921                                   | Customer Programs - ELIRP, Senior Discounts, CRP      | 1A                        | 23,451           | 15,891     | 4,708      | 386       | 437      | 76       | 199   | 9             | -           | 1,744          | -        | -       | -     | -        | -        | -    | -             |      |
| 922                                   | Administrative Expenses Transferred-Credit - Benefits | 11                        | (10,717)         | (5,413)    | (1,425)    | (122)     | (146)    | (27)     | (67)  | (1)           | (594)       | (293)          | (2,321)  | (255)   | (16)  | (17)     | (11)     | (8)  | -             | (2)  |
| 922                                   | Administrative Expenses Transferred-Credit            | 10                        | (31,571)         | (10,375)   | (2,521)    | (210)     | (280)    | (52)     | (129) | (2)           | (792)       | (372)          | (13,877) | (2,434) | (178) | (191)    | (72)     | (75) | (2)           | (10) |
| 923                                   | Outside Services Employed - Other                     | 10                        | 3,979            | 1,308      | 318        | 26        | 35       | 7        | 16    | 0             | 100         | 47             | 1,749    | 307     | 22    | 24       | 9        | 9    | 0             | 1    |
| 925                                   | Injuries and Damages                                  | 11                        | 11,132           | 5,623      | 1,480      | 127       | 151      | 28       | 69    | 1             | 617         | 304            | 2,411    | 265     | 16    | 18       | 11       | 9    | -             | 2    |
| 926                                   | Employee Pensions and Benefits                        | 11                        | 74,022           | 37,388     | 9,840      | 843       | 1,007    | 184      | 461   | 9             | 4,104       | 2,021          | 16,029   | 1,764   | 108   | 119      | 76       | 58   | -             | 11   |
| 999                                   | OPEB Funding                                          | 11                        | (10,095)         | (5,099)    | (1,342)    | (115)     | (137)    | (25)     | (63)  | (1)           | (560)       | (276)          | (2,186)  | (241)   | (15)  | (16)     | (10)     | (8)  | -             | (1)  |
| 924                                   | Property Insurance                                    | 10                        | 2,072            | 681        | 165        | 14        | 18       | 3        | 8     | 0             | 52          | 24             | 911      | 160     | 12    | 13       | 5        | 5    | 0             | 1    |
| 928                                   | Regulatory Commission Expense                         | 10                        | 4,397            | 1,445      | 351        | 29        | 39       | 7        | 18    | 0             | 110         | 52             | 1,933    | 339     | 25    | 27       | 10       | 10   | 0             | 1    |
| 929                                   | Duplicate Charges                                     | 10                        | (1,596)          | (524)      | (127)      | (11)      | (14)     | (3)      | (7)   | (0)           | (40)        | (19)           | (702)    | (123)   | (9)   | (10)     | (4)      | (4)  | (0)           | (0)  |
| 930                                   | General Advertising Expenses                          | 10                        | 9,073            | 2,982      | 724        | 60        | 81       | 15       | 37    | 1             | 228         | 107            | 3,988    | 700     | 51    | 55       | 21       | 21   | 1             | 3    |
|                                       | Taxes Other Than Income                               | 11                        | 10,434           | 5,270      | 1,387      | 119       | 142      | 26       | 65    | 1             | 578         | 285            | 2,259    | 249     | 15    | 17       | 11       | 8    | -             | 2    |
|                                       | Total Administrative & General Expenses               |                           | 128,309          | 63,546     | 17,050     | 1,438     | 1,721    | 312      | 788   | 20            | 4,900       | 4,139          | 29,415   | 4,102   | 279   | 303      | 145      | 130  | 2             | 20   |
|                                       | Total Operation and Maintenance Expenses              |                           | 309,686          | 123,149    | 31,533     | 2,644     | 3,332    | 609      | 1,528 | 30            | 9,451       | 6,274          | 109,140  | 18,086  | 1,305 | 1,401    | 556      | 559  | 14            | 75   |
| DEPRECIATION AND AMORTIZATION EXPENSE |                                                       |                           |                  |            |            |           |          |          |       |               |             |                |          |         |       |          |          |      |               |      |
| PRODUCTION PLANT                      |                                                       |                           |                  |            |            |           |          |          |       |               |             |                |          |         |       |          |          |      |               |      |
| 305                                   | Structures and Improvements                           | 1                         | 371              | 293        | 61         | 4         | 8        | 2        | 4     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 306                                   | Boiler Plant Equipment                                | 1                         | 20               | 16         | 3          | 0         | 0        | 0        | 0     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 307                                   | Other Power Equipment                                 | 1                         | 141              | 111        | 23         | 2         | 3        | 1        | 1     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 311                                   | LPG Equipment                                         | 1                         | 29               | 23         | 5          | 0         | 1        | 0        | 0     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 312                                   | Oil Gas Equipment                                     | 1                         | 3                | 2          | 0          | 0         | 0        | 0        | 0     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 319                                   | Gas Mixing Equipment                                  | 1                         | 0                | 0          | 0          | 0         | 0        | 0        | 0     | 0             | -           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 320                                   | Other Equipment                                       | 1                         | 551              | 434        | 90         | 6         | 12       | 2        | 6     | 0             | -           | 1              | -        | -       | -     | -        | -        | -    | -             |      |
| STORAGE PLANT                         |                                                       |                           |                  |            |            |           |          |          |       |               |             |                |          |         |       |          |          |      |               |      |
| 361                                   | Structures and Improvements                           | 2A                        | 313              | 240        | 57         | 5         | 6        | 1        | 3     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 362                                   | Gas Holders                                           | 2A                        | 14               | 11         | 3          | 0         | 0        | 0        | 0     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 363                                   | Purification Equipment                                | 2A                        | 0                | 0          | 0          | 0         | 0        | 0        | 0     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 364                                   | Liquefaction Equipment                                | 2A                        | 823              | 632        | 150        | 14        | 17       | 3        | 8     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 365                                   | Vaporizing Equipment                                  | 2A                        | 300              | 230        | 54         | 5         | 6        | 1        | 3     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 366                                   | Compressor Equipment                                  | 2A                        | 251              | 193        | 46         | 4         | 5        | 1        | 2     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 367                                   | Measuring and Regulating Equipment                    | 2A                        | 85               | 65         | 15         | 1         | 2        | 0        | 1     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| 368                                   | Other Equipment                                       | 2A                        | 1,000            | 768        | 182        | 17        | 20       | 4        | 9     | 0             | -           | -              | -        | -       | -     | -        | -        | -    | -             |      |
| DISTRIBUTION PLANT                    |                                                       |                           |                  |            |            |           |          |          |       |               |             |                |          |         |       |          |          |      |               |      |
| 375                                   | Structures and Improvements                           | 9                         | 17               | 7          | 2          | 0         | 0        | 0        | 0     | 0             | 1           | 0              | 5        | 1       | 0     | 0        | 0        | 0    | 0             |      |
| 376                                   | Mains                                                 | 3                         | 18,867           | 12,446     | 3,255      | 283       | 333      | 61       | 153   | 3             | 1,741       | 590            | -        | -       | -     | -        | -        | -    | -             |      |
| 377                                   | Compression Station Equipment                         | 3A                        | 1                | 1          | 0          | 0         | 0        | 0        | 0     | 0             | 0           | 0              | -        | -       | -     | -        | -        | -    | -             |      |
| 378                                   | Measuring & Regulating Equipment - General            | 3A                        | 350              | 218        | 57         | 5         | 6        | 1        | 3     | 0             | 28          | 32             | -        | -       | -     | -        | -        | -    | -             |      |
| 380                                   | Services                                              | 6                         | 19,688           | -          | -          | -         | -        | -        | -     | -             | -           | -              | 18,309   | 1,069   | 30    | 63       | 138      | 35   | 0             | 43   |
| 381                                   | Meters                                                | 4                         | 2,526            | -          | -          | -         | -        | -        | -     | -             | -           | -              | 1,627    | 756     | 44    | 67       | 10       | 21   | 1             | -    |
| 382                                   | Meter Installations                                   | 4                         | 2,697            | -          | -          | -         | -        | -        | -     | -             | -           | -              | 1,737    | 807     | 47    | 72       | 11       | 23   | 1             | -    |
| 383                                   | House Regulators                                      | 6                         | 50               | -          | -          | -         | -        | -        | -     | -             | -           | -              | 46       | 3       | 0     | 0        | 0        | 0    | 0             | 0    |
| 384                                   | House Regulator Installations                         | 4                         | 49               | -          | -          | -         | -        | -        | -     | -             | -           | -              | 31       | 15      | 1     | 1        | 0        | 0    | 0             | -    |
| 385                                   | Industrial Measuring & Regulating Equipment           | 5                         | 13               | -          | -          | -         | -        | -        | -     | -             | -           | -              | -        | -       | 13    | -        | -        | -    | -             | -    |
| 387                                   | Other Equipment                                       | 9                         | 153              | 65         | 17         | 1         | 2        | 0        | 1     | 0             | 9           | 3              | 47       | 6       | 0     | 0        | 0        | 0    | 0             | 0    |



PHILADELPHIA GAS WORKS  
COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

| Account                                                                 | Factor Ref. | Cost of Service in '000's (3) | Volumetric Costs |                |                |               |              |              |            |                    |                  | Customer Costs |               |              |              |               |               |            |                    |
|-------------------------------------------------------------------------|-------------|-------------------------------|------------------|----------------|----------------|---------------|--------------|--------------|------------|--------------------|------------------|----------------|---------------|--------------|--------------|---------------|---------------|------------|--------------------|
|                                                                         |             |                               | Residential (4)  | Commercial (5) | Industrial (6) | Municipal (7) | PHA - GS (8) | PHA - R8 (9) | NGVS (10)  | Interruptible (11) | Grays Ferry (12) | Res (13)       | Com (14)      | Ind (15)     | Muni (16)    | PHA - GS (17) | PHA - R8 (18) | NGVS (19)  | Interruptible (20) |
| <b>GENERAL PLANT</b>                                                    |             |                               |                  |                |                |               |              |              |            |                    |                  |                |               |              |              |               |               |            |                    |
| 390 Structures And Improvements                                         | 10          | 2,140                         | 703              | 171            | 14             | 19            | 4            | 9            | 0          | 54                 | 25               | 941            | 165           | 12           | 13           | 5             | 5             | 0          | 1                  |
| 391 Office Furniture And Equipment                                      | 10          | 4,707                         | 1,547            | 376            | 31             | 42            | 8            | 19           | 0          | 118                | 55               | 2,069          | 363           | 27           | 28           | 11            | 11            | 0          | 1                  |
| 392 Transportation Equipment                                            | 10          | 4,900                         | 1,610            | 391            | 33             | 44            | 8            | 20           | 0          | 123                | 58               | 2,154          | 378           | 28           | 30           | 11            | 12            | 0          | 1                  |
| 393 Stores Equipment                                                    | 10          | 13                            | 4                | 1              | 0              | 0             | 0            | 0            | 0          | 0                  | 0                | 6              | 1             | 0            | 0            | 0             | 0             | 0          | 0                  |
| 394 Tools, Shop And Garage Equipment                                    | 10          | 637                           | 209              | 51             | 4              | 6             | 1            | 3            | 0          | 16                 | 8                | 280            | 49            | 4            | 4            | 1             | 2             | 0          | 0                  |
| 396 Power Operated Equipment                                            | 10          | 67                            | 22               | 5              | 0              | 1             | 0            | 0            | 0          | 2                  | 1                | 30             | 5             | 0            | 0            | 0             | 0             | 0          | 0                  |
| 397 Communication Equipment                                             | 10          | 517                           | 170              | 41             | 3              | 5             | 1            | 2            | 0          | 13                 | 6                | 227            | 40            | 3            | 3            | 1             | 1             | 0          | 0                  |
| 398 Miscellaneous Equipment                                             | 10          | 859                           | 282              | 69             | 6              | 8             | 1            | 4            | 0          | 22                 | 10               | 378            | 66            | 5            | 5            | 2             | 2             | 0          | 0                  |
| Lease - GASB 87                                                         | 10          | 2,836                         | 932              | 226            | 19             | 25            | 5            | 12           | 0          | 71                 | 33               | 1,247          | 219           | 16           | 17           | 6             | 7             | 0          | 1                  |
| Software Subscriptions - GASB 96                                        | 10          | 423                           | 139              | 34             | 3              | 4             | 1            | 2            | 0          | 11                 | 5                | 186            | 33            | 2            | 3            | 1             | 1             | 0          | 0                  |
| <b>Total Depreciation &amp; Amortization Expense</b>                    |             | <b>65,412</b>                 | <b>21,376</b>    | <b>5,385</b>   | <b>462</b>     | <b>574</b>    | <b>106</b>   | <b>264</b>   | <b>4</b>   | <b>2,209</b>       | <b>829</b>       | <b>29,320</b>  | <b>3,975</b>  | <b>232</b>   | <b>307</b>   | <b>198</b>    | <b>120</b>    | <b>3</b>   | <b>49</b>          |
| <b>Cost of Removal</b>                                                  | <b>12</b>   | <b>6,729</b>                  | <b>2,904</b>     | <b>743</b>     | <b>64</b>      | <b>78</b>     | <b>14</b>    | <b>36</b>    | <b>1</b>   | <b>345</b>         | <b>122</b>       | <b>2,082</b>   | <b>277</b>    | <b>15</b>    | <b>21</b>    | <b>14</b>     | <b>8</b>      | <b>0</b>   | <b>4</b>           |
| <b>Regulatory Asset - Pandemic Bad Debt</b>                             | <b>14</b>   | <b>10,077</b>                 | <b>-</b>         | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>   | <b>-</b>           | <b>-</b>         | <b>9,587</b>   | <b>473</b>    | <b>9</b>     | <b>5</b>     | <b>3</b>      | <b>-</b>      | <b>-</b>   | <b>-</b>           |
| <b>Regulatory Asset - Pandemic</b>                                      | <b>10</b>   | <b>756</b>                    | <b>248</b>       | <b>60</b>      | <b>5</b>       | <b>7</b>      | <b>1</b>     | <b>3</b>     | <b>0</b>   | <b>19</b>          | <b>9</b>         | <b>332</b>     | <b>58</b>     | <b>4</b>     | <b>5</b>     | <b>2</b>      | <b>2</b>      | <b>0</b>   | <b>0</b>           |
| <b>Total Operating Expenses</b>                                         |             | <b>392,660</b>                | <b>147,677</b>   | <b>37,721</b>  | <b>3,176</b>   | <b>3,990</b>  | <b>731</b>   | <b>1,830</b> | <b>36</b>  | <b>12,024</b>      | <b>7,233</b>     | <b>150,461</b> | <b>22,869</b> | <b>1,565</b> | <b>1,739</b> | <b>773</b>    | <b>689</b>    | <b>17</b>  | <b>128</b>         |
| <b>Interest Gain/Loss and Other Income</b>                              | <b>12</b>   | <b>(7,211)</b>                | <b>(3,112)</b>   | <b>(797)</b>   | <b>(69)</b>    | <b>(83)</b>   | <b>(15)</b>  | <b>(38)</b>  | <b>(1)</b> | <b>(370)</b>       | <b>(130)</b>     | <b>(2,232)</b> | <b>(296)</b>  | <b>(16)</b>  | <b>(23)</b>  | <b>(15)</b>   | <b>(9)</b>    | <b>(0)</b> | <b>(4)</b>         |
| <b>INTEREST AND OTHER EXPENSE</b>                                       |             |                               |                  |                |                |               |              |              |            |                    |                  |                |               |              |              |               |               |            |                    |
| Interest on Long Term Debt                                              | 12          | 62,738                        | 27,075           | 6,932          | 599            | 726           | 134          | 334          | 6          | 3,216              | 1,133            | 19,416         | 2,579         | 143          | 199          | 134           | 78            | 2          | 34                 |
| Other                                                                   | 12          | (1,776)                       | (766)            | (196)          | (17)           | (21)          | (4)          | (9)          | (0)        | (91)               | (32)             | (550)          | (73)          | (4)          | (6)          | (4)           | (2)           | (0)        | (1)                |
| Loss From Extinguishment of Debt                                        | 12          | 3,348                         | 1,445            | 370            | 32             | 39            | 7            | 18           | 0          | 172                | 60               | 1,036          | 138           | 8            | 11           | 7             | 4             | 0          | 2                  |
| <b>Total Interest and Other Expense</b>                                 |             | <b>64,310</b>                 | <b>27,753</b>    | <b>7,106</b>   | <b>614</b>     | <b>744</b>    | <b>137</b>   | <b>342</b>   | <b>7</b>   | <b>3,297</b>       | <b>1,161</b>     | <b>19,902</b>  | <b>2,644</b>  | <b>146</b>   | <b>204</b>   | <b>137</b>    | <b>80</b>     | <b>2</b>   | <b>35</b>          |
| <b>FEDERAL GRANT REVENUE</b>                                            | <b>3A</b>   | <b>(10,752)</b>               | <b>(6,700)</b>   | <b>(1,741)</b> | <b>(152)</b>   | <b>(179)</b>  | <b>(33)</b>  | <b>(82)</b>  | <b>(2)</b> | <b>(875)</b>       | <b>(987)</b>     | <b>-</b>       | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>-</b>      | <b>-</b>   | <b>-</b>           |
| <b>CITY PAYMENT</b>                                                     | <b>12</b>   | <b>18,000</b>                 | <b>7,768</b>     | <b>1,989</b>   | <b>172</b>     | <b>208</b>    | <b>38</b>    | <b>96</b>    | <b>2</b>   | <b>923</b>         | <b>325</b>       | <b>5,571</b>   | <b>740</b>    | <b>41</b>    | <b>57</b>    | <b>38</b>     | <b>22</b>     | <b>1</b>   | <b>10</b>          |
| <b>NET INCOME</b>                                                       | <b>12</b>   | <b>147,295</b>                | <b>63,565</b>    | <b>16,275</b>  | <b>1,406</b>   | <b>1,704</b>  | <b>314</b>   | <b>783</b>   | <b>15</b>  | <b>7,550</b>       | <b>2,660</b>     | <b>45,584</b>  | <b>6,055</b>  | <b>335</b>   | <b>468</b>   | <b>314</b>    | <b>182</b>    | <b>5</b>   | <b>79</b>          |
| <b>TOTAL COST OF SERVICE</b>                                            |             | <b>604,302</b>                | <b>236,950</b>   | <b>60,553</b>  | <b>5,146</b>   | <b>6,384</b>  | <b>1,173</b> | <b>2,931</b> | <b>56</b>  | <b>22,549</b>      | <b>10,262</b>    | <b>219,286</b> | <b>32,012</b> | <b>2,071</b> | <b>2,445</b> | <b>1,247</b>  | <b>964</b>    | <b>24</b>  | <b>248</b>         |
| <b>Less: Other Revenues</b>                                             |             |                               |                  |                |                |               |              |              |            |                    |                  |                |               |              |              |               |               |            |                    |
| Uncollectible Accounts - MFC                                            | DA          | (13,699)                      | (12,967)         | (719)          | (12)           | -             | -            | -            | -          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| Uncollectible Accounts - Other                                          | 14          | (23,220)                      | -                | -              | -              | -             | -            | -            | -          | -                  | -                | (22,091)       | (1,090)       | (21)         | (12)         | (7)           | -             | -          | -                  |
| Appliance Repair and Other Revenues                                     | 4           | 7,807                         | -                | -              | -              | -             | -            | -            | -          | -                  | -                | 5,027          | 2,336         | 137          | 208          | 31            | 66            | 2          | -                  |
| Other Revenues - LNG Sales                                              | 2A          | 1,059                         | 814              | 192            | 18             | 21            | 4            | 10           | 0          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| Other Revenues - Cap Release                                            | 1           | 10,124                        | 7,976            | 1,658          | 108            | 225           | 41           | 103          | 0          | -                  | 13               | -              | -             | -            | -            | -             | -             | -          | -                  |
| Other Revenues - Finance Charges                                        | 14          | 14,187                        | -                | -              | -              | -             | -            | -            | -          | -                  | -                | 13,497         | 666           | 13           | 7            | 4             | -             | -          | -                  |
| CRP Forgiveness                                                         | 1B          | 12,870                        | 9,422            | 2,792          | 229            | 259           | 45           | 118          | 5          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| Senior Discount                                                         | 1B          | 1,705                         | 1,248            | 370            | 30             | 34            | 6            | 16           | 1          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| DSIC Surcharge at 7.50%                                                 | 13A         | 38,783                        | 16,087           | 4,111          | 349            | 433           | 80           | 199          | 4          | -                  | -                | 14,888         | 2,173         | 141          | 166          | 85            | 65            | 2          | -                  |
| OPEB Surcharge                                                          | 1B          | 16,792                        | 12,293           | 3,642          | 298            | 338           | 59           | 154          | 7          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| ELIRP                                                                   | 1B          | 7,989                         | 5,848            | 1,733          | 142            | 161           | 28           | 73           | 3          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| Efficiency Cost Recovery ECR                                            | DA          | 887                           | 675              | 200            | -              | -             | 3            | 8            | -          | -                  | -                | -              | -             | -            | -            | -             | -             | -          | -                  |
| Unbilled Adjustment                                                     | 13          | (463)                         | (182)            | (46)           | (4)            | (5)           | (1)          | (2)          | (0)        | (17)               | (8)              | (168)          | (25)          | (2)          | (2)          | (1)           | (1)           | (0)        | (0)                |
| NGS/LNG and Contract Revenues                                           | 13          | 686                           | 269              | 69             | 6              | 7             | 1            | 3            | 0          | 26                 | 12               | 249            | 36            | 2            | 3            | 1             | 1             | 0          | 0                  |
| Subtotal                                                                |             | 75,508                        | 41,484           | 14,001         | 1,165          | 1,474         | 267          | 682          | 21         | 8                  | 17               | 11,402         | 4,097         | 270          | 370          | 113           | 131           | 4          | 0                  |
| <b>TOTAL COST OF SERVICE RELATED TO TARIFF SALES AND TRANSPORTATION</b> |             | <b>\$ 528,794</b>             | <b>195,466</b>   | <b>46,551</b>  | <b>3,982</b>   | <b>4,910</b>  | <b>906</b>   | <b>2,248</b> | <b>35</b>  | <b>22,541</b>      | <b>10,245</b>    | <b>207,884</b> | <b>27,914</b> | <b>1,801</b> | <b>2,075</b> | <b>1,134</b>  | <b>833</b>    | <b>20</b>  | <b>248</b>         |

PHILADELPHIA GAS WORKS

COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

| Account                                         | Factor Ref. | Cost of Service in '000's | Volumetric Costs |            |            |           |          |          |      |               |             | Customer Costs |        |       |       |          |          |      |               |
|-------------------------------------------------|-------------|---------------------------|------------------|------------|------------|-----------|----------|----------|------|---------------|-------------|----------------|--------|-------|-------|----------|----------|------|---------------|
| (1)                                             | (2)         | (3)                       | Residential      | Commercial | Industrial | Municipal | PHA - GS | PHA - R8 | NGVS | Interruptible | Grays Ferry | Res            | Com    | Ind   | Muni  | PHA - GS | PHA - R8 | NGVS | Interruptible |
| (4)                                             | (5)         | (6)                       | (7)              | (8)        | (9)        | (10)      | (11)     | (12)     | (13) | (14)          | (15)        | (16)           | (17)   | (18)  | (19)  | (20)     | (21)     | (22) | (23)          |
| <b>RATE BASE</b>                                |             |                           |                  |            |            |           |          |          |      |               |             |                |        |       |       |          |          |      |               |
| <b>PRODUCTION PLANT</b>                         |             |                           |                  |            |            |           |          |          |      |               |             |                |        |       |       |          |          |      |               |
| 304 Land and Land Rights                        | 1           | 1,453                     | 1,145            | 238        | 16         | 32        | 6        | 15       | 0    | -             | 2           | -              | -      | -     | -     | -        | -        | -    | -             |
| 305 Structures and Improvements                 | 1           | 6,833                     | 5,383            | 1,119      | 73         | 152       | 28       | 69       | 0    | -             | 9           | -              | -      | -     | -     | -        | -        | -    | -             |
| 306 Boiler Plant Equipment                      | 1           | 478                       | 376              | 78         | 5          | 11        | 2        | 5        | 0    | -             | 1           | -              | -      | -     | -     | -        | -        | -    | -             |
| 307 Other Power Equipment                       | 1           | 5,962                     | 4,697            | 976        | 64         | 133       | 24       | 61       | 0    | -             | 8           | -              | -      | -     | -     | -        | -        | -    | -             |
| 311 LPG Equipment                               | 1           | 522                       | 411              | 85         | 6          | 12        | 2        | 5        | 0    | -             | 1           | -              | -      | -     | -     | -        | -        | -    | -             |
| 312 Oil Gas Equipment                           | 1           | 69                        | 55               | 11         | 1          | 2         | 0        | 1        | 0    | -             | 0           | -              | -      | -     | -     | -        | -        | -    | -             |
| 319 Gas Mixing Equipment                        | 1           | 0                         | 0                | 0          | 0          | 0         | 0        | 0        | 0    | -             | 0           | -              | -      | -     | -     | -        | -        | -    | -             |
| 320 Other Equipment                             | 1           | 17,761                    | 13,991           | 2,908      | 190        | 395       | 72       | 180      | 1    | -             | 23          | -              | -      | -     | -     | -        | -        | -    | -             |
| Total Production Plant                          |             | 33,078                    | 26,058           | 5,416      | 354        | 735       | 134      | 336      | 1    | -             | 43          | -              | -      | -     | -     | -        | -        | -    | -             |
| <b>STORAGE AND PROCESSING PLANT</b>             |             |                           |                  |            |            |           |          |          |      |               |             |                |        |       |       |          |          |      |               |
| 360 Land and Land Rights                        | 2A          | 328                       | 252              | 60         | 5          | 7         | 1        | 3        | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 361 Structures and Improvements                 | 2A          | 9,620                     | 7,391            | 1,748      | 160        | 194       | 37       | 90       | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 362 Gas Holders                                 | 2A          | 488                       | 375              | 89         | 8          | 10        | 2        | 5        | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 363 Purification Equipment                      | 2A          | 1                         | 0                | 0          | 0          | 0         | 0        | 0        | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 364 Liquefaction Equipment                      | 2A          | 6,928                     | 5,323            | 1,259      | 115        | 140       | 27       | 65       | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 365 Vaporizing Equipment                        | 2A          | 4,248                     | 3,264            | 772        | 71         | 86        | 16       | 40       | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 366 Compressor Equipment                        | 2A          | 5,481                     | 4,211            | 996        | 91         | 111       | 21       | 51       | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 367 Measuring and Regulating Equipment          | 2A          | 1,227                     | 943              | 223        | 20         | 25        | 5        | 11       | 0    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| 368 Other Equipment                             | 2A          | 40,863                    | 31,395           | 7,424      | 681        | 824       | 157      | 381      | 1    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| Total Storage and Processing Plant              |             | 69,182                    | 53,152           | 12,569     | 1,152      | 1,395     | 266      | 645      | 2    | -             | -           | -              | -      | -     | -     | -        | -        | -    | -             |
| <b>DISTRIBUTION PLANT</b>                       |             |                           |                  |            |            |           |          |          |      |               |             |                |        |       |       |          |          |      |               |
| 374 Land and Land Rights                        | 9           | 101                       | 43               | 11         | 1          | 1         | 0        | 1        | 0    | 6             | 2           | 31             | 4      | 0     | 0     | 0        | 0        | 0    | 0             |
| 375 Structures And Improvements                 | 9           | (2)                       | (1)              | (0)        | (0)        | (0)       | (0)      | (0)      | (0)  | (0)           | (0)         | (0)            | (0)    | (0)   | (0)   | (0)      | (0)      | (0)  | (0)           |
| 376 Mains                                       | 3           | 908,970                   | 599,633          | 156,819    | 13,651     | 16,053    | 2,952    | 7,378    | 160  | 83,880        | 28,443      | -              | -      | -     | -     | -        | -        | -    | -             |
| 377 Compression Station Equipment               | 3A          | 12                        | 7                | 2          | 0          | 0         | 0        | 0        | 0    | 1             | 1           | -              | -      | -     | -     | -        | -        | -    | -             |
| 378 Measuring & Regulating Equipment - General  | 3A          | 5,834                     | 3,636            | 945        | 83         | 97        | 18       | 45       | 1    | 475           | 536         | -              | -      | -     | -     | -        | -        | -    | -             |
| 380 Services                                    | 6           | 396,938                   | -                | -          | -          | -         | -        | -        | -    | -             | -           | 369,144        | 21,562 | 603   | 1,263 | 2,780    | 705      | 8    | 872           |
| 381 Meters                                      | 4           | 53,974                    | -                | -          | -          | -         | -        | -        | -    | -             | -           | 34,757         | 16,152 | 947   | 1,437 | 211      | 453      | 17   | -             |
| 382 Meter Installations                         | 4           | 54,567                    | -                | -          | -          | -         | -        | -        | -    | -             | -           | 35,138         | 16,329 | 958   | 1,453 | 213      | 458      | 17   | -             |
| 383 House Regulators                            | 6           | 1,484                     | -                | -          | -          | -         | -        | -        | -    | -             | -           | 1,380          | 81     | 2     | 5     | 10       | 3        | 0    | 3             |
| 384 House Regulator Installations               | 6           | 694                       | -                | -          | -          | -         | -        | -        | -    | -             | -           | 645            | 38     | 1     | 2     | 5        | 1        | 0    | 2             |
| 385 Industrial Measuring & Regulating Equipment | 5           | 156                       | -                | -          | -          | -         | -        | -        | -    | -             | -           | -              | -      | 156   | -     | -        | -        | -    | -             |
| 387 Other Equipment                             | 9           | 1,789                     | 759              | 198        | 17         | 20        | 4        | 9        | 0    | 106           | 36          | 555            | 68     | 3     | 5     | 4        | 2        | 0    | 1             |
| Total Distribution Plant                        |             | 1,424,516                 | 604,077          | 157,975    | 13,752     | 16,172    | 2,974    | 7,433    | 162  | 84,467        | 29,018      | 441,650        | 54,234 | 2,671 | 4,165 | 3,224    | 1,623    | 41   | 878           |

PHILADELPHIA GAS WORKS  
COST OF SERVICE AS OF AUGUST 31, 2024, AT PROPOSED REVENUE LEVEL ALLOCATED TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

|                          |                                  | Factor<br>Ref. | Cost of<br>Service<br>in '000's | Volumetric Costs   |                   |                   |                  |                 |                 |              |                       |                     | Customer Costs |             |             |              |                  |                  |              |                       |
|--------------------------|----------------------------------|----------------|---------------------------------|--------------------|-------------------|-------------------|------------------|-----------------|-----------------|--------------|-----------------------|---------------------|----------------|-------------|-------------|--------------|------------------|------------------|--------------|-----------------------|
| Account                  | (1)                              |                |                                 | Residential<br>(4) | Commercial<br>(5) | Industrial<br>(6) | Municipal<br>(7) | PHA - GS<br>(8) | PHA - R8<br>(9) | NGVS<br>(10) | Interruptible<br>(11) | Grays Ferry<br>(12) | Res<br>(13)    | Com<br>(14) | Ind<br>(15) | Muni<br>(16) | PHA - GS<br>(17) | PHA - R8<br>(18) | NGVS<br>(19) | Interruptible<br>(20) |
| GENERAL PLANT            |                                  |                |                                 |                    |                   |                   |                  |                 |                 |              |                       |                     |                |             |             |              |                  |                  |              |                       |
| 389                      | Land and Land Rights             | 10             | 3,713                           | 1,220              | 296               | 25                | 33               | 6               | 15              | 0            | 93                    | 44                  | 1,632          | 286         | 21          | 22           | 8                | 9                | 0            | 1                     |
| 390                      | Structures And Improvements      | 10             | 62,742                          | 20,618             | 5,010             | 417               | 557              | 103             | 256             | 3            | 1,574                 | 738                 | 27,579         | 4,837       | 355         | 380          | 142              | 148              | 4            | 19                    |
| 391                      | Office Furniture And Equipment   | 10             | 69,992                          | 23,000             | 5,589             | 466               | 622              | 115             | 286             | 4            | 1,756                 | 824                 | 30,765         | 5,396       | 396         | 424          | 159              | 165              | 5            | 21                    |
| 392                      | Transportation Equipment         | 10             | 26,393                          | 8,673              | 2,107             | 176               | 234              | 43              | 111             | 1            | 662                   | 311                 | 11,601         | 2,035       | 149         | 160          | 60               | 62               | 2            | 8                     |
| 393                      | Stores Equipment                 | 10             | 47                              | 15                 | 4                 | 0                 | 0                | 0               | 0               | 0            | 1                     | 1                   | 21             | 4           | 0           | 0            | 0                | 0                | 0            | 0                     |
| 394                      | Tools, Shop And Garage Equipment | 10             | 9,985                           | 3,281              | 797               | 66                | 89               | 16              | 41              | 1            | 251                   | 118                 | 4,389          | 770         | 56          | 60           | 23               | 24               | 1            | 3                     |
| 396                      | Power Operated Equipment         | 10             | 86                              | 28                 | 7                 | 1                 | 1                | 0               | 0               | 0            | 2                     | 1                   | 38             | 7           | 0           | 1            | 0                | 0                | 0            | 0                     |
| 397                      | Communication Equipment          | 10             | 446                             | 147                | 36                | 3                 | 4                | 1               | 2               | 0            | 11                    | 5                   | 196            | 34          | 3           | 3            | 1                | 1                | 0            | 0                     |
| 398                      | Miscellaneous Equipment          | 10             | 25,008                          | 8,218              | 1,997             | 166               | 222              | 41              | 102             | 1            | 628                   | 294                 | 10,993         | 1,928       | 141         | 151          | 57               | 59               | 2            | 8                     |
|                          | Total General Plant              |                | 198,413                         | 65,201             | 15,843            | 1,320             | 1,762            | 326             | 810             | 11           | 4,979                 | 2,335               | 87,213         | 15,298      | 1,122       | 1,201        | 450              | 469              | 13           | 61                    |
|                          | Total Plant                      |                | 1,725,190                       | 748,488            | 191,803           | 16,579            | 20,065           | 3,700           | 9,223           | 176          | 89,446                | 31,396              | 528,864        | 69,532      | 3,793       | 5,366        | 3,674            | 2,092            | 54           | 939                   |
| OTHER RATE BASE ELEMENTS |                                  |                |                                 |                    |                   |                   |                  |                 |                 |              |                       |                     |                |             |             |              |                  |                  |              |                       |
|                          | Cash Working Capital             | 10             | 38,711                          | 12,721             | 3,091             | 258               | 344              | 64              | 158             | 2            | 971                   | 456                 | 17,016         | 2,985       | 219         | 234          | 88               | 91               | 3            | 12                    |
|                          | Total Other Rate Base Elements   |                | 38,711                          | 12,721             | 3,091             | 258               | 344              | 64              | 158             | 2            | 971                   | 456                 | 17,016         | 2,985       | 219         | 234          | 88               | 91               | 3            | 12                    |
|                          | Total Measure of Value           |                | \$ 1,763,900                    | 761,209            | 194,893           | 16,836            | 20,409           | 3,764           | 9,381           | 179          | 90,417                | 31,852              | 545,879        | 72,516      | 4,012       | 5,600        | 3,762            | 2,183            | 57           | 951                   |

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 1, 1A AND 1B. ALLOCATION OF COSTS WHICH VARY DIRECTLY WITH SALE OF GAS

Factors are based on the pro forma average daily sales volumes for each service classification.

| Service<br>Classification | Pro Forma<br>Average<br>Daily PGC<br>Volumes<br>(Mcf) | Allocation<br>Factor 1 | Pro Forma<br>Average<br>Daily<br>Firm Sales<br>(Mcf) | Allocation<br>Factor 1A | Pro Forma<br>Average<br>Daily Firm Sales<br>For Surcharges<br>(Mcf) | Allocation<br>Factor 1B |
|---------------------------|-------------------------------------------------------|------------------------|------------------------------------------------------|-------------------------|---------------------------------------------------------------------|-------------------------|
| (1)                       | (2)                                                   | (3)                    | (4)                                                  | (5)                     | (4)                                                                 | (5)                     |
| <u>Volumetric Costs</u>   |                                                       |                        |                                                      |                         |                                                                     |                         |
| Residential               | 89,006                                                | 0.78778                | 95,409                                               | 0.67764                 | 95,409                                                              | 0.73208                 |
| Commercial                | 18,499                                                | 0.16373                | 28,268                                               | 0.20077                 | 28,268                                                              | 0.21690                 |
| Industrial                | 1,210                                                 | 0.01071                | 2,316                                                | 0.01645                 | 2,316                                                               | 0.01777                 |
| Municipal                 | 2,511                                                 | 0.02222                | 2,623                                                | 0.01863                 | 2,623                                                               | 0.02013                 |
| PHA GS                    | 459                                                   | 0.00406                | 459                                                  | 0.00326                 | 459                                                                 | 0.00352                 |
| PHA R8                    | 1,147                                                 | 0.01015                | 1,196                                                | 0.00850                 | 1,196                                                               | 0.00918                 |
| NGVS                      | 5                                                     | 0.00004                | 55                                                   | 0.00039                 | 55                                                                  | 0.00042                 |
| Interruptible             | -                                                     | -                      | -                                                    | -                       | -                                                                   | -                       |
| Grays Ferry/Veolia        | 146                                                   | 0.00129                | 10,471                                               | 0.07437                 | -                                                                   | -                       |
| Total                     | 112,983                                               | 1.00000                | 140,797                                              | 1.00000                 | 130,326                                                             | 1.00000                 |

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<br>Classification | Pro Forma<br>Average Daily<br>Throughput<br>Volumes<br>(Mcf) | Peak Day<br>Capacity<br>(Mcf) | Extra<br>Capacity<br>(Mcf) | Allocation<br>Factor 2 | Allocation<br>Factor 2A* |
|---------------------------|--------------------------------------------------------------|-------------------------------|----------------------------|------------------------|--------------------------|
| (1)                       | (2)                                                          | (3)                           | (4)=(3)-(2)                | (5)                    | (6)                      |
| <u>Volumetric Costs</u>   |                                                              |                               |                            |                        |                          |
| Residential               | 95,409                                                       | 429,513                       | 334,104                    | 0.76680                | 0.76829                  |
| Commercial                | 28,268                                                       | 107,276                       | 79,008                     | 0.18133                | 0.18168                  |
| Industrial                | 2,316                                                        | 9,559                         | 7,243                      | 0.01662                | 0.01666                  |
| Municipal                 | 2,623                                                        | 11,394                        | 8,771                      | 0.02013                | 0.02017                  |
| PHA GS                    | 459                                                          | 2,131                         | 1,673                      | 0.00384                | 0.00385                  |
| PHA R8                    | 1,196                                                        | 5,251                         | 4,054                      | 0.00931                | 0.00932                  |
| NGVS                      | 55                                                           | 70                            | 15                         | 0.00003                | 0.00003                  |
| Interruptible             | 31,867                                                       | 31,867                        | -                          | -                      | -                        |
| Grays Ferry/Veolia        | 10,471                                                       | 11,316                        | 845                        | 0.00194                |                          |
| Total                     | <u>172,664</u>                                               | <u>608,377</u>                | <u>435,714</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<br>Classification | Pro Forma<br>Average Daily<br>Throughput<br>Volumes<br>(Mcf) | Peak Day<br>Capacity<br>(Mcf) | Extra<br>Capacity<br>(Mcf) | Allocation<br>Factor 2B |
|---------------------------|--------------------------------------------------------------|-------------------------------|----------------------------|-------------------------|
| (1)                       | (2)                                                          | (3)                           | (4)=(3)-(2)                | (5)                     |
| <u>Volumetric Costs</u>   |                                                              |                               |                            |                         |
| Residential               | 95,409                                                       | 429,513                       | 334,104                    | 0.75923                 |
| Commercial                | 28,268                                                       | 107,276                       | 79,008                     | 0.17954                 |
| Industrial                | 2,316                                                        | 9,559                         | 7,243                      | 0.01646                 |
| Municipal                 | 2,623                                                        | 11,394                        | 8,771                      | 0.01993                 |
| PHA GS                    | 459                                                          | 2,131                         | 1,673                      | 0.00380                 |
| PHA R8                    | 1,196                                                        | 5,251                         | 4,054                      | 0.00921                 |
| NGVS                      | 55                                                           | 70                            | 15                         | 0.00003                 |
| Interruptible             | 31,867                                                       | 31,867                        | -                          | -                       |
| Grays Ferry/Veolia        | 33,663                                                       | 38,850                        | 5,187                      | 0.01179                 |
| Total                     | <u>195,856</u>                                               | <u>635,911</u>                | <u>440,056</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<br>Classification | MCF/Day | Average<br>Daily Throughput |                     | Maximum Day<br>Extra Demand |                     | Allocation<br>Factor 3 |
|---------------------------|---------|-----------------------------|---------------------|-----------------------------|---------------------|------------------------|
|                           |         | Allocation<br>Factor        | Weighted<br>Factor* | Allocation<br>Factor 2      | Weighted<br>Factor* |                        |
| (1)                       | (2)     | (3)                         | (4)=(3)x<br>0.50000 | (5)                         | (6)=(5)x<br>0.50000 | (7)=(4)+(6)            |
| <u>Volumetric Costs</u>   |         |                             |                     |                             |                     |                        |
| Residential               | 95,409  | 0.55257                     | 0.27629             | 0.76680                     | 0.38340             | 0.65968                |
| Commercial                | 28,268  | 0.16372                     | 0.08186             | 0.18133                     | 0.09067             | 0.17252                |
| Industrial                | 2,316   | 0.01341                     | 0.00671             | 0.01662                     | 0.00831             | 0.01502                |
| Municipal                 | 2,623   | 0.01519                     | 0.00760             | 0.02013                     | 0.01007             | 0.01766                |
| PHA GS                    | 459     | 0.00266                     | 0.00133             | 0.00384                     | 0.00192             | 0.00325                |
| PHA R8                    | 1,196   | 0.00693                     | 0.00346             | 0.00931                     | 0.00465             | 0.00812                |
| NGVS                      | 55      | 0.00032                     | 0.00016             | 0.00003                     | 0.00002             | 0.00018                |
| Interruptible             | 31,867  | 0.18456                     | 0.09228             | -                           | -                   | 0.09228                |
| Grays Ferry               | 10,471  | 0.06064                     | 0.03032             | 0.00194                     | 0.00097             | 0.03129                |
| Total                     | 172,664 | 1.00000                     | 0.50000             | 1.00000                     | 0.50000             | 1.00000                |

\* 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<br>Classification | Average<br>Daily Throughput |                      |                     | Maximum Day<br>Extra Demand |                     | Allocation<br>Factor 3A |
|---------------------------|-----------------------------|----------------------|---------------------|-----------------------------|---------------------|-------------------------|
|                           | MCF/Day                     | Allocation<br>Factor | Weighted<br>Factor* | Allocation<br>Factor 2B     | Weighted<br>Factor* |                         |
| (1)                       | (2)                         | (3)                  | (4)=(3)x<br>0.50000 | (5)                         | (6)=(5)x<br>0.50000 | (7)=(4)+(6)             |
| <u>Volumetric Costs</u>   |                             |                      |                     |                             |                     |                         |
| Residential               | 95,409                      | 0.48714              | 0.24357             | 0.75923                     | 0.37962             | 0.62319                 |
| Commercial                | 28,268                      | 0.14433              | 0.07217             | 0.17954                     | 0.08977             | 0.16194                 |
| Industrial                | 2,316                       | 0.01183              | 0.00591             | 0.01646                     | 0.00823             | 0.01414                 |
| Municipal                 | 2,623                       | 0.01339              | 0.00670             | 0.01993                     | 0.00997             | 0.01666                 |
| PHA GS                    | 459                         | 0.00234              | 0.00117             | 0.00380                     | 0.00190             | 0.00307                 |
| PHA R8                    | 1,196                       | 0.00611              | 0.00305             | 0.00921                     | 0.00461             | 0.00766                 |
| NGVS                      | 55                          | 0.00028              | 0.00014             | 0.00003                     | 0.00002             | 0.00016                 |
| Interruptible             | 31,867                      | 0.16271              | 0.08135             | -                           | -                   | 0.08135                 |
| Grays Ferry               | 33,663                      | 0.17188              | 0.08594             | 0.01179                     | 0.00589             | 0.09183                 |
| 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.



# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 4. ALLOCATION OF COSTS ASSOCIATED WITH METERS AND ACCOUNTS 381

Factors are based on the cost of meters by class included in Accounts 381 Meters and M&R Equipment.

| <u>Service<br/>Classification</u><br>(1) | <u>Original<br/>Cost of Meters</u><br>(2) | <u>Allocation<br/>Factor</u><br>(3) |
|------------------------------------------|-------------------------------------------|-------------------------------------|
| <u>Customer Costs</u>                    |                                           |                                     |
| Residential                              | \$ 33,991,918                             | 0.64395                             |
| Commercial                               | 15,796,766                                | 0.29926                             |
| Industrial                               | 926,622                                   | 0.01755                             |
| Municipal                                | 1,405,252                                 | 0.02662                             |
| PHA - GS                                 | 206,290                                   | 0.00391                             |
| PHA - Rate 8                             | 443,266                                   | 0.00840                             |
| NGVS                                     | 16,329                                    | 0.00031                             |
| Interruptible                            | -                                         | -                                   |
|                                          |                                           |                                     |
| Total                                    | <u>\$ 52,786,442</u>                      | <u>1.00000</u>                      |

# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 5. ALLOCATION OF COSTS ASSOCIATED WITH INDUSTRIAL MEASURING AND REGULATING EQUIPMENT.

Directly assigned to the Industrial Class

| <u>Service<br/>Classification</u><br>(1) | <u>Allocation<br/>Factor</u><br>(1) |
|------------------------------------------|-------------------------------------|
| <u>Volumetric</u><br>Industrial          | 1.0000                              |

### FACTOR 6. ALLOCATION OF COSTS ASSOCIATED WITH SERVICES AND HOUSE REGULATORS.

Factors are based on the cost of services by class included in Account 380, Service Lines.

| <u>Service<br/>Classification</u><br>(1) | <u>Original Cost of<br/>Service Lines</u><br>(2) | <u>Allocation<br/>Factor</u><br>(3) |
|------------------------------------------|--------------------------------------------------|-------------------------------------|
| <u>Customer Costs</u>                    |                                                  |                                     |
| Residential                              | \$ 622,311,038                                   | 0.92998                             |
| Commercial                               | 36,349,977                                       | 0.05432                             |
| Industrial                               | 1,016,179                                        | 0.00152                             |
| Municipal                                | 2,128,931                                        | 0.00318                             |
| PHA - GS                                 | 4,687,344                                        | 0.00700                             |
| PHA - Rate 8                             | 1,189,237                                        | 0.00178                             |
| NGVS                                     | 13,013                                           | 0.00002                             |
| Interruptible                            | 1,470,369                                        | 0.00220                             |
| Total                                    | <u>\$ 669,166,088</u>                            | <u>1.00000</u>                      |

## PHILADELPHIA GAS WORKS

### FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

#### FACTOR 7. ALLOCATION OF COSTS ASSOCIATED WITH CUSTOMER ACCOUNTING AND METER READING.

Factors are based on the number of customers for each classification, as follows.

| <u>Service<br/>Classification</u><br>(1) | <u>Number of<br/>Customers</u><br>(2) | <u>Allocation<br/>Factor 7</u><br>(3) |
|------------------------------------------|---------------------------------------|---------------------------------------|
| <u>Customer Costs</u>                    |                                       |                                       |
| Residential                              | 488,206                               | 0.94267                               |
| Commercial                               | 24,679                                | 0.04765                               |
| Industrial                               | 572                                   | 0.00110                               |
| Municipal                                | 863                                   | 0.00167                               |
| PHA - GS                                 | 2,145                                 | 0.00414                               |
| PHA - Rate 8                             | 1,035                                 | 0.00200                               |
| NGVS                                     | 3                                     | 0.00001                               |
| Interruptible                            | 393                                   | 0.00076                               |
|                                          |                                       |                                       |
| Total                                    | <u>517,896</u>                        | <u>1.00000</u>                        |

# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 8. ALLOCATION OF DISTRIBUTION OPERATION OTHER EXPENSES AND RENT.

Factors are based on distribution operation expenses other than those being allocated.

| Service<br>Classification | Operation<br>Expenses | Allocation<br>Factor |
|---------------------------|-----------------------|----------------------|
| (1)                       | (2)                   | (3)                  |
| <u>Volumetric Costs</u>   |                       |                      |
| Residential               | \$ 26,415             | 0.33035              |
| Commercial                | 6,901                 | 0.08630              |
| Industrial                | 601                   | 0.00752              |
| Municipal                 | 707                   | 0.00884              |
| PHA GS                    | 130                   | 0.00163              |
| PHA R8                    | 325                   | 0.00406              |
| NGVS                      | 7                     | 0.00009              |
| Interruptible             | 3,654                 | 0.04570              |
| Grays Ferry/Veolia        | 1,694                 | 0.02119              |
| <u>Customer Costs</u>     |                       |                      |
| Residential               | 28,054                | 0.35084              |
| Commercial                | 9,410                 | 0.11768              |
| Industrial                | 781                   | 0.00977              |
| Municipal                 | 818                   | 0.01023              |
| PHA GS                    | 172                   | 0.00215              |
| PHA R8                    | 268                   | 0.00335              |
| NGVS                      | 9                     | 0.00012              |
| Interruptible             | 15                    | 0.00019              |
| Total                     | <u>\$ 79,962</u>      | <u>1.00000</u>       |

# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 9. ALLOCATION OF DISTRIBUTION ASSETS

Factors are based on distribution assets other than those being allocated.

| Service<br>Classification<br>(1) | Rate Base<br>Costs<br>(2) | Allocation<br>Factor<br>(3) |
|----------------------------------|---------------------------|-----------------------------|
| <u>Volumetric Costs</u>          |                           |                             |
| Residential                      | \$ 603,276                | 0.42406                     |
| Commercial                       | 157,765                   | 0.11090                     |
| Industrial                       | 13,734                    | 0.00965                     |
| Municipal                        | 16,151                    | 0.01135                     |
| PHA GS                           | 2,970                     | 0.00209                     |
| PHA R8                           | 7,423                     | 0.00522                     |
| NGVS                             | 161                       | 0.00011                     |
| Interruptible                    | 84,355                    | 0.05930                     |
| Grays Ferry/Veolia               | 28,980                    | 0.02037                     |
| <u>Customer Costs</u>            |                           |                             |
| Residential                      | 441,065                   | 0.31004                     |
| Commercial                       | 54,162                    | 0.03807                     |
| Industrial                       | 2,668                     | 0.00188                     |
| Municipal                        | 4,159                     | 0.00292                     |
| PHA GS                           | 3,220                     | 0.00226                     |
| PHA R8                           | 1,621                     | 0.00114                     |
| NGVS                             | 41                        | 0.00003                     |
| Interruptible                    | 877                       | 0.00062                     |
| Total                            | <u>\$ 1,422,628</u>       | <u>1.00000</u>              |

# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 10. ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSES.

Factors are based on the allocation of operation and maintenance expenses.

| Service<br>Classification<br>(1) | Operation &<br>Maintenance<br>Expenses<br>(2) | Allocation<br>Factor<br>(3) |
|----------------------------------|-----------------------------------------------|-----------------------------|
| <u>Volumetric Costs</u>          |                                               |                             |
| Residential                      | \$ 59,603                                     | 0.32861                     |
| Commercial                       | 14,482                                        | 0.07985                     |
| Industrial                       | 1,207                                         | 0.00665                     |
| Municipal                        | 1,611                                         | 0.00888                     |
| PHA GS                           | 298                                           | 0.00164                     |
| PHA R8                           | 740                                           | 0.00408                     |
| NGVS                             | 10                                            | 0.00006                     |
| Interruptible                    | 4,551                                         | 0.02509                     |
| Grays Ferry/Veolia               | 2,135                                         | 0.01177                     |
| <u>Customer Costs</u>            |                                               |                             |
| Residential                      | 79,725                                        | 0.43956                     |
| Commercial                       | 13,984                                        | 0.07710                     |
| Industrial                       | 1,025                                         | 0.00565                     |
| Municipal                        | 1,098                                         | 0.00605                     |
| PHA GS                           | 411                                           | 0.00227                     |
| PHA R8                           | 429                                           | 0.00236                     |
| NGVS                             | 12                                            | 0.00007                     |
| Interruptible                    | 55                                            | 0.00031                     |
| Total                            | <u>\$ 181,377</u>                             | <u>1.0000</u>               |

# PHILADELPHIA GAS WORKS

## FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

### FACTOR 11. ALLOCATION OF LABOR RELATED TAXES AND BENEFITS.

Factors are based on the allocation of total operation and maintenance direct labor expense to service classifications as shown on the following page.

| Service<br>Classification<br>(1) | Total Labor<br>Expense<br>(2) | Allocation<br>Factor<br>(3) |
|----------------------------------|-------------------------------|-----------------------------|
| <u>Volumetric Costs</u>          |                               |                             |
| Residential                      | \$ 79,914                     | 0.50510                     |
| Commercial                       | 21,032                        | 0.13293                     |
| Industrial                       | 1,802                         | 0.01139                     |
| Municipal                        | 2,152                         | 0.01360                     |
| PHA GS                           | 393                           | 0.00248                     |
| PHA R8                           | 985                           | 0.00623                     |
| NGVS                             | 20                            | 0.00013                     |
| Interruptible                    | 8,771                         | 0.05544                     |
| Grays Ferry/Veolia               | 4,319                         | 0.02730                     |
| <u>Customer Costs</u>            |                               |                             |
| Residential                      | 34,260                        | 0.21654                     |
| Commercial                       | 3,771                         | 0.02383                     |
| Industrial                       | 231                           | 0.00146                     |
| Municipal                        | 255                           | 0.00161                     |
| PHA GS                           | 162                           | 0.00102                     |
| PHA R8                           | 125                           | 0.00079                     |
| NGVS                             | -                             | -                           |
| Interruptible                    | 23                            | 0.00015                     |
| Total                            | <u>\$ 158,215</u>             | <u>1.00000</u>              |

PHILADELPHIA GAS WORKS  
FACTOR 11 - ALLOCATION OF LABOR COSTS TO  
CUSTOMER CLASS SERVICE CLASSIFICATIONS

| Account                                   | Factor Ref. | Labor Costs | Volumetric Costs |            |            |           |        |          |      |               |                   |        | Customer Costs |      |      |          |              |      |               |
|-------------------------------------------|-------------|-------------|------------------|------------|------------|-----------|--------|----------|------|---------------|-------------------|--------|----------------|------|------|----------|--------------|------|---------------|
|                                           |             |             | Residential      | Commercial | Industrial | Municipal | PHA GS | PHA - R8 | NGVS | Interruptible | Grays Ferry/Viola | Res    | Com            | Ind  | Muni | PHA - GS | PHA - Rate 8 | NGVS | Interruptible |
| (1)                                       | (2)         | (3)         | (4)              | (5)        | (6)        | (7)       | (8)    | (9)      | (10) | (11)          | (12)              | (13)   | (14)           | (15) | (16) | (17)     | (18)         | (19) | (20)          |
| OPERATION AND MAINTENANCE EXPENSES        |             |             |                  |            |            |           |        |          |      |               |                   |        |                |      |      |          |              |      |               |
| TOTAL PAYROLL - 2022                      |             |             |                  |            |            |           |        |          |      |               |                   |        |                |      |      |          |              |      |               |
| 02 President & CEO                        | 10          | \$ 107      | \$ 35            | \$ 9       | \$ 1       | \$ -      | \$ -   | \$ -     | \$ - | \$ 3          | \$ 1              | \$ 47  | \$ 8           | \$ 1 | \$ 1 | \$ -     | \$ -         | \$ - | \$ -          |
| 03 Corporate Communications               | 10          | 1,657       | 545              | 132        | 11         | 15        | 3      | 7        | -    | 42            | 20                | 728    | 128            | 9    | 10   | 4        | 4            | -    | 1             |
| 04 Officers Salaries                      | 10          | 4,521       | 1,486            | 361        | 30         | 40        | 7      | 18       | -    | 113           | 53                | 1,987  | 349            | 26   | 27   | 10       | 11           | -    | 1             |
| 05 Legal                                  | 10          | 1,599       | 525              | 128        | 11         | 14        | 3      | 7        | -    | 40            | 19                | 703    | 123            | 9    | 10   | 4        | 4            | -    | -             |
| 07 Commercial Resource Center             | 7           | 1,192       | -                | -          | -          | -         | -      | -        | -    | -             | -                 | 1,124  | 57             | 1    | 2    | 5        | 2            | -    | 1             |
| 09 Gas Control & Acquisition              | 1A          | 2,900       | 1,965            | 582        | 48         | 54        | 9      | 25       | 1    | -             | 216               | -      | -              | -    | -    | -        | -            | -    | -             |
| 10 VP Reg. Compliance & Customer Programs | 10          | 4,477       | 1,471            | 357        | 30         | 40        | 7      | 18       | -    | 112           | 53                | 1,968  | 345            | 25   | 27   | 10       | 11           | -    | 1             |
| 11 Human Resources                        | 10          | 1,193       | 392              | 95         | 8          | 11        | 2      | 5        | -    | 30            | 14                | 524    | 92             | 7    | 7    | 3        | 3            | -    | -             |
| 13 Chief Operating Officer                | 10          | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 14 Security                               | 10          | 206         | 68               | 16         | 1          | 2         | -      | 1        | -    | 5             | 2                 | 91     | 16             | 1    | 1    | -        | -            | -    | -             |
| 15 VP Regulatory & Legislative Affairs    | 10          | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 16 VP Supply Chain                        | 10          | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 17 VP Budget & Strategic Development      | 10          | 758         | 249              | 61         | 5          | 7         | 1      | 3        | -    | 19            | 9                 | 333    | 58             | 4    | 5    | 2        | 2            | -    | -             |
| 20 Gas Planning & Rates                   | 10          | 842         | 277              | 67         | 6          | 7         | 1      | 3        | -    | 21            | 10                | 370    | 65             | 5    | 5    | 2        | 2            | -    | -             |
| 21 Customer Review                        | 7           | 959         | -                | -          | -          | -         | -      | -        | -    | -             | -                 | 904    | 46             | 1    | 2    | 4        | 2            | -    | 1             |
| 22 By-Pass Bonuses                        | 10          | 32          | 11               | 3          | -          | 32        | -      | -        | -    | 1             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 30 Engineering Services                   | 3           | 1,140       | 752              | 197        | 17         | 20        | 4      | 9        | -    | 105           | 36                | 14     | 2              | -    | -    | -        | -            | -    | -             |
| 31 Chemical Services                      | 1           | 651         | 513              | 107        | 7          | 14        | 3      | 7        | -    | -             | 1                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 38 VP Technical Compliance                | 10          | 530         | 174              | 42         | 4          | 5         | 1      | 2        | -    | 13            | 6                 | 233    | 41             | 3    | 3    | 1        | 1            | -    | -             |
| 39 SVP HRD, Labor, & Corp Comm            | 10          | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 40 Chief Financial Officer                | 10          | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 41 Risk Management                        | 10          | 973         | 320              | 78         | 6          | 9         | 2      | 4        | -    | 24            | 11                | 428    | 75             | 6    | 6    | 2        | 2            | -    | -             |
| 43 Account Management                     | 7           | 2,528       | -                | -          | -          | -         | -      | -        | -    | -             | -                 | 2,477  | 125            | 3    | 4    | 11       | 5            | -    | 2             |
| 44 Customer Service                       | 7           | 10,716      | -                | -          | -          | -         | -      | -        | -    | -             | -                 | 10,102 | 511            | 12   | 18   | 44       | 21           | -    | 8             |
| 45 Accounting & Reporting                 | 10          | 1,770       | 582              | 141        | 12         | 16        | 3      | 7        | -    | 44            | 21                | 778    | 136            | 10   | 11   | 4        | 4            | -    | 1             |
| 46 Treasury                               | 10          | 1,098       | 361              | 88         | 7          | 10        | 2      | 4        | -    | 28            | 13                | 483    | 85             | 6    | 7    | 2        | 3            | -    | -             |
| 47 Information Services                   | 10          | 6,159       | 2,024            | 492        | 41         | 55        | 10     | 25       | -    | 155           | 72                | 2,707  | 475            | 35   | 37   | 14       | 15           | -    | 2             |
| 49 Collections                            | 7           | 2,630       | -                | -          | -          | -         | -      | -        | -    | -             | -                 | 2,479  | 125            | 3    | 4    | 11       | 5            | -    | 2             |
| 50 Field Services                         | 3           | 30,202      | 19,924           | 5,211      | 454        | 533       | 98     | 245      | 5    | 2,787         | 945               | -      | -              | -    | -    | -        | -            | -    | -             |
| 52 Distribution                           | 3           | 43,316      | 28,575           | 7,473      | 651        | 765       | 141    | 352      | 8    | 3,997         | 1,355             | -      | -              | -    | -    | -        | -            | -    | -             |
| 53 Gas Processing                         | 1A          | 13,550      | 9,182            | 2,720      | 223        | 252       | 44     | 115      | 5    | -             | 1,008             | -      | -              | -    | -    | -        | -            | -    | -             |
| 54 Internal Auditing                      | 10          | 101         | 33               | 8          | 1          | 1         | -      | -        | -    | 3             | 1                 | 44     | 8              | 1    | 1    | -        | -            | -    | -             |
| 56 SVP Operations & Supply Chair          | 3           | 0           | -                | -          | -          | -         | -      | -        | -    | -             | -                 | -      | -              | -    | -    | -        | -            | -    | -             |
| 57 SVP Gas Management                     | 3           | 559         | 369              | 96         | 8          | 10        | 2      | 5        | -    | 52            | 17                | -      | -              | -    | -    | -        | -            | -    | -             |



PHILADELPHIA GAS WORKS  
 FACTOR 11 - ALLOCATION OF LABOR COSTS TO  
 CUSTOMER CLASS SERVICE CLASSIFICATIONS

|                                         |             |             | Volumetric Costs |            |            |           |          |          |        |               |                   |          | Customer Costs |          |        |          |              |        |               |       |  |  |
|-----------------------------------------|-------------|-------------|------------------|------------|------------|-----------|----------|----------|--------|---------------|-------------------|----------|----------------|----------|--------|----------|--------------|--------|---------------|-------|--|--|
| Account                                 | Factor Ref. | Labor Costs | Residential      | Commercial | Industrial | Municipal | PHA GS   | PHA - R8 | NGVS   | Interruptible | Grays Ferry/Viola | Res      | Com            | Ind      | Muni   | PHA - GS | PHA - Rate 8 | NGVS   | Interruptible |       |  |  |
| (1)                                     | (2)         | (3)         | (4)              | (5)        | (6)        | (7)       | (8)      | (9)      | (10)   | (11)          | (12)              | (13)     | (14)           | (15)     | (16)   | (17)     | (18)         | (19)   | (20)          |       |  |  |
| 58 VP Marketing                         | 10          | 73          | 24               | 6          | -          | 1         | -        | -        | -      | 2             | 1                 | 32       | 6              | -        | -      | -        | -            | -      | -             |       |  |  |
| 59 Organizational Development           | 10          | 1,315       | 432              | 105        | 9          | 12        | 2        | 5        | -      | 33            | 15                | 578      | 101            | 7        | 8      | 3        | 3            | -      | -             |       |  |  |
| 60 Marketing                            | 10          | 2,969       | 976              | 237        | 20         | 26        | 5        | 12       | -      | 74            | 35                | 1,305    | 229            | 17       | 18     | 7        | 7            | -      | 1             |       |  |  |
| 63 Data & Analytics                     | 10          | 1,033       | 339              | 82         | 7          | 9         | 2        | 4        | -      | 26            | 12                | 454      | 80             | 6        | 6      | 2        | 2            | -      | -             |       |  |  |
| 64 CIS                                  | 10          | 963         | 316              | 77         | 6          | 9         | 2        | 4        | -      | 24            | 11                | 423      | 74             | 5        | 6      | 2        | 2            | -      | -             |       |  |  |
| 65 Labor Relations                      | 10          | 240         | 79               | 19         | 2          | 2         | -        | 1        | -      | 6             | 3                 | 106      | 19             | 1        | 1      | 1        | 1            | -      | -             |       |  |  |
| 67 Corporate Planning                   | 10          | 900         | 296              | 72         | 6          | 8         | 1        | 4        | -      | 23            | 11                | 397      | 69             | 5        | 5      | 2        | 2            | -      | -             |       |  |  |
| 68 Customer Programs                    | 7           | 893         | -                | -          | -          | -         | -        | -        | -      | -             | -                 | 842      | 43             | 1        | 1      | 4        | 2            | -      | 1             |       |  |  |
| 71 Supply Chain                         | 3           | 6,809       | 4,492            | 1,175      | 102        | 120       | 22       | 55       | 1      | 628           | 213               | -        | -              | -        | -      | -        | -            | -      | -             |       |  |  |
| 72 Facilities Management                | 3           | 2,143       | 1,414            | 370        | 32         | 38        | 7        | 17       | -      | 198           | 67                | -        | -              | -        | -      | -        | -            | -      | -             |       |  |  |
| 73 Fleet Operations                     | 10          | 3,638       | 1,195            | 290        | 24         | 32        | 6        | 15       | -      | 91            | 43                | 1,599    | 280            | 21       | 22     | 8        | 9            | -      | 1             |       |  |  |
| 77 Resource Management and Technology   | 3           | 784         | 518              | 135        | 12         | 14        | 3        | 6        | -      | 72            | 25                | -        | -              | -        | -      | -        | -            | -      | -             |       |  |  |
| TOTAL LABOR RELATED COST FOR ALLOCATION |             |             | \$ 158,226       | \$ 79,914  | \$ 21,032  | \$ 1,802  | \$ 2,152 | \$ 393   | \$ 985 | \$ 20         | \$ 8,771          | \$ 4,319 | \$ 34,260      | \$ 3,771 | \$ 231 | \$ 255   | \$ 162       | \$ 125 | \$ -          | \$ 23 |  |  |

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 12. ALLOCATION OF SURPLUS AND INTEREST EXPENSE.

Factors are based on the result of allocating the original cost measure of value, as presented on the following pages.

| Service<br>Classification<br>(1) | Original<br>Cost Less<br>Depreciation<br>(2) | Allocation<br>Factor<br>(3) |
|----------------------------------|----------------------------------------------|-----------------------------|
| <u>Volumetric Costs</u>          |                                              |                             |
| Residential                      | \$ 761,209                                   | 0.43155                     |
| Commercial                       | 194,893                                      | 0.11049                     |
| Industrial                       | 16,836                                       | 0.00954                     |
| Municipal                        | 20,409                                       | 0.01157                     |
| PHA GS                           | 3,764                                        | 0.00213                     |
| PHA R8                           | 9,381                                        | 0.00532                     |
| NGVS                             | 179                                          | 0.00010                     |
| Interruptible                    | 90,417                                       | 0.05126                     |
| Grays Ferry                      | 31,852                                       | 0.01806                     |
| <u>Customer Costs</u>            |                                              |                             |
| Residential                      | 545,879                                      | 0.30947                     |
| Commercial                       | 72,516                                       | 0.04111                     |
| Industrial                       | 4,012                                        | 0.00227                     |
| Municipal                        | 5,600                                        | 0.00317                     |
| PHA GS                           | 3,762                                        | 0.00213                     |
| PHA R8                           | 2,183                                        | 0.00124                     |
| NGVS                             | 57                                           | 0.00003                     |
| Interruptible                    | 951                                          | 0.00054                     |
| Total                            | \$ 1,763,900                                 | 1.00000                     |

FACTOR 13. ALLOCATION OF REGULATORY COMMISSION EXPENSES, ASSESSMENTS AND OTHER REVENUES.

Factors are based on the allocated cost of service excluding those items being allocated.

| Service<br>Classification<br>(1) | Total<br>Cost of<br>Service<br>(2) | Allocation<br>Factor<br>(3) |
|----------------------------------|------------------------------------|-----------------------------|
| <u>Volumetric Costs</u>          |                                    |                             |
| Residential                      | \$ 236,950                         | 0.39211                     |
| Commercial                       | 60,553                             | 0.10020                     |
| Industrial                       | 5,146                              | 0.00852                     |
| Municipal                        | 6,384                              | 0.01056                     |
| PHA GS                           | 1,173                              | 0.00194                     |
| PHA R8                           | 2,931                              | 0.00485                     |
| NGVS                             | 56                                 | 0.00009                     |
| Interruptible                    | 22,549                             | 0.03731                     |
| Grays Ferry                      | 10,262                             | 0.01698                     |
| <u>Customer Costs</u>            |                                    |                             |
| Residential                      | 219,286                            | 0.36287                     |
| Commercial                       | 32,012                             | 0.05297                     |
| Industrial                       | 2,071                              | 0.00343                     |
| Municipal                        | 2,445                              | 0.00405                     |
| PHA GS                           | 1,247                              | 0.00206                     |
| PHA R8                           | 964                                | 0.00160                     |
| NGVS                             | 24                                 | 0.00004                     |
| Interruptible                    | 248                                | 0.00041                     |
| Total                            | \$ 604,302                         | 1.00000                     |

PHILADELPHIA GAS WORKS

FACTORS FOR ALLOCATING COST OF SERVICE TO SERVICE CLASSIFICATIONS

FACTOR 13A. ALLOCATION OF OPEB SURCHARGE

Factors are based on the allocated cost of service excluding those items being allocated, excluding IT and Grays Ferry cost of service,

| Service<br>Classification | Total<br>Cost of<br>Service | Allocation<br>Factor |
|---------------------------|-----------------------------|----------------------|
| (1)                       | (2)                         | (3)                  |
| <u>Volumetric Costs</u>   |                             |                      |
| Residential               | \$ 236,950                  | 0.41480              |
| Commercial                | 60,553                      | 0.10600              |
| Industrial                | 5,146                       | 0.00901              |
| Municipal                 | 6,384                       | 0.01118              |
| PHA GS                    | 1,173                       | 0.00205              |
| PHA R8                    | 2,931                       | 0.00513              |
| NGVS                      | 56                          | 0.00010              |
| Interruptible             | -                           | -                    |
| Grays Ferry               | -                           | -                    |
| <u>Customer Costs</u>     |                             |                      |
| Residential               | 219,286                     | 0.38388              |
| Commercial                | 32,012                      | 0.05604              |
| Industrial                | 2,071                       | 0.00363              |
| Municipal                 | 2,445                       | 0.00428              |
| PHA GS                    | 1,247                       | 0.00218              |
| PHA R8                    | 964                         | 0.00169              |
| NGVS                      | 24                          | 0.00004              |
| Interruptible             | -                           | -                    |
| Total                     | <u>\$ 571,243</u>           | <u>1.00000</u>       |

FACTOR 14. ALLOCATION OF UNCOLLECTIBLES NOT RECOVERED FROM MFC

Factors are based on 3-year average of uncollectibles.

| Service<br>Classification | 3-Year Average<br>Uncollectibles | Allocation<br>Factor |
|---------------------------|----------------------------------|----------------------|
| (1)                       | (2)                              | (3)                  |
| <u>Customer Costs</u>     |                                  |                      |
| Residential               | \$ 24,714,302                    | 0.95136              |
| Commercial                | 1,219,711                        | 0.04695              |
| Industrial                | 23,660                           | 0.00091              |
| Municipal                 | 12,938                           | 0.00050              |
| PHA GS                    | 7,311                            | 0.00028              |
| PHA R8                    | -                                | -                    |
| Total                     | <u>25,977,922</u>                | <u>1.00000</u>       |

PHILADELPHIA GAS WORKS

CALCULATION OF CUSTOMER COSTS PER BILL BY SERVICE CLASSIFICATION

|                                              | Cost of<br>Service<br>(1) | Residential<br>(2) | Commercial<br>(3) | Industrial<br>(4) | Municipal<br>(5) | PHA - GS<br>(6) | PHA - R8<br>(7) | NGVS<br>(8)      | Interruptible<br>(9) |
|----------------------------------------------|---------------------------|--------------------|-------------------|-------------------|------------------|-----------------|-----------------|------------------|----------------------|
| <b>Fully Allocated Customer Costs</b>        |                           |                    |                   |                   |                  |                 |                 |                  |                      |
| Customer Costs (in 1,000's)                  | 258,298                   | \$ 219,286         | \$ 32,012         | \$ 2,071          | \$ 2,445         | \$ 1,247        | \$ 964          | \$ 24            | \$ 248               |
| Number of Customers                          | 517,896                   | 488,206            | 24,679            | 572               | 863              | 2,145           | 1,035           | 3                | 393                  |
| <b>Customer Cost per bill</b>                |                           | <b>\$ 37.43</b>    | <b>\$ 108.09</b>  | <b>\$ 301.93</b>  | <b>\$ 236.09</b> | <b>\$ 48.46</b> | <b>\$ 77.63</b> | <b>\$ 680.54</b> | <b>\$ 52.54</b>      |
| <b>Direct Customer Costs (in 1000's)</b>     |                           |                    |                   |                   |                  |                 |                 |                  |                      |
| <b>O &amp; M Expenses:</b>                   |                           |                    |                   |                   |                  |                 |                 |                  |                      |
| 874 Mains And Services Expenses              |                           |                    |                   |                   |                  |                 |                 |                  |                      |
| Mains                                        |                           |                    |                   |                   |                  |                 |                 |                  |                      |
| Services                                     | 3,287                     | 3,056              | 179               | 5                 | 10               | 23              | 6               | 0                | 7                    |
| 876 M & R Station Expenses - Industrial      | 152                       |                    |                   | 152               |                  |                 |                 |                  |                      |
| 878 Meter and House Regulator Expenses       | 18,880                    | 12,158             | 5,650             | 331               | 503              | 74              | 159             | 6                | -                    |
| 879 Customer Installations Expenses          | 10,926                    | 7,036              | 3,270             | 192               | 291              | 43              | 92              | 3                | -                    |
| 892 Maintenance of Services                  | 2,487                     | 2,313              | 135               | 4                 | 8                | 17              | 4               | 0                | 5                    |
| 893 Maintenance of Meters & House Regulators | 3,703                     | 3,491              | 176               | 4                 | 6                | 15              | 7               | 0                | 3                    |
| 901 Supervision                              | 2,839                     | 2,676              | 135               | 3                 | 5                | 12              | 6               | 0                | 2                    |
| 902 Meter Reading Expenses                   | 868                       | 818                | 41                | 1                 | 1                | 4               | 2               | 0                | 1                    |
| 903 Customer Records & Coll Expenses         | 37,465                    | 35,317             | 1,785             | 41                | 62               | 155             | 75              | 0                | 28                   |
| 904 Uncollectible Accounts                   | 23,220                    | 22,091             | 1,090             | 21                | 12               | 7               | -               | -                | -                    |
| 908 Customer Assistance Expenses             | 6,334                     | 5,971              | 302               | 7                 | 11               | 26              | 13              | 0                | 5                    |
| Subtotal O & M Expenses                      | 110,161                   | 94,927             | 12,764            | 762               | 909              | 376             | 363             | 10               | 52                   |

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|------------------------------------|---------------------------|--------------------|-------------------|-------------------|------------------|-----------------|-----------------|-------------|----------------------|
| <b>Depreciation Expense</b>        |                           |                    |                   |                   |                  |                 |                 |             |                      |
| 380 Services                       | 19,688                    | 18,309             | 1,069             | 30                | 63               | 138             | 35              | 0           | 43                   |
| 381 Meters                         | 2,526                     | 1,627              | 756               | 44                | 67               | 10              | 21              | 1           | -                    |
| 382 Meter Installations            | 2,697                     | 1,737              | 807               | 47                | 72               | 11              | 23              | 1           | -                    |
| 383 House Regulators               | 50                        | 46                 | 3                 | 0                 | 0                | 0               | 0               | 0           | 0                    |
| 384 House Regulator Installations  | 49                        | 31                 | 15                | 1                 | 1                | 0               | 0               | 0           | -                    |
| 385 Industrial M & R Equipment     | 13                        | -                  | -                 | 13                | -                | -               | -               | -           | -                    |
| 390 Structures and Improvements    | -                         |                    |                   |                   |                  |                 |                 |             |                      |
| 391 Office Furniture And Equipment | -                         |                    |                   |                   |                  |                 |                 |             |                      |
| Subtotal Depreciation              | 25,022                    | 29,320             | 3,975             | 232               | 307              | 198             | 120             | 3           | 49                   |
| <b>Rate Base</b>                   |                           |                    |                   |                   |                  |                 |                 |             |                      |
| 380 Services                       | 396,938                   | 369,144            | 21,562            | 603               | 1,263            | 2,780           | 705             | 8           | 872                  |
| 381 Meters                         | 53,974                    | 34,757             | 16,152            | 947               | 1,437            | 211             | 453             | 17          | -                    |
| 382 Meter Installations            | 54,567                    | 35,138             | 16,329            | 958               | 1,453            | 213             | 458             | 17          | -                    |
| 383 House Regulators               | 1,484                     | 1,380              | 81                | 2                 | 5                | 10              | 3               | 0           | 3                    |
| 384 House Regulator Installations  | 694                       | 645                | 38                | 1                 | 2                | 5               | 1               | 0           | 2                    |
| 385 Industrial M & R Equipment     | 156                       | -                  | -                 | 156               | -                | -               | -               | -           | -                    |
| 390 Structures And Improvements    | 33,465 *                  | 27,579             | 4,837             | 355               | 380              | 142             | 148             | 4           | 19                   |
| 391 Office Furniture and Equipment | 37,331 *                  | 30,765             | 5,396             | 396               | 424              | 159             | 165             | 5           | 21                   |
| Subtotal Rate Base                 | 578,609                   | 499,409            | 64,396            | 3,418             | 4,963            | 3,521           | 1,934           | 50          | 917                  |
| Surplus and Interest<br>@ 12.0%    | 69,412                    | 59,911             | 7,725             | 410               | 595              | 422             | 232             | 6           | 110                  |
| Total Direct Customer Costs        | \$ 213,777                | \$ 184,158         | \$ 24,464         | \$ 1,404          | \$ 1,811         | \$ 996          | \$ 715          | \$ 19       | \$ 210               |
| Number of Customers                | 517,896                   | 488,206            | 24,679            | 572               | 863              | 2,145           | 1,035           | 3           | 393                  |
| <b>Direct Costs per bill</b>       |                           | \$ 31.43           | \$ 82.61          | \$ 204.64         | \$ 174.90        | \$ 38.69        | \$ 57.56        | \$ 521.63   | \$ 44.59             |

\* Customer cost portion of account.

## **VERIFICATION**

I, Gregory R. Herbert, hereby state that: (1) I am employed by Gannett Fleming Valuation and Rate Consultants, LLC as Project Manager, Rate Studies; (2) I have been retained by Philadelphia Gas Works (“PGW”) and am authorized to present testimony on its behalf; (3) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (4) I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

March 19, 2026

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Dated



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Gregory R. Herbert  
Project Manager, Rate Studies  
Gannett Fleming Valuation and Rate Consultants, LLC

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REMAND REBUTTAL TESTIMONY OF

**GREGORY R. HERBERT**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2023-3037933

REMAND TOPICS:

Cost of Service

April 16, 2026

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1   **I.    INTRODUCTION**

2   **Q.    PLEASE STATE YOUR NAME FOR THE RECORD.**

3   A.    Gregory R. Herbert.

4   **Q.    BY WHOM ARE YOU EMPLOYED?**

5   A.    I am employed by Gannett Fleming Valuation and Rate Consultants, LLC (“Gannett  
6   Fleming”).

7   **Q.    DID YOU SUBMIT REMAND DIRECT TESTIMONY AND EXHIBITS IN THIS**  
8   **PROCEEDING?**

9   A.    Yes, I provided Remand Direct Testimony on behalf of Philadelphia Gas Works (“PGW”)  
10   as Statement No. 2-RD and Exhibit GRH-RD-1 and Exhibit GRH-RD-2.

11   **Q.    WHAT IS THE PURPOSE OF YOUR REMAND REBUTTAL TESTIMONY?**

12   A.    The purpose of my Remand Rebuttal testimony is to respond to the Remand Direct  
13   Testimonies filed by the Philadelphia Industrial and Commercial Gas Users Group  
14   (“PICGUG”) witness Billie LaConte, and the Office of Small Business Advocate  
15   (“OSBA”) witness Mark D. Ewen in this proceeding, as those testimonies relate to the  
16   treatment of the Rate IT customer class in PGW’s class cost of service study (“CCOSS”).  
17   My testimony clarifies certain technical and cost causation issues raised by those parties,  
18   corrects mischaracterizations of PGW’s cost allocation methodology, and further explains  
19   why allocating a portion of distribution mains extra capacity (i.e., peak demand) costs to  
20   the Rate IT class is consistent with established cost of service principles and does not rely  
21   on a value of service or benefits ratemaking approach.

1    **II.    RESPONSE TO PICGUG WITNESS BILLIE LACONTE**

2    **Q.    PICGUG ASSERTS THAT BECAUSE RATE IT CUSTOMERS ARE**  
3    **TECHNICALLY INTERRUPTIBLE UNDER PGW'S TARIFF, THEY DO NOT**  
4    **CAUSE PGW TO INCUR ANY DISTRIBUTION MAIN PEAK RELATED COSTS.**  
5    **(PICGUG ST. NO. 1D-R AT 6-8.) IN OTHER WORDS, INFREQUENCY OF**  
6    **INTERRUPTIONS DOES NOT MEAN THAT RATE IT CUSTOMERS ARE**  
7    **RECEIVING FIRM SERVICE, AS RATE IT. DO YOU AGREE?**

8    **A.**    I agree that Rate IT customers are not receiving firm service, but I do not agree with the  
9    rest of the position. That assertion reflects a misunderstanding of how PGW plans and  
10   designs its distribution systems, how its system is operated, and how cost causation is  
11   evaluated in its CCOSS.

12            The cost causation principle does not turn on whether a class may be interrupted  
13   under a tariff. The goal of the CCOSS is to allocate costs in a manner that reflects the  
14   reasons why costs are being incurred on the system based on how the customer classes  
15   utilize the system facilities to receive service. The question turns on whether the utility  
16   must, in practice, design and maintain its system so that it is capable of serving that class's  
17   load under reasonably expected operating conditions. PGW's distribution system must be  
18   physically capable of delivering the observed peak day demands of Rate IT customers, and  
19   the historical record demonstrates that the system is planned and operated in a manner that  
20   accomplishes exactly that.

21            PICGUG does not dispute that Rate IT customers routinely consume gas on PGW's  
22   actual peak days, nor does it dispute that PGW's system successfully serves those loads  
23   without interruption. PGW does not assume that Rate IT customers will be interrupted on  
24   peak days because in fact, they never are. Therefore, they contribute to the need for  
25   distribution system capacity and cause a portion of distribution mains costs to be incurred  
26   under peak demands. At the very least, it is undeniable that Rate IT causes PGW to incur

current distribution mains, peak related annual operation and maintenance costs, and annual depreciation expense because the class has never been interrupted. If one were just to focus on the questions of what classes “caused” the costs to be incurred originally, the Rate IT class should be responsible for recovering distribution mains peak related plant investment costs that were installed from 2003 to the present, which was when the Rate IT class was established, and because the Rate IT class has never been interrupted. But in my view, the exercise should focus on the actual ongoing use of the system. Because PGW must constantly maintain the system and replace facilities so that it can supply gas to IT customers on its actual peak days, it is reasonable to conclude that peak day demand responsibility is a reasonable indicator or cost causation for peak demand related costs.

**Q. PICGUG RELIES HEAVILY ON PGW’S PEAK DESIGN DAY SUPPLY DEMAND, A DAY ON WHICH THE AVERAGE MEAN TEMPERATURE IS 0° FAHRENHEIT, AND ARGUES THAT BECAUSE RATE IT LOAD IS EXCLUDED FROM DESIGN DAY DEMAND, IT SHOULD ALSO BE EXCLUDED FROM DISTRIBUTION MAINS COST ALLOCATION. (PICGUG ST. NO. 1D-R AT 6, 10-12.) IS THAT COMPARISON VALID?**

A. No. It is my understanding PGW’s peak design day model is utilized principally for a supply and capacity procurement planning tool used to evaluate upstream pipeline, storage, and LNG requirements under extreme weather assumptions. It is not a distribution system cost allocation model because it is and was not available by customer class for the 2023 and 2025 rate proceedings, nor is it solely considered to size individual segments of distribution mains.

Distribution mains are installed, replaced, and maintained based on observed load patterns, localized demand characteristics, reliability considerations, and long lived infrastructure planning, in addition to a calculated design day temperature scenario. As such, PGW’s CCOSS appropriately relies on actual historic peak usage by class, including

1 the Rate IT class, to reflect how the system is used and what capacity it must be able to  
2 deliver in practice.

3 Accordingly, exclusion of Rate IT load from a design day supply model does not  
4 imply that Rate IT load does not contribute to distribution capacity requirements or related  
5 costs. Additionally, the Rate IT class, as shown in the CCOSS, recorded peak day  
6 throughput of 73,869 compared to its 33,867 of average daily throughput, which equates  
7 to a 2.3 ratio of peak day to average day demand. The Rate IT class does peak during  
8 heating days, and the fact that Rate IT customers have never been interrupted results in  
9 Rate IT incurring costs related to distribution mains peak demands. If the Rate IT's peak  
10 day to average day demand ratio was closer to a range of 1.0 to 1.5, I would agree that  
11 PICGUG's claims might have merit. There is also no dispute from any party that Rate IT  
12 should be allocated a portion of distribution costs that serve average day demands, so the  
13 customer class absolutely relies on the distribution system.

14 Another consideration should be the last time the mean temperature was 0°  
15 Fahrenheit, which PGW staff indicated to me occurred in the 1990s, before the Rate IT  
16 class was established. PICGUG's entire position relies on a calculated supply-planning  
17 construct that does not reflect actual operating conditions on PGW's distribution system  
18 for a cold weather event that hasn't happened over the past roughly 30 years. As a result,  
19 the Peak Design Day represents an extreme, theoretical scenario — for which PGW has to  
20 plan to be ready — not recent and actual conditions. Distribution mains are long lived  
21 assets that are planned, replaced and sized based on many factors like observed customer  
22 usage and experienced peak conditions, not on rarely occurring or hypothetical extremes,  
23 and thus, another valid reason for PGW's CCOSS to rely on historic actual peak day

1 demand by class to reflect real operating conditions the distribution system must handle.  
2 Accordingly, the distribution system must be capable of delivering gas to Rate IT  
3 customers under the cold-weather conditions that actually occur, (i.e., there were no  
4 interruptions to Rate IT during some cold-weather conditions in January and February of  
5 2026), regardless of whether a hypothetical zero-degree design day has been assumed for  
6 upstream supply planning purposes. PICGUG's comparison is flawed because it equates a  
7 rare, decades-old hypothetical temperature assumption used for supply modeling with the  
8 actual operating conditions that carry more influence on distribution planning and cost  
9 causation. Ultimately, the length in time since the last Peak Design Day occurred  
10 underscores why such a comparison is not appropriate for allocating peak demand related  
11 costs in PGW's CCOSS.

12 **Q. PICGUG CLAIMS THAT PGW'S COST ALLOCATION IS BASED ON A**  
13 **RETROSPECTIVE "BENEFITS" OR "VALUE OF SERVICE" PRINCIPLE**  
14 **BECAUSE RATE IT CUSTOMERS HAVE NOT BEEN INTERRUPTED IN THE**  
15 **PAST. IS THAT ACCURATE?**

16 **A.** No. PGW's CCOSS does not assign costs to Rate IT customers based on retrospective  
17 benefits or on the value of uninterrupted service.

18 Distribution mains capacity costs are incurred in advance, based on the need to  
19 ensure that the system can physically serve the loads connected to it. Those costs arise from  
20 system design obligations, not from whether interruptions ultimately occur. The fact that  
21 Rate IT customers have not been interrupted does not create a benefit based charge; rather,  
22 it reflects cost allocation on the basis of how PGW has designed and operated its system to  
23 be capable of meeting those customers' peak demands.

1 **Q. PICGUG AND OSBA BOTH EMPHASIZE THAT RATE IT CUSTOMERS**  
2 **INVEST IN ALTERNATE FUEL CAPABILITY. DOES THAT FACT REDUCE**  
3 **PGW'S DISTRIBUTION MAINS COSTS OR JUSTIFY EXCLUDING RATE IT**  
4 **FROM PEAK RELATED COST ALLOCATION?**

5 A. No. Customer investments in alternate fuel capability do not reduce the distribution  
6 system's designed capacity.

7           Regardless of a customer's alternate fuel equipment, PGW must maintain  
8 distribution mains capable of delivering gas to that customer whenever service is provided,  
9 including on peak days when Rate IT customers continue to take service. Those  
10 investments in alternative fuel capabilities, which I understand are also requirements for  
11 supply-based interruptions, do not allow PGW to install smaller mains, downgrade  
12 pressure, or otherwise avoid distribution capacity costs. Accordingly, they do not negate  
13 cost causation for distribution mains. Moreover, IT customers do receive substantial  
14 benefits from installing and maintaining alternative fuel capability, which allows for these  
15 customers to subscribe to a rate that is many times lower than the firm equivalent.

16 **Q. PICGUG ASSERTS THAT PGW HAS "EXCESS CAPACITY" AND THAT THIS**  
17 **IS WHY RATE IT CUSTOMERS HAVE NOT BEEN INTERRUPTED. (PICGUG**  
18 **ST. NO. 1D-R AT 12-14.) DOES THAT ELIMINATE RATE IT'S**  
19 **CONTRIBUTION TO MAINS COSTS?**

20 A. No. Assertions regarding upstream capacity margins or supply asset availability are not  
21 relevant to Rate IT customers, as Rate IT customers are required to utilize their own  
22 upstream capacity.

23           PGW prudently has more supply assets than it needs to serve customers on the  
24 average peak day because it must maintain assets to meet its design peak. Regardless, the  
25 distribution system must still be capable of physically transporting peak volumes to end  
26 users. The existence of operational flexibility or capacity reserves does not retroactively

1 reduce embedded distribution system costs or alter the fact that Rate IT loads are served  
2 through, and impose demands upon, the distribution network.

3 **Q. PLEASE COMMENT ON MS. LACONTE'S ANALYSIS SHOWN ON HER**  
4 **EXHIBIT BSL-7D-R, WHICH PURPORTS TO SHOW THE RESULTS OF THE**  
5 **CCOSS WHEN PEAK DEMAND COSTS ARE NOT ASSIGNED TO THE RATE**  
6 **IT CLASS.**

7 A. Ms. LaConte supplied a cost of service model (Exhibit BSL-7D-R) which purportedly  
8 shows the results of the CCOSS when peak demand costs related to distribution are not  
9 assigned to the Rate IT class. In response to interrogatory PGW-PICGUG-I-5, PICGUG  
10 corrected its CCOSS, and the results of the Revised CCOSS align more closely with  
11 PGW's CCOSS in Exhibit GRH-RD-2 and OCA's Exhibit JFM-1.

12 **Q. MS. LACONTE RECOMMENDS IN HER DIRECT TESTIMONY THAT PGW'S**  
13 **RATES BE MODIFIED TO REFLECT THE RESULTS OF HER EXHIBIT (BSL-**  
14 **7D-R) (PICGUG ST. NO. 1D-R AT 18.) BASED ON YOUR REVIEW OF THE**  
15 **FILED CCOSS FROM PGW, AS WELL AS THE OCA AND PICGUG'S**  
16 **REVISED CCOSS, SHOULD PGW'S RATE BE MODIFIED OR**  
17 **REALLOCATED TO OTHER CLASSES OF CUSTOMERS?**

18 A. No. Rate IT produced \$13,928 (000s) in revenue under the Final Order compliance rates  
19 which under recovers Rate IT's cost of service levels in PGW's preferred CCOSS as  
20 approved by the Commission (allocating peak demand costs related to distribution to Rate  
21 IT) and pursuant to PICGUG's preferred CCOSS (excluding peak demand costs related to  
22 distribution to Rate IT).

23 **Q. DO YOU ACKNOWLEDGE THAT THE RESULTS OF PGW'S CCOSS**  
24 **ALLOCATIONS BY CLASS WOULD BE REDUCED UNDER THE PUC FINAL**  
25 **ORDER AWARDED REVENUE REQUIREMENT OF \$464,347 (000S)? AND DID**  
26 **YOU VERIFY IF RATE IT'S REVENUES PRODUCED UNDER COMPLIANCE**  
27 **RATES STILL UNDER RECOVER ITS INDICATED COST OF SERVICE**  
28 **LEVEL?**

29 A. Yes, I acknowledge that the results of the costs allocations by class would be reduced from  
30 PGW's filed CCOSS under the awarded revenue requirement in the Final Order of PGW's

1        2023 Rate Case. However, in response to discovery request PICGUG I-9, I developed a  
2        quick analysis that assumes O&M, Depreciation Expense, interest and other expense,  
3        federal grant revenue, and City Payment expenses remain constant from PGW's as-filed  
4        2023 Rate Case CCOSS. I then scaled back the net income or return on rate base amounts  
5        for the results of the CCOSS to reach \$464,347 (Final Order revenue requirement amount).  
6        I completed this exercise under both PGW's CCOSS (allocating peak demand costs related  
7        to distribution to Rate IT) and PICGUG's preferred CCOSS (excluding peak demand costs  
8        related to distribution to Rate IT). Under PGW's CCOSS, Rate IT's cost of service is  
9        \$28,633, which indicates Rate IT's compliance rate revenues of \$13,928 are under  
10       recovering cost of service by \$14,705 or by 51%. Furthermore, the adjusted CCOSS  
11       indicates that the Residential class revenue of \$369,312 under compliance rates is over  
12       recovering its cost of service level of \$348,529 by \$20,782 or by 6%.

13       Under PICGUG's preferred CCOSS, Rate IT's indicated cost of service with the actual  
14       rate increase awarded is \$19,451, which indicates Rate IT's compliance rate revenues of  
15       \$13,928 are under recovering cost of service by \$5,523 or by 28%. Furthermore, the  
16       adjusted CCOSS indicates that the Residential class revenue of \$369,312 under compliance  
17       rates is over recovering its cost of service level of \$355,590 by \$13,722 or by 4%.

18       Based on my analysis of these two scenarios, I don't believe an adjustment to Rate  
19       IT's compliance rates is justified, as doing so would further exacerbate the under recovery  
20       of the cost to serve Rate IT (which I and Mr. Teme discussed in our Remand Direct  
21       testimonies).



1    **III.    RESPONSE TO OSBA WITNESS MARK D. EWEN**

2    **Q.    OSBA TESTIMONY DISCUSSES A “PURE THEORETICAL” COST**  
3    **CAUSATION MODEL UNDER WHICH INTERRUPTIBLE CUSTOMERS**  
4    **WOULD PAY ZERO PEAK RELATED MAINS COSTS. (OSBA ST. NO. 1-RD AT**  
5    **10-16). DOES OSBA ADVOCATE THAT MODEL?**

6    A.    No. In fact, OSBA explicitly recognizes that such a theoretical model is not advanced by  
7    any party in this proceeding and is not practical or grounded in observed system operations.  
8    OSBA further acknowledges that PGW’s actual planning and operational practices cannot  
9    be reconstructed historically in a manner that would support such a model. As such,  
10   OSBA’s testimony undermines PICGUG’s claim that zero peak related cost assignment is  
11   compelled by cost causation principles.

12   **Q.    MR. EWEN ASSERTS THAT NO PARTY HAS ADVOCATED A PROPOSAL**  
13   **THAT ZERO PEAK DEMAND-RELATED MAINS COSTS BE ASSIGNED TO**  
14   **THE RATE IT CLASS. (OSBA ST. NO. 1-RD AT 16.) IS THIS TRUE?**

15   A.    No, PICGUG is advocating just that.

16   **Q.    MR. EWEN OPINES THAT THE COMMONWEALTH COURT IS CORRECT**  
17   **THAT PGW’S APPROACH IS NOT JUST AND REASONABLE, IN THAT IT**  
18   **ASSIGNS MAINS COSTS ON A FIRM SERVICE BASIS WHILE REQUIRING**  
19   **THE CUSTOMER TO INCUR COSTS TO DEMONSTRATE ITS**  
20   **INTERRUPTIBILITY. (OSBA ST. NO. 1-RD AT 17.) IS MR. EWEN CORRECT?**

21   A.    No. Assigning main costs on a “firm service” basis would be if PGW had assigned peak  
22   demand costs to IT even though the class was interrupted on the peak day. That is not what  
23   PGW did. PGW simply determined that peak day responsibility is better aligned with peak  
24   demand related costs.

**Q. MR. EWEN SUGGESTS THAT PGW SHOULD DEVELOP AN ANALYSIS OF MAINS COSTS “AVOIDED” DUE TO INTERRUPTIBILITY. (OSBA ST. NO. 1-RD AT 16.) IS THAT APPROACH NECESSARY OR APPROPRIATE HERE?**

A. No. Distribution mains are long lived infrastructure investments that cannot parse into avoidable and unavoidable components based on interruptible assumptions. There is no evidence in the record that PGW avoided installing smaller mains or incurred lower capital costs because Rate IT customers are tariff-eligible for interruption. Absent such evidence, these speculative avoided cost concepts do not provide a sound basis for reallocating distribution mains costs among customer classes.

**Q. DOES OSBA DISPUTE THAT RATE IT CUSTOMERS UNDER RECOVER THEIR COST OF SERVICE EVEN UNDER PGW’S METHODOLOGY?**

A. No. OSBA’s own analysis confirms that, regardless of which distribution mains allocation method is used, Rate IT customers substantially under recover their allocated costs. This confirms that PGW’s approach does not result in unjust or excessive rates for the Rate IT class. Therefore, it would not be required for PGW to alter its compliance rates for the Rate IT class.

#### **IV. CONCLUSION**

**Q. DO YOU HAVE ADDITIONAL COMMENTS OR RECOMMENDATIONS FOR THE PUC TO CONSIDER?**

A. Yes, I do. PGW strives to provide reliable service to all its customers and has served the Rate IT class without any interruptions since the Rate IT class was established over two decades ago. Additionally, PGW has been more than fair in its proposed rate designs to gradually move Rate IT class toward its indicated cost of service, which means the other classes have subsidized the Rate IT class for multiple cases. This statement holds true even under PICGUG’s preferred CCOSS (excluding peak related distribution costs to Rate IT).

1 PGW has provided ample evidence that the Rate IT class experiences peaking at 2.3 times  
2 its average daily throughput during the heating season, and it is unreasonable for the other  
3 customer classes to recover those embedded costs that are incurred from the Rate IT class.

4 **Q. DOES THIS CONCLUDE YOUR REMAND REBUTTAL TESTIMONY?**

5 A. Yes, it does. However, I reserve the right to provide additional testimony as necessary.

## **VERIFICATION**

I, Gregory R. Herbert, hereby state that: (1) I am employed by Gannett Fleming Valuation and Rate Consultants, LLC as Project Manager, Rate Studies; (2) I have been retained by Philadelphia Gas Works (“PGW”) and am authorized to present testimony on its behalf; (3) the facts set forth in my testimony are true and correct to the best of my knowledge, information and belief; and (4) I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

April 16, 2026

Dated



---

Gregory R. Herbert  
Project Manager, Rate Studies  
Gannett Fleming Valuation and Rate Consultants, LLC

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REMAND DIRECT TESTIMONY OF

**FLORIAN TEME**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2023-3037933

REMAND TOPICS:

**RESPONSE TO REMAND QUESTIONS**

**ALLOCATION OF RATE INCREASE**

March 19, 2026

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Florian Teme. My position is Vice President, Marketing, Sales and Energy  
4 Planning with Philadelphia Gas Works (“PGW” or “Company”).

5 **Q. HOW LONG HAVE YOU HELD THIS POSITION?**

6 A. I assumed my present position in December 2020. Prior to this position, I was Vice  
7 President, Marketing and Sales.

8 **Q. WHAT ARE YOUR VARIOUS JOB RESPONSIBILITIES?**

9 A. In my present position, I am responsible for the direction of the marketing sales efforts  
10 and new business development, while continuing to strengthen business relations and  
11 increase customer service initiatives. I am also responsible for Energy Planning which  
12 includes calculation of rates for quarterly and 1307(f) filings, among others.

13 **Q. PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.**

14 A. I have been employed with PGW since August 2003. I became PGW’s Vice President,  
15 Marketing and Sales in September 2016. Prior to that, I had various positions with PGW,  
16 including: Director, Marketing and Sales (April 2013 – September 2016); Manager,  
17 Residential and Commercial Sales, Marketing (March 2012 – April 2013); Manager,  
18 Controls and Analytics, Supply Chain (January 2010 – March 2012); Project Manager,  
19 Information Services (January 2007 – January 2010); Supply Analyst, Gas Planning  
20 (April 2005 – January 2007); and Technical Project Administrator, Marketing (August  
21 2003 – March 2005).

22 I received my Bachelor of Business Administration (Management Information  
23 Systems) from Temple University – Fox School of Business and Management in 2003

and my Master of Business Administration (Business Intelligence, Six Sigma) from Saint Joseph's University - Erivan K. Haub School of Business in 2011.

**Q. HAVE YOU EVER PROVIDED TESTIMONY BEFORE THIS COMMISSION?**

A. Yes, I have provided testimony in PGW's four most recent base rate cases (Docket Nos. R-2017-2586783, R-2020-3017206, R-2023-3037933, and R-2025-3053112) and in several recent PGW Gas Cost Rate proceedings (Docket Nos. R-2019-3007636, R-2021-3023970, R-2022-3030686, R-2023-3037933, R-2024-3045966, R-2025-3053241, and R-2026-3060186).

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to describe and support PGW's position on the Commonwealth Court's questions for consideration on remand, including: (i) the reasonableness of the allocation of the proposed base rate increase by customer class generally and for Rate IT in particular; and (ii) the impact of other issues related to the remanded issues and class cost of service study ("CCOS") and the reasonableness of the IT rate increase based on the existing CCOS and any revised CCOS. My testimony will also support PGW's CCOS witness, Mr. Gregory Herbert of Gannett Fleming, as provided in PGW St. No. 2-RD.

**Q. ARE YOU SPONSORING ANY EXHIBITS?**

A. Yes. I am including with my testimony portions of relevant discovery responses PGW served on remand which I have cited below.



1 **II. BACKGROUND**

2 **Q. BEFORE DISCUSSING PGW'S 2023 RATE CASE, COULD YOU PROVIDE A**  
3 **DESCRIPTION AND HISTORY OF THE INTERRUPTIBLE**  
4 **TRANSPORTATION RATE CLASS?**

5 A. Yes. The present Interruptible Transportation ("IT") class was derived from the former  
6 Interruptible Sales ("IS") class that existed before PGW's rates were unbundled in 2003.  
7 Prior to unbundling, the rates for IS customers were set by comparing the cost of  
8 alternative fuel (No. 2 or No. 6 oil, depending on the customer's size) and setting the rate  
9 a few cents less than that "alternative." The assumption was that a customer on the IS  
10 Rate had the ability to move to an alternative fuel source depending on the price of its  
11 alternatives, so this was a way of keeping these large customers on PGW's system.  
12 When PGW was put under PUC jurisdiction by the passage of the Choice Act,<sup>1</sup> PGW was  
13 required to "unbundle" all its rates so that a customer would have the option of buying  
14 gas from a natural gas supplier other than PGW. Accordingly, PGW proposed rates for  
15 these customers that removed the then-existing cost of gas from the rate; the remaining  
16 charge became the distribution charge for those customers. PGW maintained the  
17 interruptible nature of the gas service as well as the requirement that the customer have  
18 installed alternate fuel capability (or the certified ability to completely reduce their gas  
19 use) as a condition of being on the rate.  
20 PGW continued to charge these "margin based" rates to distribution customers until  
21 PGW's 2006 rate case when, at the behest of the Philadelphia Industrial and Commercial  
22 Gas Users Group ("PICGUG"), the PUC ordered PGW to revise the IT rates so that they

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<sup>1</sup> 66 Pa. C.S. §§ 2201 *et seq.*

1 reflected their cost of service.<sup>2</sup> Since then, PGW has consistently proposed rates for the  
 2 IT class that started with the cost to provide the service, as set out in PGW's CCOS.

3 PGW also applies other well-accepted rate setting considerations, principally gradualism,  
 4 in proposing new rates for various classes, including Rate IT.

5 **Q. DESCRIBE PGW'S PROPOSAL REGARDING ALLOCATION IN THE 2023**  
 6 **BASE RATE CASE AND THE FACTUAL / POLICY BASIS FOR THAT**  
 7 **PROPOSAL.**

8 A. In the 2023 base rate case, PGW had three goals with respect to the allocation of the  
 9 proposed rate increase and rate design: (1) to implement an increase in each class's  
 10 customer charge (with the exception of IT) to the extent that the results of the CCOS  
 11 justified such an increase, that sets the customer charge at a level that covers a greater  
 12 portion of the fixed customer costs associated with providing service to each class of  
 13 customer; (2) to allocate the remainder of the requested increase to each class in a way  
 14 that would move the various rate classes closer to their full cost of service while avoiding  
 15 applying an unreasonably large portion of the increases to any one of the customer  
 16 classes; and (3) to appropriately recognize the principles of gradualism to restrain  
 17 increases for some classes versus their cost of service.<sup>3</sup>

18 **Q. HOW WAS PGW'S REVENUE REQUIREMENT PROPOSED TO BE**  
 19 **ALLOCATED TO THE VARIOUS CUSTOMER CLASSES?**

20 A. PGW used the CCOS results as a starting point in the allocation process. Generally, a  
 21 cost of service study is an analysis of costs and cost causation.<sup>4</sup> The results of the CCOS,  
 22 in summary, were as follows:

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<sup>2</sup> *Pennsylvania Public Utility Commission v. Philadelphia Gas Works*, PUC Docket No. R-00061931, Opinion and Order entered September 28, 2007.

<sup>3</sup> PGW St. No. 6 at 6.

<sup>4</sup> See James H. Cawley and Norman J. Kennard, *A Guide to Utility Ratemaking*, at 141–46 (2018 ed.), available at: [https://www.puc.pa.gov/General/publications\\_reports/pdf/Ratemaking\\_Guide2018.pdf](https://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf).

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| <b>Allocation of Proposed Rate Increase to Recover<br/>100% Cost of Service By Class</b> |                                         |                                                          |                                    |
|------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------|------------------------------------|
| <b>Rate Class</b>                                                                        | <b>Cost of Service<br/>Results (\$)</b> | <b>Proposed<br/>Increase Under<br/>Parity Rates (\$)</b> | <b>Percentage<br/>Increase (%)</b> |
| Residential                                                                              | 395,079,801                             | 43,554,113                                               | 12.39%                             |
| Commercial                                                                               | 72,530,535                              | 10,731,202                                               | 17.36%                             |
| Industrial                                                                               | 5,606,021                               | 686,238                                                  | 13.95%                             |
| PHA GS                                                                                   | 1,998,733                               | 350,372                                                  | 21.26%                             |
| Municipal                                                                                | 6,770,621                               | 1,897,830                                                | 38.95%                             |
| PHA (Rate 8)                                                                             | 2,983,595                               | 350,372                                                  | 14.12%                             |
| NGVS                                                                                     | 55,475                                  | 28,322                                                   | 104.30%                            |
| IT (Consolidated)                                                                        | 33,547,216                              | 20,774,201                                               | 162.64%                            |
| GFCP/VEPI                                                                                | 10,222,040                              | 9,093,000                                                | 805.37%                            |
| <b>TOTAL</b>                                                                             | <b>\$528,794,037</b>                    | <b>\$87,484,484</b>                                      | <b>19.82%</b>                      |

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As can be seen, if PGW had allocated the proposed increase in a manner that brought each class to unity, i.e., rates at 100% of its calculated cost of service, the increase to the IT class would have been approximately 162%. Because of the unreasonably high increase that would have been necessary to bring the IT class up to cost, PGW recommended that the IT class be moved to full cost of service much more gradually and instead proposed an increase of 29.3%.

Based on the guidance, PGW allocated the increase as set forth in my direct testimony and reproduced below:<sup>5</sup>

<sup>5</sup> *Pa. Pub. Util. Comm'n v. PGW*, Docket No. R-2023-3037933 (Opinion and Order entered Nov. 9, 2023).

| <b>Allocation of Proposed Rate Increase</b> |                          |                                       |                                         |
|---------------------------------------------|--------------------------|---------------------------------------|-----------------------------------------|
| <b>Rate Class</b>                           | <b>Proposed Increase</b> | <b>Share of Proposed Increase (%)</b> | <b>Percentage Increase (@ \$85.8 M)</b> |
|                                             | <b>(\$)</b>              |                                       |                                         |
| Residential                                 | 68,090,128               | 79.3%                                 | 19.37%                                  |
| Commercial                                  | 10,856,872               | 12.7%                                 | 17.57%                                  |
| Industrial                                  | 960,337                  | 1.1%                                  | 19.52%                                  |
| PHA GS                                      | 357,766                  | 0.4%                                  | 21.70%                                  |
| Municipal                                   | 1,426,664                | 1.7%                                  | 29.28%                                  |
| PHA (Rate 8)                                | 377,472                  | 0.4%                                  | 14.44%                                  |
| NGVS                                        | 8,084                    | 0.0%                                  | 29.77%                                  |
| IT (Consolidated)                           | 3,742,948                | 4.4%                                  | 29.30%                                  |
| <b>TOTAL</b>                                | <b>\$85,820,271</b>      | <b>100%</b>                           | <b>19.45%</b>                           |

The increased proposed would have reduced the gap in IT rates compared to their cost of service by 11%.

**Q. DOES PGW ALSO HAVE A FIRM TRANSPORTATION SERVICE?**

A. Yes. Any General Service (“GS”) customer may purchase their gas from a natural gas supplier and not from PGW’s bundled service. In that case, the customer would be subject to the distribution charge set forth in PGW’s tariff. Note that those distribution charges also require the customer to pay a variety of surcharges, including the Universal Service Charge (“USC”), the Distribution System Improvement Charge (“DSIC”) and the Other Post Employment Benefits (“OPEB”) surcharge.

**Q. WHAT INCREASE DID PGW PROPOSE FOR FIRM TRANSMISSION CUSTOMERS?**

A. PGW proposed that distribution rates for the Commercial, Industrial, and Municipal classes, which are the rate classes in which the majority of Firm Transportation customers

are taking service, be increased by 17.57%, 19.52%, and 29.28%, respectively. Each of those rate classes were proposed to be moved closer to cost of service. This can be seen on the Table below, which is sourced from PGW's filed cost of service study, Exhibit CEH-1, Schedule A.

| Service Classification<br>(1) | Pro Forma Cost of Service (in 000's) |                | Pro Forma Margin Revenues, |                |                          |                | Revenue Increase |                  |
|-------------------------------|--------------------------------------|----------------|----------------------------|----------------|--------------------------|----------------|------------------|------------------|
|                               | Cost of Service (in 000's)           |                | Under Present Rates        |                | Under Proposed Rates     |                | Amount           | Percent Increase |
|                               | Amount<br>(2)                        | Percent<br>(3) | Amount (in 000's)<br>(4)   | Percent<br>(5) | Amount (in 000's)<br>(6) | Percent<br>(7) |                  |                  |
| Residential                   | \$ 395,079.801                       | 74.71%         | \$ 351,525.688             | 79.66%         | \$ 419,615.816           | 79.60%         | \$ 68,090.128    | 19.37%           |
| Commercial                    | 72,530.535                           | 13.72%         | 61,799.334                 | 14.00%         | 72,656.206               | 13.78%         | 10,856.872       | 17.57%           |
| Industrial                    | 5,606.021                            | 1.06%          | 4,919.783                  | 1.11%          | 5,880.120                | 1.12%          | 960.337          | 19.52%           |
| Municipal                     | 6,770.621                            | 1.28%          | 4,872.791                  | 1.10%          | 6,299.455                | 1.20%          | 1,426.664        | 29.28%           |
| PHA - GS                      | 1,998.733                            | 0.38%          | 1,648.361                  | 0.37%          | 2,006.126                | 0.38%          | 357.766          | 21.70%           |
| PHA - Rate 8                  | 2,983.595                            | 0.56%          | 2,614.387                  | 0.59%          | 2,991.859                | 0.57%          | 377.472          | 14.44%           |
| NGVS                          | 55.475                               | 0.01%          | 27.153                     | 0.01%          | 35.237                   | 0.01%          | 8.084            | 29.77%           |
| Interruptible                 | 33,547.216                           | 6.34%          | 12,773.015                 | 2.89%          | 16,515.963               | 3.13%          | 3,742.948        | 29.30%           |
| Grays Ferry/Veolia            | 10,222.040                           | 1.93%          | 1,129.040                  | 0.26%          | 1,129.040                | 0.21%          | -                | 0.00%            |
| Total                         | \$ 528,794.037                       | 100.00%        | \$ 441,309.553             | 100.00%        | \$ 527,129.824           | 100.00%        | \$ 85,820.271    | 19.45%           |

**Q. WHAT DID THE COMMISSION ULTIMATELY ORDER WITH RESPECT TO REVENUE ALLOCATION?**

A. On November 9, 2023, the Commission ordered that PGW was only entitled to approximately 30.5% of the rate increase requested, or \$26.2 million (versus the requested \$85.8).<sup>6</sup> The Commission adopted the ALJ's recommendation to approve PGW's proposed CCOS and the treatment of Rate IT customers therein for the purposes of rate making purposes.<sup>7</sup> The Commission agreed that the costs associated with meeting peak demand should be allocated to Rate IT customers in the same manner as they are allocated to Firm service customers, and that, when costs are allocated in that way, Rate IT customers were substantially underpaying their costs to serve.<sup>8</sup> The Commission

<sup>6</sup> *Pa. Pub. Util. Comm'n v. PGW*, Docket No. R-2023-3037933 (Opinion and Order entered Nov. 9, 2023).

<sup>7</sup> *Id.* at 142–46.

<sup>8</sup> *Id.* at 138.

1 reasoned that, “for cost allocation purposes, interruptible customers are not truly  
2 interruptible.”<sup>9</sup>

3 Because the Commission only approved a fraction of the revenue requirement PGW  
4 sought, PGW was required to scale back revenue allocation accordingly. For Rate IT  
5 customers, PGW reduced the proposed rate increase of 29.3% to 9%.

### 6III. **RESPONSES TO COMMONWEALTH COURT QUESTIONS**

#### 7 **Q. WHAT ARE THE QUESTIONS THAT THE COMMONWEALTH COURT** 8 **ASKED THE COMMISSION TO ADDRESS?**

9 A. The Commonwealth Court directed consideration of the following questions:

- 10 (1) Whether treating PICGUG as technically “Firm” for  
11 purposes of rate allocation while, at the same time, requiring  
12 it to adhere to the obligations of interruptible customers  
13 under PGW’s Tariff violates PGW’s Tariff and, thus,  
14 Section 1303 of the Public Utility Code;
- 15 (2) How under a cost causation analysis, Rate IT customers  
16 caused PGW’s distribution mains-related costs to be  
17 incurred;
- 18 (3) Whether the Commission applied a new retrospective  
19 benefits or “value of service” principle to conclude that  
20 interruptible customers should pay for the benefits that they  
21 ultimately received from a utility service for purposes of rate  
22 allocation, and if so, whether that principle is consistent with  
23 cost causation principles or whether it is a new ratemaking  
24 principle that should replace or supplement cost causation as  
25 the operative ratemaking rationale in this unique situation;  
26 and
- 27 (4) Whether employing a benefits principle can be squared with  
28 the Commission’s duty to impose only “just and reasonable”  
29 rates considering the interruptible nature of Rate IT  
30 customers and their investment in systems to allow for  
31 interruptions in the event that PGW does call for a  
32 curtailment.

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<sup>9</sup> *Id.* at 137.

1 **Q. WHAT IS YOUR RESPONSE TO THE COMMONWEALTH COURT’S FIRST**  
 2 **QUESTION?**

3 A. The first question is as follows:

4 Whether treating PICGUG as technically “Firm” for purposes of  
 5 rate allocation while, at the same time, requiring it to adhere to the  
 6 obligations of interruptible customers under PGW’s Tariff violates  
 7 PGW’s Tariff and, thus, Section 1303 of the Public Utility Code[.]

8  
 9 I am not addressing the legal issue embedded in the question, but, as to the facts, neither

10 PGW nor the Commission treated Rate IT as firm service for the purposes of rate

11 allocation, either technically or otherwise. As explained above, PGW proposed an

12 increase that only gradually moved the Rate IT customers to full cost of service in this

13 case (29.3%). In contrast, PGW proposed a rate increase for Firm Transportation

14 customers of between 17.5% (Commercial) and 29.3% (Municipal).

15 As explained in more detail by PGW witness Herbert, PGW’s CCOS did not characterize

16 IT customers as “firm;” it simply allocated one cost — the distribution system costs

17 associated with meeting peak demand — to each customer class based on actual

18 historical peak demand. PICGUG claimed in the original case that, in proposing to

19 allocate peak demand costs in this way, PGW was treating Rate IT customers as firm for

20 the purposes of the CCOS. This may have been a reasonable shorthand for the cost of

21 service treatment proposed, but, as the discussion above should make clear, the only way

22 in which PGW was treating IT customers as “firm” was by using the same allocation

23 factor (historical peak demand) for both the IT customers and the firm transportation

24 customers. IT customers received a share of peak demand costs because they were on the

25 system on PGW’s actual peak day (and for every peak day since the rate was created in

26 2003). Only if one uses “design day” (i.e., the coldest day that Philadelphia historically

27 has had) would the IT customer not receive any allocation of peak demand costs because

IT customers are assumed to be interrupted on the design day. As Mr. Herbert explains, one of the main purposes of a cost of service study is to allocate costs to the various classes in consideration of how the system is being used. Here, it is clear that, due to various factors, IT customers had a long track record of not being interrupted. Thus, their contribution to peak demand costs was the same as firm customers.

**Q. WHAT IS YOUR RESPONSE TO THE COMMONWEALTH COURT’S SECOND QUESTION: “HOW UNDER A COST CAUSATION ANALYSIS, RATE IT CUSTOMERS CAUSED PGW’S DISTRIBUTION MAINS-RELATED COSTS TO BE INCURRED”?**

A. Much of PGW’s current distribution system was originally installed over half a century ago and it is no longer possible to determine what factors were considered at that time to make those installation decisions. What I can say is that, when making a decision today on replacing a distribution main, the Company considers both design demand and all customer classes’ recent actual peak and annual demand.<sup>10</sup>

**Q. WHAT IS YOUR RESPONSE TO THE COMMONWEALTH COURT’S THIRD QUESTION?**

A. The third question posed by the Commonwealth Court for response is:

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[.]

My response is that PGW did not apply a value of service concept. As described above, PGW started with the cost of service calculated in the CCOS and then applied gradualism

<sup>10</sup> See PGW Answer to OSBA Set I-8 (Remand).



1 to come up with the proposed rate increase, which was then pared down significantly by  
 2 the PUC to account for the level of overall increase granted by the Commission.  
 3 Having said that, I believe that non-quantifiable concepts such as value of service or  
 4 competitive alternatives can be legitimate rate making factors and can be inputs into rate  
 5 allocation. However, based upon the *Lloyd* case, it would appear that cost of service still  
 6 needs to be the starting point for any rate determination.

7 **Q. WHAT IS YOUR RESPONSE TO THE COMMONWEALTH COURT’S**  
 8 **FOURTH QUESTION: “WHETHER EMPLOYING A BENEFITS PRINCIPLE**  
 9 **CAN BE SQUARED WITH THE COMMISSION’S DUTY TO IMPOSE ONLY**  
 10 **“JUST AND REASONABLE” RATES CONSIDERING THE INTERRUPTIBLE**  
 11 **NATURE OF RATE IT CUSTOMERS AND THEIR INVESTMENT IN SYSTEMS**  
 12 **TO ALLOW FOR INTERRUPTIONS IN THE EVENT THAT PGW DOES CALL**  
 13 **FOR A CURTAILMENT”?**

14 A. Neither PGW nor the Commission applied a “value of service” concept when setting  
 15 “just and reasonable” rates.

#### 16 IV. CHANGES TO CCOS AND RESULTING RATE ALLOCATION

17 **Q. WHAT IS YOUR OPINION AS TO WHETHER THE ALLOCATION OF RATE**  
 18 **INCREASE IN THIS CASE WOULD CHANGE IF A CCOS WERE USED THAT**  
 19 **DID NOT ALLOCATE PEAK DEMAND COSTS IN THE WAY THAT THE**  
 20 **CURRENT STUDY ALLOCATES THEM?**

21 A. Even if the rate increase had used a CCOS that allocated peak demand costs on the basis  
 22 of design day, i.e., adopting PICGUG’s position, the rate increase allocated to PICGUG  
 23 is more than reasonable. PGW witness Herbert provided me with a CCOS study identical  
 24 to the one that was used by the Commission in the 2023 base rate case, except that peak  
 25 demand costs were allocated on the basis of contribution to design day by each class.  
 26 (PGW St. 2-RD, GRH-RD-1, GRH-RD-2). This means that the IT customer class was  
 27 allocated zero peak demand costs in this alternative version of the CCOS.

1 **Q. WHAT WERE THE RESULTS OF MR. HERBERT'S ALTERNATIVE CCOS**  
2 **STUDY?**

3 A. The results of the revised CCOS, which is presented in Mr. Herbert's testimony, show  
4 that the IT class's rates prior to any rate increase in the 2023 rate case were still  
5 dramatically below cost. It would have taken an increase of 78% to move the class to full  
6 cost of service, as opposed to the 162% rate increase that would have been needed based  
7 on the results of the "as filed" CCOS (which allocates a portion of peak demand costs to  
8 the IT class). It should be obvious that it would not be reasonable to reduce the rate  
9 increase to the IT Class that the Commission ordered in the 2023 rate case. It is worth  
10 noting that if the rates for the IT class were in fact reduced, the rates of all other classes  
11 would have to be increased. That would not be a desirable result.

12 **Q. DO YOU HAVE ANY FINAL OBSERVATIONS THAT YOU WISH TO MAKE?**

13 A. Yes; throughout the 2023 rate proceeding and on appeal, PICGUG has characterized  
14 PGW's position — which was adopted by the Commission — as treating the IT class as  
15 "firm" when the class was still subject to the IT Tariff, including the fact that IT  
16 customers continue to be subject to interruption and have to maintain installed alternative  
17 fuel capability. This assumption appears to underlie several of the Commonwealth  
18 Court's Questions, particularly Question No. 1. In further response to Question No. 1, it  
19 should be clear from my comments above that PGW never treated the IT class as firm  
20 customers for rate allocation or Tariff purposes. Most importantly, the IT class received  
21 and continues to receive a substantial rate benefit compared to the rates to which a  
22 similarly situated Firm Transportation customer was subject. Here is a comparison:

|        | Customer Charge | Annual Usage in Mcf                 | Delivery Charge/ Mcf           | Annual Bill                           | Total Surcharges / Mcf | Annual Bill Including Surcharges | DISC at 7.5% billed amounts | Total Annual Bill |
|--------|-----------------|-------------------------------------|--------------------------------|---------------------------------------|------------------------|----------------------------------|-----------------------------|-------------------|
| IT A   | \$ 152.16       | 2,418                               | \$ 3.0038                      | \$ 9,088.60                           | \$ -                   | \$ 9,088.60                      | \$ -                        | \$ 9,088.60       |
| IT E   | \$ 426.06       | 531,915                             | \$ 0.9747                      | \$ 523,564.56                         | \$ -                   | \$ 523,564.56                    | \$ -                        | \$ 523,564.56     |
| FT Com | \$ 27.65        | 2,418                               | \$ 5.4086                      | \$ 13,408.69                          | \$ 1.9225              | \$ 18,056.90                     | \$ 1,354.27                 | \$ 19,411.16      |
| FT Ind | \$ 82.80        | 531,915                             | \$ 5.4459                      | \$ 2,897,748.92                       | \$ 1.8722              | \$ 3,893,599.98                  | \$ 292,020.00               | \$ 4,185,619.98   |
|        |                 | Other Post Employment Benefit / Mcf | Efficiency Cost Recovery / Mcf | Universal Service & Ener. Cons. / Mcf | Total Surcharges / Mcf |                                  |                             |                   |
| IT A   | \$ -            | \$ -                                | \$ -                           | \$ -                                  | \$ -                   |                                  |                             |                   |
| IT E   | \$ -            | \$ -                                | \$ -                           | \$ -                                  | \$ -                   |                                  |                             |                   |
| Com    | \$ 0.4117       | \$ 0.0433                           | \$ 1.4675                      | \$ 1.9225                             |                        |                                  |                             |                   |
| 1 Ind  | \$ 0.4117       | \$ (0.0070)                         | \$ 1.4675                      | \$ 1.8722                             |                        |                                  |                             |                   |

Clearly, PGW is not charging IT customers in the same way as it charges the Firm

Transportation Class. And, assuming all things remain the same, PGW will NEVER be able to charge IT customers at the rates charged to Firm Transportation customers.

In my opinion, it is misleading to claim that PGW was attempting to charge IT customers Firm Transportation rates when it merely supported a CCOS in which one cost component was allocated in the same way for both groups.

## V. CONCLUSION

**Q. DOES THAT COMPLETE YOUR REMAND DIRECT TESTIMONY?**

A. Yes. However, I reserve the right to file additional testimony as necessary.

# **PGW Exhibit FT-RD-1**

Philadelphia Gas Works  
Case Name: R-2023-3037933  
Docket No(s): 2023 BRC Rate Case

Response to Discovery Request: OCA Set I-0003  
Date of Response: February 06, 2026

Question:

1. On November 22, 2023 PGW filed Corrected Schedules for Compliance Tariff Supplements No. 167 and 110.
  - a. If not provided in response to the previous request, please provide a copy of the cost of service study filed by PGW in this docket in Excel format which reflected the PGW Rebuttal increases identified in the table on page 5;
  - b. Please explain the 1<sup>st</sup> Scale Back of \$7,000 for the Residential class reflected on page 5; and
  - c. Please explain how the scale-backs in the table on page 5 were determined. Include all supporting calculations in Excel format.

Attachments: 2

OCA\_Set\_I\_0003\_Scale back 26.2.xlsx  
OCA\_Set\_I\_0003\_OCA\_01\_03 Attachment.xlsx

Response:

- a. Please see attached OCA-01-3 Attachment.xlsx for the cost of service study that was used for the Compliance Tariff increases. It must be noted that this cost of service study was not filed but only used to calculate the PGW Rebuttal increases in the first column of the table on page 5, which was based on the proposal by PGW for all ARS revenues from rate GS-XLT be credited to base rates and not the GRC. Please reference the 2023 Rate Case Opinion and Order, pages 192 and 193.
- b. Please see the Opinion and Order of the 2023 Rate Case, page 150. I&E recommended the Residential class proposed revenues should be scaled back by \$7,000,000 first before the other classes were scaled back so that the Residential class' relative rate of return would be closer to 1.00. See also attachment "Scale\_back\_26.2.xlsx" as provided with PGW's compliance filing.

c. The cost of service study provided in part a. includes the workpapers on Schedule A that shows the calculations of the scale backs in the table of page 5 of the Compliance Tariff.

Response provided by: Greg Herbert, Project Manager, Gannett Fleming Valuation and Rate Consultants, LLC

Philadelphia Gas Works  
Case Name: R-2023-3037933  
Docket No(s): 2023 BRC Rate Case

Response to Discovery Request: OSBA Set I-0008  
Date of Response: March 04, 2026

Question:

**Please indicate how Rate IT loads are considered in PGW's distribution system planning and operations. Please include PGW manuals or operating procedure documents which support your response.**

Attachments: 0

Response:

PGW designs pipes on a block by block basis to be able to carry the full load of firm and interruptible customers. Interruptible customers may elect in the future to become firm customers. When proposing new main installations for interruptible customers, the customer bears the full responsibility for any installation or enlargement costs. Any future replacement projects, would need to consider those full loads. Annual throughput is utilized to model the projected load associated with a design day forecast. PGW uses the design day forecast to ensure that service to all customers can be maintained on the coldest expected day. For HP main replacement, the overall design day forecasted load can have an effect on the sizing of large diameter feeder mains, but there are also several other factors such as redundancy and reliability of supply. The overall peak design day demand has minimal effect on the sizing of individual low pressure main and services. 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.

Response Provided by: Florian Teme, Vice President, Marketing, Sales and Energy

### VERIFICATION

I, Florian Teme, hereby state that: (1) I am Vice President, Marketing, Sales and Energy Planning for Philadelphia Gas Works ("PGW"); (2) the facts set forth in my testimony are true and correct (or are true and correct to the best of my knowledge, information and belief); and, (3) I expect to be able to prove the same at a hearing held in this matter. I understand that statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: March 19, 2026

A handwritten signature in black ink, reading "Florian Teme", written over a horizontal line.

Florian Teme  
Vice President, Marketing, Sales and Energy  
Planning  
Philadelphia Gas Works



BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REMAND REBUTTAL TESTIMONY OF

**FLORIAN TEME**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. R-2023-3037933

REBUTTAL TOPICS:

April 16, 2026

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## TABLE OF EXHIBITS

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND POSITION WITH THE COMPANY.**

3 A. My name is Florian Teme. My position is Vice President, Marketing, Sales and Energy  
4 Planning with Philadelphia Gas Works (“PGW” or “Company”).

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. To present rebuttal testimony as necessary in response to the testimony submitted by the  
7 Philadelphia Industrial And Commercial Gas Users Group (“PICGUG”), the Office of  
8 Small Business Advocate (“OSBA”), and the Office of Consumer Advocate (“OCA”).

9 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

10 A. Yes. I am sponsoring the following exhibits:

|                |                                                                     |
|----------------|---------------------------------------------------------------------|
| <b>FT-RD-2</b> | <b>PGW’s Additional Referenced Responses to Discovery on Remand</b> |
| <b>FT-RD-3</b> | <b>PICGUG’s Responses to PGW Set I and Set II on Remand</b>         |
| <b>FT-RD-4</b> | <b>Excerpt from PGW St. 8-R, Exhibit RER-2</b>                      |

11

12 **II. RESPONSE TO PICGUG AND OSBA**

13 **Q. WHAT TESTIMONIES WERE SUBMITTED IN THE DIRECT PHASE OF THIS**  
14 **REMAND PROCEEDING?**

15 A. PICGUG witness LaConte submitted testimony (PICGUG St. No. 1D-R) which generally  
16 reiterated the testimony that she submitted in the 2023 Base Rate Proceeding and continued  
17 to assert that PGW’s allocation method — which allocates peak demand costs on the basis  
18 of each class’s contribution to actual, historical peak demand — meant that PGW was  
19 allocating “firm service” costs to IT customers.<sup>1</sup> OSBA witness Ewen submitted testimony  
20 which appears to argue that, “theoretically,” peak demand costs should be allocated in the  
21 Cost of Service Study (“COSS”) on the basis of class contribution to a gas utility’s design

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<sup>1</sup> Witness LaConte also provided further information in response to PGW’s Set I and Set II interrogatories which are included as Exhibit FT-RD-3.

day. (OSBA St. No. 1-RD). OCA witness Mierzwa generally supported PGW's position.  
(OCA St. 1-Remand).

**Q. HAS THE TESTIMONY FILED IN OPPOSITION TO PGW'S ALLOCATION METHODOLOGY CAUSED PGW TO CHANGE ITS POSITION?**

A. No. At the risk of repeating my prior testimony, I respectfully disagree with the characterizations of PGW's position. PGW is NOT treating IT customers as if they are firm, allocating "firm service costs" to IT customers, or demanding a rate greater than the rate set forth in its Tariff for IT service. In PGW's view, and in the view of our expert cost of service witness, Mr. Herbert, as discussed in his testimony, the purpose of a cost of service study is to try and allocate the costs that PGW incurs in providing service on the basis of the factors that are driving the costs. For distribution system main, PGW's current costs stem primarily from the costs of replacing facilities that may be as much as 100 years old. In making those replacements, therefore, the original sizing of those facilities is impossible to ascertain. Today, PGW's engineers have indicated that they look at both design day (the level of gas that would flow on essentially the coldest day that PGW reasonably can experience) and actual peak day demand, which is much smaller.<sup>2</sup> Since PGW incurs a peak day every year, and the IT class has *never* been interrupted on that actual peak day, PGW believes that peak day demand responsibility is a much more indicative cost driver than design day. This is not "imposing firm service costs on interruptible customers"; instead, it is realistically determining what's causing the ongoing cost incurrence on PGW's system.

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<sup>2</sup> See Exhibit FT-RD-2 (PGW response to PICGUG Set I-0003. See also Exhibit FT-RD-1 (PGW response to OSBA Set I-8) Both Ms. LaConte and Mr. Ewen claim that peak design day demand - a day on which the average mean temperature is 0° Fahrenheit - is used to size its distribution mains based on the quantity of gas that would be supplied on the peak design day. See OSBA St. No. 1-RD at 8-9; PICGUG ST. No. 1D-R at 6-7, 11. In fact, PGW engineers indicated that PGW's design day is only one factor in the decision as to what costs PGW will incur. *Id.*

As I've said before, we suspect that PICGUG's preference for design day responsibility as the factor by which to allocate the peak demand costs of the distribution system is heavily influenced by the fact that, under PGW's planning protocols, interruptible customers are presumed to be interrupted on the design day. But they consistently take gas — and therefore contribute to peak demand costs — on PGW's actual peak day.

**Q. BUT MS. LACONTE CLAIMS THAT THE REASON THAT PGW DOES NOT INTERRUPT ITS IT CUSTOMERS IS THAT PGW CONTINUES TO MAINTAIN EXCESS CAPACITY TO SERVE ITS ACTUAL FIRM SERVICE CUSTOMERS (MAINLY RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS) CITING TESTIMONY FROM A VICINITY WITNESS IN THE BASE RATE CASE. IS MS. LACONTE CORRECT THAT PGW HAS "EXCESS CAPACITY" IN ITS SYSTEM AND THAT THIS IS THE REASON THAT PGW HAS NOT HAD TO INTERRUPT ITS IT CUSTOMERS?**

A. No. Initially, Ms. LaConte's reference to testimony filed by a witness for another party, James Crist, in another stage of this proceeding on other matters is profoundly incorrect. First, that testimony asserted that PGW's excessive upstream supply assets generally and, the amount of capacity it controls on the Philadelphia Lateral, which delivers gas to just part of PGW's system, is greater than necessary to meet PGW system peak demand.<sup>3</sup> But whether or not these allegations are true (and they are not) Mr. Crist's testimony went to PGW's upstream pipeline capacity contracts generally, and for the Philadelphia Lateral in particular. IT customers do not use PGW's upstream pipeline capacity and are required to bring gas to PGW's city gate using pipeline capacity that is procured by the IT customer's supplier. Whether or not PGW has excessive upstream pipeline capacity is irrelevant to whether PGW's distribution system has sufficient capacity to move gas to IT customers on a peak day.

Second, Ms. LaConte apparently overlooked the fact that PGW thoroughly rebutted the

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<sup>3</sup> PICGUG Exh. BSL-6D-R, at 6, 8-9.

1 testimony of the witness that she cites, and I am advised by counsel that all issues were  
2 disposed of by the Commission and not subject to this remand proceeding.<sup>4</sup>  
3 Finally, it is true that PGW designs its system in part to meet its design day demand and  
4 that its actual peak demands have been lower than its design day. That is not “excess”  
5 capacity, but necessary capacity to ensure that, if and when PGW experiences its design  
6 day, it will be able to maintain gas flow to firm customers, which includes essential services  
7 that have no alternate means of service, such as schools, hospitals, residential and small  
8 business customers. Importantly, PGW has chosen to reduce its design day capacity  
9 requirements by offering IT service and assuming that those IT customers would be  
10 interrupted on the design day. As PGW has indicated, without IT customers being  
11 interruptible, PGW would have to procure upstream pipeline capacity and build its system  
12 to cover that additional increment of supply. But, in PGW’s opinion, those facts do not  
13 support failing to allocate any peak demand costs to IT customers. IT customers are still  
14 using the system on the peak day every year and PGW’s engineers consider that peak load  
15 in planning ongoing system replacements, maintenance and repair. It is those activities that  
16 drive ongoing costs, and why actual, historic peak demand responsibility is the best way to  
17 allocate responsibility for those costs.

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<sup>4</sup> See *Pa. Pub. Util. Comm’n v. PGW*, Docket Nos. R-2023-3037933 et al., (Rebuttal Testimony of Ryan Reeves, St. 8R, served June 26, 2023); *see also* Exhibit RER-2 attached thereto, which was responsive to Mr. Crist’s direct testimony (Statement JC-1) and Exhibits (Exhibit JC-1 through JC-8). The relevant portion of Exhibit RER-2 is attached here as **Exhibit FT-RD-4**. I am advised by Counsel the Commission never made any determination that PGW had unnecessary excess capacity in either the 2023 rate proceeding or the separate complaint case involving Gray’s Ferry/Vicinity (Docket No. C-2021-3029259, Opinion and Order entered April 20, 2023).

1 **Q. MS. LACONTE INSISTS THAT BECAUSE RATE IT CUSTOMERS ARE**  
2 **REQUIRED TO INVEST IN SYSTEMS TO ALLOW FOR INTERRUPTIONS IN**  
3 **THE EVENT THAT PGW CALLS FOR A CURTAILMENT, THE**  
4 **INFREQUENCY OF ACTUAL CURTAILMENTS DOES NOT RELIEVE RATE IT**  
5 **CUSTOMERS FROM THAT OBLIGATION AND EXPENSE. IN OTHER**  
6 **WORDS, INFREQUENCY OF INTERRUPTIONS DOES NOT MEAN THAT**  
7 **RATE IT CUSTOMERS ARE RECEIVING FIRM SERVICE, AS RATE IT**  
8 **(PICGUG ST. NO. 1D-R AT 5). CAN YOU RESPOND?**

9 A. We agree that the fact these customers have never been interrupted does not mean that the  
10 IT class is receiving firm service or that the IT customers are relieved of the obligation to  
11 maintain the ability to be interrupted. But that does not change the facts about how current  
12 costs are being incurred, and, therefore, should not change the allocation decision.

13 **Q. MS. LACONTE STATES THAT INTERRUPTIBLE TRANSPORTATION**  
14 **SERVICE IS NOT COST FREE TO THESE CUSTOMERS. (PICGUG ST. NO. 1D-**  
15 **R AT 6.) TO MEET THE REQUIREMENTS, RATE IT CUSTOMERS INCUR**  
16 **COSTS TO INSTALL OPERABLE ALTERNATE FUEL EQUIPMENT,**  
17 **INCLUDING STORAGE CAPACITY, CAPABLE OF DISPLACING THE DAILY**  
18 **QUANTITY OF GAS SUBJECT TO CURTAILMENT OR INTERRUPTION. HOW**  
19 **DO THESE FACTS AFFECT UTILITY COST ALLOCATION?**

20 A. In my opinion, they do not. As I explained in my Remand Direct Testimony, IT customers  
21 are enjoying an enormous benefit from their status as interruptible customers in the form  
22 of extraordinarily low rates compared to firm transportation customers. In addition,  
23 because IT customers are interruptible, their gas suppliers are able to contract for  
24 interruptible upstream transportation service to PGW's city gate. Such transportation  
25 service is only available to interruptible customers and is much cheaper than firm  
26 transportation service. PGW believes that these distribution and supplier rate benefits more  
27 than offset any costs attributable to a customer having to incur costs to maintain their  
28 alternate service.

1 **Q. MS. LACONTE ALSO TESTIFIES THAT “PGW’S PROPER TREATMENT OF**  
 2 **EXCLUDING RATE IT DEMAND IN ITS PEAK DESIGN DAY DEMAND**  
 3 **MODEL IS IN DIRECT CONTRAST TO HOW PGW TREATS RATE IT**  
 4 **CUSTOMERS IN ITS CCOSS, WHEREIN IT INCLUDES RATE IT’S DEMAND**  
 5 **IN THE PEAK DESIGN DAY DEMAND WHICH IS USED TO ALLOCATE**  
 6 **MAINS COSTS NECESSARY TO SERVE CUSTOMERS ON THE PEAK DESIGN**  
 7 **DAY.” (PICGUG ST. NO. 1D-R AT 7.) CAN YOU COMMENT?**

8 A. Ms. LaConte’s statement is incorrect and points out what might be a fundamental lack of  
 9 understanding of the COSS. I understand that PGW’s COSS does not “include Rate IT  
 10 demand in the peak design day demand.” It uses the most recent actual peak day (which  
 11 was most representative) to allocate peak demand costs to all customer classes. Rate IT  
 12 customers were not interrupted on that peak day (or any peak day, for that matter). It is  
 13 only on the design day that Rate IT customers are presumed to be interrupted. This would  
 14 appear to be the reason that PICGUG is so adamant that peak demand costs must be  
 15 allocated using the design day rather than the actual peak — because IT customers are  
 16 presumed interrupted on the design day, so they would not be allocated any peak demand  
 17 costs.

18 **Q. MS. LACONTE STATES THAT, “BECAUSE THE TARIFF REQUIRES RATE IT**  
 19 **CUSTOMERS TO REMAIN INTERRUPTIBLE, THESE CUSTOMERS SHOULD**  
 20 **NOT BE ALLOCATED ANY COSTS RELATED TO FIRM SERVICE AND THAT**  
 21 **PGW’S DECISION TO ALLOCATE CERTAIN FIRM SERVICE COSTS TO**  
 22 **INTERRUPTIBLE CUSTOMERS AS PART OF ITS CCOSS IS CLEARLY IN**  
 23 **VIOLATION OF SECTION 1303 OF THIS COMMISSION’S CODE.” (PICGUG**  
 24 **ST. NO. 1D-R AT 9.) DO YOU AGREE?**

25 A. First, neither I nor Ms. LaConte is an attorney, and I am informed by counsel that her  
 26 unequivocal statement about what does or does not violate the law must be disregarded.  
 27 Second, the factual assumptions that underlie her conclusion are also incorrect. PGW is not  
 28 “allocating costs related to firm service to IT customers.” As I have said before, the  
 29 allocation that PGW is supporting uses a factor that, in its view, better reflects what is  
 30 causing PGW to incur these costs at the current time. That is peak demand responsibility.



1 **Q. MS. LACONTE FURTHER CLAIMS THAT “RATE IT CUSTOMERS ARE NOT**  
 2 **‘CHOOSING’ HOW TO USE PGW’S SYSTEM. RATHER, PGW IS CHOOSING**  
 3 **HOW TO TREAT RATE IT CUSTOMERS AS PART OF ITS SYSTEM.” (PICGUG**  
 4 **ST. NO. 1D-R AT 9.) CAN YOU RESPOND?**

5 A. I’m not sure what the relevance of this observation is, but the facts are that each IT customer  
 6 “chooses” to be an IT customer, presumably to take advantage of the enormous cost savings  
 7 that they enjoy compared to firm transportation service.

8 **Q. MS. LACONTE INSISTS THAT COMPARING CURRENT INTERRUPTIBLE**  
 9 **RATES WITH CURRENT FIRM TRANSPORTATION (“FT”) RATES “IS AN**  
 10 **APPLES-TO-ORANGES COMPARISON AS THERE IS NOT A COMPARABLE**  
 11 **FIRM RATE FOR TRANSPORTATION-ONLY CUSTOMERS THAT PROVIDES**  
 12 **AN EQUIVALENT COMPARISON TO RATE IT.” (PICGUG ST. NO. 1D-R AT 9.)**  
 13 **WHAT IS YOUR RESPONSE?**

14 A. The FT service that PGW offers is comparable to the service offered to IT customers. What  
 15 Ms. LaConte may be referring to is that the rates available are also available to customers  
 16 who take Supplier of Last Resort service, in other words, choose to obtain their gas from  
 17 PGW rather than from a natural gas supplier. But since the commodity costs are completely  
 18 separate from the distribution rate for both types of service I fail to see why that is relevant  
 19 and why the two tariff options are not comparable. The only material differences are that  
 20 an IT customer’s service can be interrupted by PGW for any reason while an FT customer’s  
 21 service is only subject to curtailment under the rules set forth in PGW’s Supplier Tariff.<sup>5</sup>  
 22 Second, PGW assigns capacity to FT suppliers and, thus, the balancing rules for IT and FT  
 23 service are different.<sup>6</sup> I can attest personally that customers definitely see the two services  
 24 as alternatives. Just a few weeks ago, an IT customer decided to switch to FT because they  
 25 felt that they didn’t want to be exposed to the potential for interruption from their supplier  
 26 (PGW had not interrupted them).

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<sup>5</sup> See PGW Supplier Tariff – PUC No. 1 at 30.

<sup>6</sup> *Id.*

1 **Q. MS. LACONTE ALSO CLAIMS THAT WHILE THERE IS A DIFFERENCE IN**  
 2 **THE LEVEL OF RATES THAT AN IT CUSTOMER PAYS TODAY COMPARED**  
 3 **TO AN FT CUSTOMER, IF THE COMMISSION CONTINUES TO APPROVE**  
 4 **THE ALLOCATION OF PEAK DEMAND COSTS TO IT CUSTOMERS BASED**  
 5 **ON THEIR CONTRIBUTION TO HISTORIC PEAK DEMAND, IT WOULD**  
 6 **GRADUALLY MOVE RATE IT RATES CLOSER TO FIRM SERVICE RATES**  
 7 **(PICGUG ST. NO. 1D-R AT 10.) ANY COMMENT?**

8 A. To the extent that she is intimating that FT and IT rates will eventually be the same because  
 9 of the allocation of this one cost to IT customers, her claim is demonstrably false. First, as  
 10 Mr. Herbert explained, there are several costs that are allocated to Firm customers that are  
 11 not allocated to IT customers.<sup>7</sup> Second, as I explained in my Remand Direct Testimony,<sup>8</sup>  
 12 FT customers are subject to a number of surcharges, such as the Universal Service Charge  
 13 (“USC”) and the Distribution System Improvement Charge (“DSIC”) that adds  
 14 significantly to the rate that an FT customer pays but which are not applicable to IT  
 15 customers – at least at this time.

16 **Q. MS. LACONTE CLAIMS THAT BY ALLOCATING COSTS BASED NOT UPON**  
 17 **COSTS INCURRED BY THE CUSTOMERS, BUT RATHER, PAST BENEFITS**  
 18 **PGW VOLUNTARILY PROVIDED TO RATE IT (THE FACT THAT THEY**  
 19 **HAVE NOT BEEN INTERRUPTED IN THE HISTORY OF THE RATE) MEANS**  
 20 **THAT IT CUSTOMERS ARE BEING FORCED TO PAY HIGHER RATES FOR A**  
 21 **RETROSPECTIVE BENEFIT AND THAT THIS MEANS THAT PGW IS**  
 22 **EMPLOYING VALUE OF SERVICE PRICING. (PICGUG ST. NO. 1D-R AT 13.)**  
 23 **IS THAT TRUE?**

24 A. Again, this is a mischaracterization of PGW’s position. PGW is not advocating that peak  
 25 demand costs be allocated using class contribution to actual historic peak demand because  
 26 of “past benefits,” i.e., the fact that the IT class has never been interrupted. Nor is it using  
 27 “value of service” pricing. The allocation methodology is being advanced because, in  
 28 PGW’s opinion, it best reflects the factors that are currently driving distribution costs.

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<sup>7</sup> See PGW St. No. 2-RD at 11.

<sup>8</sup> See PGW St. No. 1-RD at 12-13.

1 **Q. MS. LACONTE STATES THAT IT IS “UNCLEAR” AS TO HOW RATE IT**  
 2 **CUSTOMERS WOULD BE TREATED IN PGW’S CCOSS IN THE FUTURE IF IT**  
 3 **CUSTOMERS WERE INTERRUPTED, AND THE LACK OF CLARITY**  
 4 **REGARDING THIS ISSUE UNDERSCORES THE INAPPROPRIATENESS OF**  
 5 **PGW’S TREATMENT OF RATE IT IN PGW’S CCOSS. (PICGUG ST. NO. 1D-R**  
 6 **AT 15.) CAN YOU PLEASE COMMENT?**

7 A. If PGW interrupted IT customers because it achieved a design day, then, in my opinion,  
 8 PGW’s approach to allocating peak demand costs would not change. If the interruptions  
 9 occur on an actual peak day, then IT customers would see that reflected and not be assigned  
 10 any peak demand costs (since their contribution to the peak would be zero). If the  
 11 interruptions occur at other times and for other reasons unrelated to peak demand, such  
 12 interruptions would not be relevant to the allocation of peak demand costs, in my opinion.

13 **Q. PLEASE COMMENT ON MS. LACONTE’S ANALYSIS SHOWN ON HER**  
 14 **EXHIBIT BSL-7D-R WHICH PURPORTS TO SHOW THE RESULTS OF THE**  
 15 **CCOSS WHEN PEAK DEMAND COSTS ARE ALLOCATED USING DESIGN**  
 16 **DAY (ON WHICH IT CUSTOMERS ARE DEEMED INTERRUPTED).**

17 A. Mr. Herbert will address this in his Rebuttal Testimony.

18 **Q. FINALLY, MS. LACONTE ASSERTS THAT THE PUC SHOULD MAKE A**  
 19 **SERIES OF “FINDINGS,” BASED ON HER TESTIMONY. (PICGUG ST. NO. 1D-**  
 20 **R AT 18.) FOR CLARITY, COULD YOU RESPOND TO EACH ONE?**

21 A. Yes. The “findings” that she offers, and my response to those findings (in italics), are as  
 22 follows:

- 23 • “Rate IT customers do not cause PGW to incur additional distribution mains related  
 24 costs.” *I assume that Ms. LaConte means distribution main costs related to meeting peak*  
 25 *demand. In that case, her statement is untrue, in PGW’s opinion in light of the fact that IT*  
 26 *customers have contributed to actual peak demand every year in which they have been in*  
 27 *existence.*

1 • “PGW’s CCOSS should reflect the costs it incurs to serve each customer class.”  
 2 *PGW agrees with this statement and submits that its CCOSS does in fact reflect the costs*  
 3 *it incurs to serve each customer class.*

4 “PGW’s chosen path resulted in the purchase of excess capacity, thereby reducing  
 5 the likelihood of interruption, and special consideration of a new ratemaking principle is  
 6 not warranted.” *PGW does not have “excess” capacity either in its distribution system or*  
 7 *its upstream capacity portfolio; the capacity it has is required to permit PGW to meet its*  
 8 *design day.*

### 9 III. RESPONSE TO OSBA

10 **Q. OSBA WITNESS EWEN STATES THAT “IT IS NOT ENTIRELY CLEAR**  
 11 **WHETHER RATE IT CUSTOMERS MAY BE INTERRUPTED FOR UPSTREAM**  
 12 **GAS SUPPLY REASONS” AND THAT “PGW MAY BE ABLE TO AVOID SOME**  
 13 **UPSTREAM GAS COST RATE (“GCR”) SUPPLY COSTS TO SERVE ITS FIRM**  
 14 **GCR CUSTOMERS ASSOCIATED WITH THE ABILITY TO INTERRUPT RATE**  
 15 **IT CUSTOMERS” (OSBA ST. NO. 1-RD AT 5, FN.11). CAN YOU PLEASE**  
 16 **CLARIFY?**

17 **A.** PGW’s policy is not to interrupt IT customers if an IT customer’s gas supplier fails to  
 18 deliver the required quantity of gas supply to PGW’s city gate in order to meet the demand  
 19 of the IT customer. PGW would supply gas to the customer through PGW’s balancing  
 20 Tariff if the customer nonetheless continues to burn gas and the supplier would be charged  
 21 for the gas used plus penalized. This, in fact happened this past winter.

1 **Q. MR. EWEN STATES THAT BECAUSE THE UTILITY CAN WITHHOLD**  
 2 **SERVICE TO ITS INTERRUPTIBLE CUSTOMERS DURING SYSTEM PEAKS,**  
 3 **THE UTILITY “THEORETICALLY” DOES NOT INCUR ANY INCREMENTAL**  
 4 **CAPACITY COSTS TO SERVE THOSE CUSTOMERS. THE MAINS ARE SIZED**  
 5 **ONLY TO MEET THE CAPACITY OF FIRM SERVICE CUSTOMERS, AND**  
 6 **THUS ZERO COSTS RELATED TO PEAK DEMAND NEED BE ALLOCATED**  
 7 **TO INTERRUPTIBLE CUSTOMERS (OSBA ST. NO. 1-RD AT 8.) CAN YOU**  
 8 **RESPOND?**

9 A. PGW does not believe that this “theoretical” situation should be the basis for allocating  
 10 peak demand costs. PGW system is different because IT customers have so consistently  
 11 received gas on actual peak days. Because of this, PGW takes into account IT peak and  
 12 average load when it is currently planning replacements of facilities. PGW doesn’t incur  
 13 costs to “expand the system” because the system is fully expanded throughout its territory.  
 14 If it extends a facility to a new customer (or, more frequently, to an existing customer’s  
 15 expanded load), the customer would pay for the expansion under PGW’s facility expansion  
 16 rule, Rule 10.<sup>9</sup>

17 **Q. IN RESPONSE TO A QUESTION ABOUT WHETHER PGW PLANS ITS MAINS**  
 18 **CAPACITY TO MEET RATE IT LOADS UNDER DESIGN CONDITIONS, MR.**  
 19 **EWEN ASSERTS THAT “IT IS NOT CLEAR, AT LEAST BASED ON THE**  
 20 **RESPONSES TO [INFORMATION REQUESTS] SUBMITTED BY OSBA IN THIS**  
 21 **PROCEEDING.” (OSBA ST. NO. 1-RD AT 11.) DO YOU AGREE?**

22 A. Design conditions are one factor that PGW examines in making its ongoing decisions about  
 23 distribution system repair, replacement and maintenance. But other factors, including, but  
 24 not limited to, actual peak and annual demand experience, are considered.

25 **Q. MR. EWEN ASSERTS THAT NO PARTY HAS ADVOCATED A PROPOSAL**  
 26 **THAT ZERO PEAK DEMAND-RELATED MAINS COSTS BE ASSIGNED TO**  
 27 **THE RATE IT CLASS (OSBA ST. NO. 1-RD AT 16.) IS THIS TRUE?**

28 A. I don’t believe it is. This is the effective result of PICGUG’s insistence that “extra” (i.e.,  
 29 peak) demand be allocated on the basis of design day demand contribution.

---

<sup>9</sup> See PGW’s Gas Service Tariff – Pa. P.U.C. No. 2, at 50-51.

**Q. MR. EWEN OPINES THAT THE COMMONWEALTH COURT IS CORRECT THAT PGW'S APPROACH IS NOT JUST AND REASONABLE, IN THAT IT ASSIGNS MAINS COSTS ON A FIRM SERVICE BASIS WHILE REQUIRING THE CUSTOMER TO INCUR COSTS TO DEMONSTRATE ITS INTERRUPTIBILITY. (OSBA ST. NO. 1-RD AT 16-17.) IS MR. EWEN CORRECT?**

**A.** No. Assigning main costs on a "firm service" basis would be if PGW had assigned peak demand costs to IT even though the class was interrupted on the peak day. That's not what occurs or what PGW did.

**Q. MR. EWEN SUGGESTS THAT THE COMMISSION REQUIRE PGW TO REVIEW OF ALL ASPECTS OF THE COST ALLOCATION AND RATE DESIGN ASPECTS FOR RATE IT, TO EVALUATE (A) HOW COST ALLOCATION OF COSTS TO RATE IT FOR MAINS, LOAD BALANCING ASSETS, MANUFACTURED GAS PLANT COSTS, UNIVERSAL SERVICE, OPEB COSTS AND ALL OTHER COSTS ARE CONSISTENT WITH COST CAUSATION, AND (B) WHETHER THE DISTINCT RATE DESIGN TREATMENT OF RATE IT WITH RESPECT TO USEC, OPEB CHARGE, DSIC AND THE VARIOUS OTHER PGW CHARGES ARE SIMILARLY CONSISTENT WITH COST CAUSATION. (OSBA ST. NO. 1-RD AT 19.) DO YOU HAVE A COMMENT?**

**A.** I am advised by counsel that this type of investigation is beyond the purview of this proceeding.

#### **IV. RESPONSE TO OCA**

**Q. ON PAGES 6-7 OF OCA WITNESS MIERZWA'S REMAND DIRECT TESTIMONY, HE PROVIDES A COMPARISON BETWEEN THE RATES FOR IT SERVICE AND THE RATES FOR FT SERVICE. (OCA ST. NO. 1-REMAND AT 6-7.) CAN YOU COMMENT ON THAT COMPARISON?**

**A.** Yes. While Mr. Mierzwa's point is correct directionally, his comparison failed to include the several surcharges that are applicable to customers that take Firm Transportation service. That more fulsome analysis is shown on pages 12-13 of my Direct Testimony.

#### **V. CONCLUSION**

**Q. DOES THAT COMPLETE YOUR REMAND REBUTTAL TESTIMONY?**

**A.** Yes. However, I reserve the right to provide additional testimony as necessary.

**PGW EXHIBIT FT-RD-2**

Philadelphia Gas Works  
Case Name: R-2023-3037933  
Docket No(s): 2023 BRC Rate Case

Response to Discovery Request: PICGUG Set I-0003  
Date of Response: April 13, 2026

Question:

Referring to page 10, please explain in detail how PGW considers both “design demand and all customer classes’ recent actual peak and annual demand” when deciding on replacing a distribution main. If applicable, provide any workpapers in live Excel format with all formulas and links intact.

Attachments: 0

Response:

Main replacement decisions are based on a risk assessment.

Design demand is based on projected firm sendout. It’s calculated by performing a standard linear regression using calculated degree days and actual firm daily sendouts. When sizing mains for replacement, PGW models the distribution system using design demand, peak demand, interruptible customer demand, as well as potential future loads in the area. Interruptible customer demand and potential future loads are based on meter sizes and/or known/proposed gas demand.

Response Provided by: Thomas Pendergast, Director, Engineering Design and Construction, Field Operations; and Florian Teme, Vice President, Marketing, Sales and Energy



**PGW EXHIBIT FT-RD-3**

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-1**

Please identify whether Ms. LaConte:

- a. Has ever worked for a natural gas distribution company, and if so, in what capacity;
- b. Has specialized training, education background, or experience related to the following areas related to Natural Gas Distribution Systems:
  - i. System Management and Operations;
  - ii. System Engineering;
  - iii. System Design;
  - iv. System Planning

**RESPONSE:**

- a. No.
- b. None.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-2**

Has Ms. LaConte ever previously testified on the subject of whether a gas or electric distribution company has “excess capacity in its supply or distribution system”? If so, please identify the proceeding and client and provide a copy of such testimony (or other access).

**RESPONSE:**

Ms. LaConte has not testified specifically regarding excess capacity in the supply or distribution system of an electric or gas utility.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-3**

Does PICGUG agree that PGW utilizes peak day throughput by class instead of design day to allocate extra capacity costs related to distribution mains to the various customer classes in the Cost of Service Study (COSS) Submitted in the 2023 base rate case.

**RESPONSE:**

Yes.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-4**

In PGW's cost of service study, Rate IT customers had a peak day throughput of 73,869 Mcfs and daily average throughput of 31,867. Based on the two throughput volumes, does PICGUG agree that the Rate IT class peaks during a winter (heating) season?

**RESPONSE:**

PICGUG agrees that the peak day throughput for Rate IT is higher than its annual average throughput. It is not clear from the information provided when the peak occurred.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-5**

Please explain why the weighted load factor in Factor 3A of Exhibit BSL-7R-R is set to 0.23059 (for average daily throughput) and 0.76941 (for Maximum Day Extra Demand) instead of the 0.50000 and 0.50000 set in Factor 3 and 3A of PGW's cost of service study?

**RESPONSE:**

Exhibit BSL\_\_\_(BSL-7D-R) has been corrected and will be filed as an errata exhibit. Attached is the workpaper for the revised Exhibit (Excel file "Exhibit BSL-7 REVISED").

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-6**

Please explain why the average daily throughput and peak day throughput volumes are excluded for GFC/VEPI in Factor 2 and 2A of Exhibit BSL-7D-R?

**RESPONSE:**

See the response to PGW-PICGUG-I-5.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-7**

Please explain why the average daily throughput in Factor 3 of Exhibit BSL-7D-R for GFC/VEPI shows 33,663 instead of 10,471?

**RESPONSE:**

See the response to PGW-PICGUG-I-5.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026



**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-8**

In reference to PICGUG Statement No. 1D-R, pg. 18, please explain how, if at all, PGW's rates should be modified when the proposed Rate IT revenues and compliance Rate IT revenues did not exceed either PGW's cost of service or Exhibit BSL-7D-R cost of service?

**RESPONSE:**

The results of the CCOSS should be used to inform the Commission when determining the appropriate revenue allocation based on the agreed upon revenue requirement increase.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-9**

Please refer to the question and answer on page 17 of Ms. LaConte's testimony, as follows:

**"Q. WHAT DO YOU RECOMMEND?"**

- A. I recommend that that PGW's rates be modified to reflect the results in **Exhibit\_\_\_(BSL-7D-R)**. Furthermore, on a going-forward basis, I recommend that PGW not allocate any firm service costs to Rate IT in its CCOSS."
- a. Please explain what rates Ms. LaConte is recommending be "modified" and to what levels.
- b. If rate modifications are being recommended, when would those rate modifications be placed into effect?
- c. What specific rate increases or rate decreases is Ms. LaConte recommending for each customer class in this proceeding?
- d. Is Ms. LaConte recommending that the rates for the IT class be set so that the revenues would be equal to the cost of service as determined in Ms. LaConte's revised Cost of Service Study (BSL-7D-R), as corrected? If not, why not?

**RESPONSE:**

- a. I understand from counsel that the Commonwealth Court voided the PUC's 2023 Order in this docket. The PUC could choose to modify the as part of this proceeding. If so, the rates for each class should be modified based on the results of PICGUG's revised CCOSS.
- b. See response to Set 1-9(a).
- c. I recommend that the various classes' rates increase or decrease as appropriate to bring these classes closer to their cost to serve based on PICGUG's CCOSS results.
- d. No. The rates for the IT class are based on the results of the revenue allocation that was approved in the 2023 rate case. Ms. LaConte recommends that going-forward PGW's CCOSS Rate IT as interruptible, whereby Rate IT is not allocated any firm service costs.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP'S  
RESPONSE TO PHILADELPHIA GAS WORKS  
SET I**

**DOCKET NO. R-2023-3037933**

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**PGW-PICGUG-I-10**

Please state the factual basis for your statement on page 11/ln 10 that the sole basis on which PGW sizes its distribution system mains is a class's contribution to PGW's design day.

**RESPONSE:**

Please see PGW's response to PICGUG-01-03 from the 2023 base rate case, Docket No. R-2023-3037933.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 6, 2026

**PGW-PICGUG-II-1**

In reference to PICGUG Statement No. 1D-R, pg. 18, lines 16-18:

Is Ms. LaConte referring to any other costs other than those that she removed in her revised CCOSS reflected in Exhibit BSL-7D-r when stating that “firm service related costs” should not be allocated to IT customers?

- a. If the answer is anything other than an unqualified “no” please specify each and every “cost” to which she is referring to and where specifically in PICGUG’s Exceptions to the to the Commission in this Docket or where in the Petition for Review to Commonwealth Court those additional “costs” were raised.

**RESPONSE:**

No.

**Response Provided by:** Billie S. LaConte, J. Pollock, Inc.

**Dated:** April 13, 2026

**PGW EXHIBIT FT-RD-4**

# Exhibit RER-2

## (without confidential exhibit)

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REBUTTAL TESTIMONY OF

**RYAN E. REEVES**

ON BEHALF OF  
PHILADELPHIA GAS WORKS

Docket No. C-2021-3029259

Formal Complaint of Grays Ferry Cogeneration Partnership  
and Vicinity Energy Philadelphia, Inc.

June 17, 2022

1 upon that capacity to be able to deliver natural gas to PGW's customers on the design days.  
2 Historically, PGW has periodically released capacity in the winter season but only on a  
3 recallable with "reput" basis. Releasing non-recallable capacity in the winter would  
4 threaten PGW's ability to serve its essential service customers.

5 **Q. DO CAPACITY RELEASES MEAN THAT PGW HAS EXCESS CAPACITY ON**  
6 **ENBRIDGE'S TEXAS EASTERN (TETCO) PHILADELPHIA LATERAL?**

7 A. No. PGW does not have capacity on TETCO's Philadelphia Lateral that is in excess of  
8 PGW's present or expected future needs for such capacity.

9 I would note that Mr. Crist generally discusses excess capacity over PGW's entire system.  
10 Statement JC-1 at 15-16, 23-24. Mr. Crist's discussion gives the misleading impression  
11 that PGW always has "excess" capacity, since Mr. Crist fails to acknowledge that PGW  
12 only engages in capacity releases with the right to recall during the highest load times. The  
13 right to recall the capacity releases means that PGW has the sole right to recall any capacity  
14 it has released from the party, to whom PGW released the capacity. Those releases do not  
15 show that PGW has excess capacity in the heating season. It shows that PGW tries to  
16 manage its assets to the best of their ability to lower the costs to their customers.

17 Mr. Crist also discusses PGW's maximum daily capacity on the Philadelphia Lateral. Mr.  
18 Crist concludes that there is "more than enough capacity required by PGW to satisfy its  
19 customers' peak needs" because "there has never been an instance in the past 25 years  
20 when PGW had to interrupt deliveries to Grays Ferry due to lack of capacity on the  
21 Philadelphia lateral." Statement JC-1 at 23. Notably, Mr. Crist did not present data or  
22 analysis regarding customer demands on the Philadelphia Lateral. In fact, on many days  
23 during the winter, PGW does not have sufficient capacity on the Philadelphia Lateral to



meet customer demand and has to use other assets (including its LNG assets) to do so. On many other days, PGW needs its contracted capacity to meet its design peak. PGW has been able to avoid interrupting or curtailing GFCP/VEPI historically by using its other supply assets to meet customer demands throughout the system thereby husbanding its capacity to meet GFCP/VEPI requirements. If PGW permanently released Philadelphia Lateral capacity to GFCP/VEPI it would likely threaten PGW's ability to meet the demands of its remaining customers, including essential needs customers.

### III. CONCLUSION

**Q. DOES THAT COMPLETE YOUR REBUTTAL TESTIMONY?**

A. Yes. I reserve the right to offer further responsive testimony. Thank you.

### VERIFICATION

I, Florian Teme, hereby state that: (1) I am Vice President, Marketing, Sales and Energy Planning for Philadelphia Gas Works ("PGW"); (2) the facts set forth in my testimony are true and correct (or are true and correct to the best of my knowledge, information and belief); and, (3) I expect to be able to prove the same at a hearing held in this matter. I understand that statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: April 16, 2026

A handwritten signature in black ink, reading "Florian Teme", written over a horizontal line.

Florian Teme  
Vice President, Marketing, Sales and Energy  
Planning  
Philadelphia Gas Works