November 23, 2011

VIA EXPRESS MAIL

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor, 1 North
400 North Street
Harrisburg, PA 17120

Docket No. R-2008-2073938
December 19, 2008 Ordering Paragraph No. 9 - Collaborative Process

Dear Secretary Chiavetta,

The Pennsylvania Public Utility Commission issued a Secretarial Letter dated April 13, 2011 in the above-referenced matter. The Secretarial Letter referred this matter to the Office of Administrative Law Judge for an on the record proceeding in which certain collaborative parties (i.e. natural gas suppliers) will bear the burden of proof if there was still interest by these parties in pursuing this matter. The Secretarial Letter also encouraged the pursuit of reasonable opportunities for settlement.


Please contact me if you have any questions regarding this filing.

Respectfully submitted,

Gregory J. Stunder

Enclosure

cc: Parties of Record
TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Philadelphia Gas Works ("PGW" or the "Company"), Interstate Gas Supply, Inc. ("IGS"), Dominion Retail, Inc. ("Dominion Retail"), Hess Corporation ("Hess") and Direct Energy Services, LLC ("Direct Energy") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Settlement ("Settlement") of the issues presented in the Collaborative Process RE: Exploring Options for Transitioning Some or All of Its Customers to an Alternative Default Service Supplier (the "Collaborative Process") which was established in the above-captioned proceeding and request that the Office of Administrative Law ("OALJ") and the Pennsylvania Public Utility Commission ("Commission" or "PUC") approve the Settlement without modification.

In support of this Settlement, the Joint Petitioners state as follows:

I. BACKGROUND

1. On November 14, 2008, PGW filed a petition with the
Commission requesting emergency rate relief, pursuant to 66 Pa.C.S. §§ 1308, 1308(e), 2212(c) and 52 Pa. Code § 5.41. PGW also filed direct testimony and accompanying exhibits to support the emergency rate relief filing.

2. On December 1, 2008, a prehearing conference was held before Administrative Law Judge Marlane R. Chestnut and a schedule was established for the submission of testimony and the conduct of hearings. Specifically, rebuttal testimony was scheduled for submittal by December 2, 2008, evidentiary hearings were scheduled for December 4 and 5, 2008 and briefs were scheduled for submittal by December 12, 2008. On December 1, 2008, ALJ Chestnut issued a Prehearing Order formally establishing this schedule.

3. Formal complaints and/or interventions were filed by the Office of Trial Staff ("OTS"), the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), Interstate Gas Supply, Inc. and Dominion Retail, Inc. (collectively the "NGSs"), Tenant Union Representative Network ("TURN") and Action Alliance of Senior Citizens ("Action Alliance") (together with TURN, "TURN, et al.") and Philadelphia Housing Authority ("PHA").

4. The active parties conducted formal and informal discovery throughout the proceeding.

5. Rebuttal testimony was filed on December 2, 2008 by the following parties: PGW, OTS, OCA, OSBA, PICGUG, the NGSs and TURN, et. al.

6. Evidentiary hearings were held on December 4, 2008.
7. Briefs were filed on December 12, 2008, by the following parties: PGW, OTS, OCA, OSBA, PICGUG and the NGSs.

8. On December 19, 2008, the Commission issued an Order granting emergency rate relief in the amount of $60 million effective on or after January 1, 2009.¹

9. The December 19, 2008 Order also set forth:

That Philadelphia Gas Works shall convene, no later than sixty (60) days after the entry of this Opinion and Order, a collaborative process to explore options for transitioning some or all of its customers to an alternative default service supplier. The first sixty (60) days of the collaborative shall be devoted to the development of a proposal. At the end of the first sixty (60) day period, Philadelphia Gas Works shall submit a report to the Commission detailing the progress made and identify any areas of agreement or disagreement among the stakeholders. Participating stakeholders may submit an alternative report outlining a different course of action. The process will continue until the participants agree to submit a final action report unless the Commission orders otherwise.²

10. The Collaborative Process began with a kick-off meeting on February 1, 2009 and meetings continued to be held through September 2009. The following parties participated in the Collaborative Process: PGW, OTS, OCA, OSBA, PICGUG, TURN et. al., PHA, and representatives of the natural gas suppliers including Interstate Gas Supply, Dominion Retail, Hess, Direct Energy and Gas Mark.

11. On July 23, 2009, PGW and the Collaborative Process participants received a joint proposal from Interstate Gas Supply, Dominion Retail, Hess and


² Id. at Ordering Paragraph 9.
Direct Energy (the “Supplier Proposal”).

12. On September 23, 2009, the collaborative participants met in order to discuss next steps. During that meeting, some of the participants expressed their concerns that the Supplier Proposal did not comport with the Pennsylvania Public Utility Code. PGW proposed that the Commission review all legal questions presented by the collaborative participants before the Collaborative Process proceeded any further. The participants agreed that all interested parties would submit their positions/legal questions to the Commission on October 21, 2009 and submit reply comments, if any, on November 4, 2009, and position papers were submitted in accordance with this schedule.\(^3\)

13. On April 13, 2011, the Commission issued a Secretarial Letter referring the Supplier Proposal to the Office of Administrative Law Judge (“OALJ”) for an on the record proceeding in which the suppliers will bear the burden of proof if there was still interest by the suppliers.\(^4\) The Secretarial Letter also encouraged PGW and the Supplier Proposal parties to work cooperatively and pursue reasonable opportunities for settlement.

14. After the issuance of the aforementioned Secretarial Letter, PGW, Interstate Gas Supply, Dominion Retail, Hess and Direct Energy engaged in extensive discussions to try to achieve a settlement. As a result of those negotiations, the Joint Petitioners were able to reach the Settlement set forth herein.

\(^3\) PGW, OCA and OSBA filed individual submissions. Interstate Gas Supply, Dominion Retail, Hess and Direct Energy filed a joint submission.

\(^4\) *PA PUC v. PGW*, R-2008-2073938 (Sec’l Letter April 13, 2011).
II. TERMS AND CONDITIONS OF SETTLEMENT

15. The Joint Petitioners hereby respectfully request that the following agreement be approved as filed:

16. PGW will provide consumer education about natural gas suppliers operating in its service territory. PGW has offered to provide this information by the following means with the details to be determined by a smaller breakout group of the Collaborative Process participants:

   a. Bill messages.
   b. PGW website.
   c. Good Gas News (PGW’s bill insert) and the e-bill equivalent of Good Gas News.
   d. Bi-annual mailings to all customers and mailings to new applicants.
   e. Call center (and district office) script additions at time of application.
      i. Ask customers if they have selected a natural gas supplier.
      ii. Direct customers to the natural gas equivalent of papowerswitch.com.
      iii. Inform customers that a mailing will be sent discussing natural gas suppliers and natural gas supplier offers.
   f. Add a hold recording which discusses gas choice.

In order to fund the choice consumer education program, PGW will seek recovery of these costs via a consumer education surcharge (with a potential spending ceiling) that will be included in the distribution charge. The recovery mechanism for these costs and the spending level will be determined in the Purchase of Receivables Collaborative.\(^5\)

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\(^5\) The Settling Parties in PGW’s most recent base rate proceeding agreed that PGW would establish a Purchase of Receivable Collaborative in order to address all issues within the scope of establishing a Purchase of Receivables (POR) program and implementing systems and billing improvements such as electronic data
17. PGW will provide natural gas suppliers with releasable customer contact information if a natural gas supplier customer moves within PGW's service territory (i.e. the customer terminates current gas service and applies for new gas service).  

18. PGW will inform natural gas suppliers via an EDI transaction when a customer drops a natural gas supplier in order to switch to PGW or another supplier.

19. In addition to traditional fixed and variable rates, PGW's billing system will also administer a percentage discount off of PGW's Price to Compare, flat rates and multiple per mcf rates.

20. PGW will provide rate ready consolidated billing (further details to be determined in the Purchase of Receivable Collaborative).

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6 Unless the customer has opted out of releasing customer information.

7 If the EDI transaction is available.

8 If the EDI transaction is available.

9 Traditional fixed rates are single per mcf rates, regardless of usage, for a set period of time, e.g. $5.00 per mcf for 12 months.

10 Variable rates are single per mcf rates that change on some predetermined basis, e.g. monthly or seasonally. However PGW is not responsible to track when rates change. It is the natural gas supplier's responsibility to notify PGW a rate change is needed.

11 Flat rates are a set total amount for the natural gas supplier, e.g. $50.00 per month, that is not tied to a per mcf amount.

12 Multiple per mcf rates are any number of different per mcf rates set by the natural gas supplier for different customers at the same point in time.

13 PGW's billing system will not administer block rates, e.g. where rates charged change as the customers' usage increases to various predetermined blocks of usage.
21. PGW is agreeable to billing for natural gas suppliers on a PGW consolidated bill basis a percentage discount off of PGW’s Price to Compare for a three month period but customers must affirmatively select this natural gas supplier offer and then affirmatively select the natural gas supplier after the 3 month period.\textsuperscript{14}

22. PGW will work towards the completion of a settlement agreement with the Purchase of Receivable Collaborative participants by January 2012.

23. PGW agrees that the Collaborative Process parties retain the rights provided in the April 13, 2011 Secretarial letter issued in Docket No. R-2008-2073938. PGW agrees to meet and discuss issues with the Collaborative Process parties once a year\textsuperscript{15} in order to assess the operation of PGW’s Choice Program.\textsuperscript{16} The first annual meeting will occur one year after the complete implementation of PGW’s Purchase of Receivable’s Program.

24. PGW agrees to form a collaborative (“The Capacity Collaborative”) with interested parties regarding capacity and capacity related issues. The Capacity Collaborative will be charged with exploring modifications to the following PGW processes and procedures: 1) transportation capacity assignment; 2) storage capacity allocation; and 3) the Daily Delivery Quantities

\textsuperscript{14} The NGSs expressed an interest in a referral program but PGW expressed legal concerns as well as concerns about implementation and administration of a referral program. The Settling Parties agreed to this alternative.

\textsuperscript{15} PGW agrees to meet mid-year during any given year if requested by the other Settling Parties.

\textsuperscript{16} Matters discussed may include: 1) the status of the feasibility of transitioning some or all of PGW’s customers to an alternative default service supplier; and 2) the related Legal Questions and Policy Issues/Concerns submitted by PGW in this matter on October 21, 2009 and any other legal questions and policy issues/concerns that may arise during these meetings.
(“DDQ”) and Daily Contract Quantities (“DCQ”) calculations. The Capacity Collaborative will convene within 30 days of the execution of this settlement agreement and PGW will propose tariff changes upon which the Collaborative participants are in agreement, in PGW’s March 1, 2012 annual 1307(f) filing. If the Collaborative participants do not reach an agreement regarding tariff modifications, the participants retain any rights they otherwise might have to raise the aforementioned issues in that (or any other) proceeding.

25. The Joint Petitioners agree to address the following issue with the Purchase of Receivables Collaborative participants: obtaining a waiver of proposed regulations in order to recover uncollectible expense associated with natural gas sales to both shopping and non-shopping firm customers through a non-bypassable “merchant function charge” (“MFC”) that would be included in PGW’s distribution charge.17

26. PGW does not object to the application of a MFC to shopping and non-shopping customers on a permanent basis and the inclusion of the MFC as a component of the distribution charge.18

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

27. The Joint Petitioners will submit Statements in Support of this Settlement.

28. The Joint Petitioners submit that the Settlement is in the public

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17 The MFC regulations are part of a rulemaking that has been made final by the Commission, but not approved by the Independent Regulatory Review Commission (“IRRC”). Natural Gas Distribution Companies and Promotion of Competitive Retail Markets, Docket No. L-2008-2069114. The reference to “waiver” in this provision of the settlement is based on the expectation the MFC section of the proposed regulations will be finalized and effective at some point in the future because this section is not in controversy.

18 PGW agrees to the inclusion of this statement in the Purchase of Receivables collaborative settlement petition.
interest for the following additional reasons:

(a) **Substantial Litigation And Associated Costs Will Be Avoided.** The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.

(b) **The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.** The Joint Petitioners arrived at the Settlement terms after preparing and submitting positions/legal questions and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission’s rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by a substantial record.

(c) **The Settlement Is A Reasonable Resolution.** The Settlement represents a reasonable resolution of the Collaborative Process issues regarding consumer education, customer switching data, permissible rate offerings, consolidated billing and capacity assignment/allocation.

IV. **ADDITIONAL TERMS AND CONDITIONS**

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

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

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

32. If the OALJ, in its Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their
rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the OALJ in its Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.\textsuperscript{19}

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

\textsuperscript{19} The Commission may approve this Joint Petition for Settlement via issuance of a Tentative Order. However, the Joint Petitioners have referenced an OALJ Recommended Decision and the Exception process in the event the Commission decides to evaluate the Joint Petition through OALJ.
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the OALJ and the Commission approve the Settlement as set forth herein, including all terms and conditions thereof;

2. That the Collaborative Process established in Commission proceeding at Docket No. R-2008-2073938 be marked closed following a Commission decision; and

3. That the Commission enter an Order, following a Commission decision evidencing its approval of the Settlement and terminating the proceeding.

Respectfully submitted,

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November 23, 2011
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November 23, 2011
CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

VIA EMAIL AND REGULAR MAIL

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State: PA  
ZIP: 19132

To: Government  
Company: FOE  
Address: 12 North Street  
City: New York  
State: NY  
ZIP: 10027

Package:  
Type: FedEx Box  
Weight: 10 lbs.

Special Handling and Delivery Signature Options:  
HOLD Day or SATURDAY Delivery  
No Signature Required  
Direct Signature Required  
Indirect Signature Required

Does this shipment contain dangerous goods?  
Yes

Payment:  
Account:  
Method: Check

Form No.: 0215

FedEx Express Service  
Express Package Service  
Packages up to 150 lbs.

Next Business Day:  
FedEx First Overnight  
FedEx Priority Overnight  
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2 or 3 Business Days:  
FedEx Two Day  
FedEx Standard  
FedEx Express Saver

Package:  
Type: FedEx Envelope  
Weight: 1 lb.

Payment:  
Account:  
Method: Credit Card

Form No.: 0215

Recipient's Copy

[Barcode Image]  
8764 5790 6249