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August 26, 2020

Via E-Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Fl.
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Philadelphia Gas Works
Docket No. R-2020-3017206

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Joint Petition for Partial Settlement with regard to the above-referenced matter. Attached to the Joint Petition are Statements in Support submitted by: (1) Philadelphia Gas Works; (2) the Bureau of Investigations and Enforcement; (3) the Office of Consumer Advocate; (4) the Office of Small Business Advocate; and (5) the Philadelphia Industrial and Commercial Gas Users Group.

Copies will be served in accordance with the attached Certificate of Service.

If you have any questions, please contact me.

Sincerely,

Sarah C. Stoner

Sarah C. Stoner

Enclosure

cc: Hon. Marta Guhl w/enc.
Hon. Darlene Heep w/enc.
Certificate of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of the foregoing document 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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Dated: August 26, 2020

Sarah C. Stoner

Sarah C. Stoner, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2020- 3017206
	:	
	:	
Office of Consumer Advocate	:	C-2020-3019161
Office of Small Business Advocate	:	C-2020-3019100
Philadelphia Industrial and Commercial Gas User Group	:	C-2020-3019430
v.	:	
	:	
Philadelphia Gas Works	:	

**JOINT PETITION FOR
PARTIAL SETTLEMENT**

August 26, 2020

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Exhibit and Statements in Support

Exhibit 1	Proof of Revenue
Statement A	Statement in Support of Joint Petition for Settlement of PGW
Statement B	Statement in Support of Joint Petition for Settlement of the Bureau of Investigation and Enforcement
Statement C	Statement in Support of Joint Petition for Settlement of the Office of Consumer Advocate
Statement D	Statement in Support of Joint Petition for Settlement of the Office of Small Business Advocate
Statement E	Statement in Support of Joint Petition for Settlement of the Philadelphia Industrial and Commercial Gas Users Group

TO ADMINISTRATIVE LAW JUDGE MARTA GUHL AND ADMINISTRATIVE LAW JUDGE DARLENE HEEP:

Philadelphia Gas Works (“PGW” or the “Company”), the Bureau of Investigation and Enforcement, (“BIE” or “I&E”), the Office of Consumer Advocate (“OCA”), Office of Small Business Advocate (“OSBA”), the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”), (collectively, the “Joint Petitioners”), with Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN, et al.”) and The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) not opposing the Settlement¹, by their respective counsel, submit this Joint Petition For Partial Settlement (“Settlement” or “Joint Petition”), between and among all of the active parties, in the above-captioned proceeding and request that Administrative Law Judge Marta Guhl and Administrative Law Judge Darlene Heep (collectively, “ALJs”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): 1) approve the Settlement without modification; 2) resolve the issues reserved for litigation by the parties (“Litigation Issues”); and 3) permit PGW to file a tariff supplement to take account of PGW’s original proposal as modified by the resolution of the Litigation Issues, to become effective pursuant to the terms set forth therein.² In support of this Settlement, the Joint Petitioners state as follows:

I. BACKGROUND

1. PGW is a city natural gas distribution operation as defined in the Public Utility Code, 66 Pa.C.S. § 102. PGW manages a distribution system of approximately 6,000 miles of

¹ Direct Energy Services, Inc. takes no position on the Settlement. OSBA does not endorse the Revenue Requirement of the Settlement but does not oppose it. The Environmental Stakeholders oppose the Settlement. No citizen formal complaints were filed opposing the proposed rate increase.

² A “Proof of Revenue” demonstrating that the Settlement Rates produce the agreed to rate increase of \$35 million is attached as Exhibit 1.

gas mains and service lines supplying approximately 500,000 customers in the City and County of Philadelphia.

2. On February 28, 2020, PGW filed Supplement No. 128 to PGW’s Gas Service Tariff – PA. P.U.C. No. 2 (“Supplement No. 128”) and Supplement No. 85 to Gas Supplier Tariff – Pa. P.U.C. No. 1 (“Supplement No. 85”). As filed, the rates and regulations proposed were to become effective April 28, 2020, and sought a general rate increase calculated to produce \$70 million in additional annual revenues, or a 10.5% overall increase.

3. By Order entered on April 16, 2020, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase, as well as PGW’s current rates. Accordingly, Supplement Nos. 128 and 85 were suspended by operation of law³ until November 28, 2020, unless permitted by Commission Order to become effective at an earlier date. The suspension period was reflected in Supplement No. 131 to PGW’s Gas Service Tariff – Pa. P.U.C. No. 2 and Supplement No. 88 to PGW’s Gas Supplier Tariff – Pa. P.U.C. No. 1, which were filed on April 27, 2020.

4. On March 6, 2020, the Governor of the Commonwealth of Pennsylvania, Tom Wolf, issued a Proclamation of Disaster Emergency due to the coronavirus (COVID-19) pandemic.⁴ Governor Wolf directed the “Closure of All Business That Are Not Life Sustaining” in mid-March and issued a state-wide “Stay at Home” Order on April 1, 2020. Governor Wolf subsequently established a reopening and recovery plan to resume non-life sustaining business operations in Pennsylvania.

5. Due to challenges created by the COVID-19 pandemic, PGW agreed to a voluntary extension of the suspension period to December 4, 2020. The extension of the

³ 66 Pa.C.S. § 1308(d).

⁴ The Proclamation of Disaster Emergency issued on March 6, 2020, was to extend until June 4, 2020, unless renewed by Governor Wolf. On June 3, 2020, Governor Wolf amended the Proclamation of Disaster Emergency, extending the disaster emergency until approximately September 2, 2020.

suspension period to December 4, 2020, was reflected in Tariff Supplement No. 132 to its Gas Service Tariff – Pa. P.U.C. No. 2 and Tariff Supplement No. 89 to its Gas Supplier Tariff – Pa. P.U.C. No. 1, which were filed on May 12, 2020.

6. This proceeding was assigned by the Office of Administrative Law Judge (“OALJ”) to Administrative Law Judge Marta Guhl and Administrative Law Judge Darlene Heep (collectively, the “ALJs”) for the prompt scheduling of hearings culminating in the issuance of a Recommended Decision.

7. On May 13, 2020, the ALJs issued an order granting PGW’s petition, filed with its initial filing, to permit it to use a fully projected future test year that begins on September 1, 2020.

8. Four Public Input Hearings were held on June 2 and June 3, 2020. A total of 25 PGW customers gave sworn testimony at the public input hearings.

9. Extensive investigation of PGW’s proposed rate request was conducted by the Joint Petitioners. PGW responded to nearly 1,300 discovery requests. Testimony in response to the Company’s filing and accompanying direct testimony was submitted on June 15, 2020 by I&E, OCA, OSBA, PICGUG, TURN and Clean Air Council and Sierra Club/PA (collectively “Environmental Stakeholders”); rebuttal testimony was submitted on July 13, 2020 by all parties with the exception of CAUSE-PA, TURN and Direct Energy Services, Inc. (“Direct Energy”); surrebuttal testimony was submitted on July 24, 2020 by all parties except CAUSE-PA and Direct Energy; and rejoinder testimony was submitted by PGW on July 27 and July 28, 2020.

10. The evidentiary hearing was held on July 29, 2020. At the hearing, the testimony⁵ and exhibits of the parties were admitted into the record. On July 31, 2020, the ALJs

⁵ With respect to the testimony, the following may be noted: (i) On June 24, 2020, PGW filed a Motion in Limine Regarding the Testimony Submitted by the Environmental Stakeholders. On June 30, 2020, the Environmental Stakeholders filed their Answer in Opposition to PGW’s Motion in Limine. The ALJs issued an Order on July 7, 2020, that granted PGW’s motion in part. The ALJs appropriately determined that this proceeding is not the place to determine whether PGW should change its business model to electrification and, therefore, directed that any testimony pertaining to electrification will be stricken from

issued a Briefing Order which memorialized instructions on how to proceed if the parties resolved issues in this case and provided guidance regarding service of briefs in this matter.

11. On August 6, 2020, the Commission issued an Opinion and Order addressing two Petitions for Interlocutory Review and Answer to Material Question (“Petitions”) filed on July 15, 2020 and July 21, 2020, by TURN, *et al.* and OCA, respectively. OCA and TURN had sought interlocutory review as to whether the ALJs’ evidentiary ruling on July 8, 2020, erred as a matter of law by granting PGW’s Motions in Limine⁶ to exclude portions of the direct testimony of OCA and TURN on the basis that certain language access considerations required by federal law are not within the scope of the Commission’s jurisdiction and not relevant to PGW’s quality of service in the context of this rate proceeding. The Commission found that the ALJs erred by striking testimony relevant to the question of whether, by not implementing these requirements, PGW was providing unreasonable service under Section 1501 of the Public Utility Code⁷, granted OCA and TURN’s Petition and returned the matter to the Office of Administrative Law Judge for further proceedings. PGW submitted its supplemental rebuttal testimony on language access issues on August 13, 2020.

12. On August 20, 2020, the ALJs adopted a revised procedural schedule for the submission of briefs, settlement documents and statements in support.

the Environmental Stakeholder’s testimony; (ii) On June 25, 2020, PGW filed Motions in Limine Regarding Certain Portions of Testimony Submitted by the OCA and TURN Regarding Universal Service Programs. On June 30, 2020, OCA filed its Answer to the Motion in Limine. On June 30, 2020, CAUSE-PA filed its Answer in Opposition to PGW’s Motion in Limine. The ALJs Order on PGW’s Motions in Limine Regarding Testimony on Behalf of OCA and TURN was issued July 8, 2020, and granted PGW’s motions in part and denied them in part. The Order excluded portions of the direct testimony of OCA and TURN recommending that the Commission require PGW to comply with federal and local laws regarding customers with Limited English Proficiency; and (iii) On July 23, 2020, the Environmental Stakeholders filed a Motion in Limine to Exclude Portions of the Rebuttal Testimony of PGW’s witness James Cawley. The ALJs denied the Environmental Stakeholder’s Motion in Limine at the evidentiary hearing.

⁶ The ALJs issued a Cancellation Notice for the initial telephonic evidentiary hearings scheduled for July 28, 2020 and July 30, 2020.

⁷ 66 Pa. C.S. § 1501.

13. Negotiations were conducted by the Joint Petitioners prior to and after the hearing in an effort to achieve a settlement of almost all of the issues in this proceeding. As a result of those negotiations, the Joint Petitioners were able to agree to the Settlement set forth herein that resolves most all of the issues, with the exception of those reserved for litigation. The Joint Petitioners notified the ALJs on August 19, 2020, that the Joint Petitioners resolved most all of the issues in this case, except for the issues reserved for litigation set forth in Section III, below. For all other portions of PGW's filing, and as described more fully herein and in the attached Statements of Support, the Joint Petitioners believe that this Settlement is in the public interest and support or do not oppose its adoption by the Commission.

14. Joint Petitioners have agreed to a base rate increase, an allocation of that revenue increase to the rate classes, and a rate design for all rate classes to recover the portion of the rate increase allocated to such classes. Additionally, all issues presented in the proceeding have been resolved by the Settlement, except for the issues raised by the Environmental Stakeholders. The Joint Petitioners propose this settlement in light of the unprecedented disruptions and challenges presented by the COVID-19 pandemic. The Joint Petitioners agree that the Settlement is in the public interest and (except as otherwise indicated) support or do not oppose its adoption by the Commission.

15. In the Settlement, the Joint Petitioners have proposed that rates be designed to produce an additional \$35 million in annual base rate operating revenues phased in, and fully charged starting January 2022 instead of the Company's filed increase request of \$70 million. The proposed phased base rate increases would increase as follows: (1) \$10 million for service rendered on or after January 1, 2021; (2) an additional \$10 million for service rendered on or after July 1, 2021; and (3) \$15 million for service rendered on or after January 1, 2022. The Settlement proposes that PGW be permitted to modestly increase its customer charges. For residential customers, the customer charge would increase in phases, on the same schedule as the

overall rate increase, with the charge increasing in total by \$1.15. Similar phased increases are proposed for the other rate classes. The Settlement also proposes a “Covid-19 Relief Plan” which will provide a bill credit of \$300 and other enhancements to up to 6660 PGW customers whose economic circumstances have been adversely affected by the pandemic. The Settlement also proposes a variety of provisions designed to assist low income customers, provides enhancements to PGW’s low income customer assistance programs and its policies regarding victims of domestic violence, expands the number of languages in which key documents will be available on PGW’s website and deal with other issues raised by the low income advocates.

II. TERMS AND CONDITIONS OF SETTLEMENT

The Joint Petitioners hereby respectfully request that PGW’s base rate increase filing of February 28, 2020, including all proposed Tariff modifications, be approved as filed, except as follows:

A. REVENUE REQUIREMENT

16. In lieu of its proposed \$70 million base rate increase PGW shall be permitted to increase base rates as follows: (1) \$10 Million for service rendered on or after January 1, 2021; (2) additional \$10 million for service rendered on or after July 1, 2021; and (3) \$15 million for service rendered on or after January 1, 2022.

Rate Case Filing

17. PGW shall not file a general rate increase pursuant to 66 Pa.C.S. § 1308(d) any sooner than January 1, 2022. This paragraph does not apply to extraordinary or emergency rate relief pursuant to 66 Pa.C. S. § 1308(e) (or upon a petition for emergency rate increase), tariff changes required or authorized by PUC order or industry-wide changes in regulatory policy which affect PGW’s rates.

B. COVID-19 RELIEF PLAN (Limited to \$2 million or maximum 6,660 customers at up to \$300 per customer)

18. Beginning on or after the PUC adopts this Proposed Settlement, but no sooner than September 1, 2020, PGW shall implement a COVID-19 Relief Plan (C19RP) with the following major elements:

- a. Availability: Residential customers who are in arrears including Customer Responsibility Program (“CRP”) asked to pay bills without unauthorized usage on account.
- b. Benefit: One-time, \$300 credit per customer on PGW gas bill; credit will roll-over until exhausted
- c. Enrollment: self-certification
- d. Funding: GCR Pipeline Refunds in the amount of \$2 million; benefit is “first come-first serve.” Limited to 6660 customers. This \$2.0 million is a single-issue usage one-time only use of residential pipeline refunds and does not permit future use of pipeline refunds for this purpose. However, nothing herein limits a party’s right to argue for a different application of pipeline refunds in future proceedings.
- e. C19RP will end March 31, 2021 or when Funding is exhausted.

19. The following residential customers are eligible for the program:

- a. Contract employees and self-employed
- b. Households in which a household member is caring for someone with COVID-19
- c. Households in which a household member is caring for children at a time when the children’s school or childcare is normally open but is not open. This will include situations in which a normally fulltime school or childcare is running in shifts to maintain social distancing (for example, putting children on two-week or three-week rotations)
- d. Households with a member on furlough
- e. Households experiencing financial hardship related to the pandemic
- f. Households in which a member has lost work, even if there is another income-earning member in the household

20. Note: Acceptance of a credit from the program should not in any way be treated as interfering with qualification for and acceptance into CRP (although CRP customers will be eligible).

21. PGW shall comply with the PUC Order at Docket No. M-2020-3019244 dated March 13, 2020 regarding terminations. In addition, PGW shall do the following through March 31, 2021, unless otherwise indicated below:

- a. Until July 1, 2021, PGW shall not remove customers from CRP for failing to complete their re-certification process.
- b. Until December 31, 2020, PGW shall not require acceptance of LIURP weatherization as a condition of CRP participation;
- c. PGW shall allow the submission of emailed documentation for new service applications.
- d. Within 45 days of approval of the settlement in this case, PGW shall conduct outreach to customers who were terminated for non-payment in the last 12 months who owe \$300 or less and provide them with information about PGW's C19RP and options for restoration of service.
- e. PGW shall track the number of customers who are able to restore service solely through the use of PGW's C19RP.
- f. Within 90 days of the conclusion of C19RP, PGW shall provide the parties to this settlement with the number of customers who were able to restore service through C19RP.
- g. PGW shall accept at least one additional medical certificate to stop the involuntary termination of service for non-payment, regardless of whether the household has submitted the maximum number of renewal certificates in the past.
- h. Conduct outreach to all customers for whom PGW has income documentation on file indicating the customer was confirmed low income within the last 12 months and promote PGW's CRP.

22. Residential customer C19RP benefits shall include:

- a. Upon enrollment, suspension of PUC-regulated collection efforts for any amounts due for service beginning as of the March 2020 billing cycle and continuing through the duration of the PUC Emergency Order or April 1, 2021, whichever comes first. Customers with unauthorized usage on their accounts are not eligible for a C19RP benefit.

- b. All C19RP customers who may be eligible for CRP will be encouraged to apply for CRP as a condition of receipt. For customers determined to be ineligible for CRP, any remaining current applicable balance shall be eligible for a long-term deferred payment arrangement (including the suspended amount) of no less than 12 months. The 12 month payment arrangement will be provided even if the customer has had a previous PGW and/or PUC payment arrangement; this C19RP payment agreement will not be counted by PGW as a PUC or PGW payment agreement with respect to future payment agreement eligibility. Longer payment arrangements may be offered to C19RP participants at the discretion of the Company. Customers who receive C19RP payment agreements do not waive their right to obtaining a PUC payment agreement under Section 1405. Customers who currently do not have active service and owe more than \$600 or who have unauthorized usage on their accounts are not eligible for a C19RP payment arrangement.
- c. Effective March 19, 2020, the customer will be eligible to receive waiver of late fees from March 19 until the end date of the current waiver of late fees. If late fees are re-implemented prior to a customer enrolling in C19RP, the customer will be responsible for those charges. Upon enrollment in C19RP, however, waiver of late fees shall commence for the customer's most recent billing cycle through April 1, 2021.
- d. Upon enrollment in C19RP, reconnection fees will be waived for the duration of the PUC Emergency Order.
- e. For customers enrolling in C19RP who currently do not have active service:
 - i. If the customer owes \$300 or less, PGW will credit the amount owed up to \$300 and will waive the reconnection fee.
 - ii. If the customer owes more than \$300 and not more than \$600, PGW will credit the \$300 towards the customer's unpaid balance, waive the reconnection fee and the customer shall be eligible for a long-term deferred payment arrangement (including the suspended amount) of no less than 12 months (if not otherwise eligible for a Chapter 14 payment arrangement).
 - iii. Customers or applicants with balances above \$600 will be advised to bring their balance down to \$600 to participate in the program.
- f. Customers terminated for unauthorized use are not eligible for a C19RP payment arrangement and are not eligible for a waiver of reconnection fees.
- g. If the PUC's Emergency Order has not ended by March 1, 2021, the Company agrees to meet with the parties by no later than March 5, 2021 to discuss a possible extension of the customer benefits contained in the C19RP.

C. REVENUE ALLOCATION AND RATE DESIGN

23. The Joint Petitioners agree to the following revenue allocation:

Rate Class	Increase Percentage	Revenue Allocation Scaled to \$35 million
Residential	8.603%	27,396
Commercial	6.833%	4,092
Industrial	8.286%	388
Municipal	11.562%	525
PHA-GS	12.929%	175
PHA-Rate 8	8.660%	225
NGVS	0.000%	0
Rate IT	17.317%	2,199
TOTAL		35,000

Rate Class	1-Jan-2021	1-Jul-2021	1-Jan-2022	Revenue Allocation Scaled to \$35 million
Residential	7,828	7,828	11,741	27,396
Commercial	1,169	1,169	1,754	4,092
Industrial	111	111	166	388
Municipal	150	150	225	525
PHA-GS	50	50	75	175
PHA-Rate 8	64	64	96	225
NGVS	0	0	0	0
Rate IT	628	628	943	2,199
Total	10,000	10,000	15,000	35,000

Customer Charges

24. The Joint Petitioners agree to the following customer charges:

<u>Customer Class</u>	<u>Present Customer Charge</u>	<u>Increase on 1/1/2021</u>		<u>Increase on 7/1/2021</u>		<u>Increase on 1/1/2022</u>		<u>Total Cumulative Increase on 1/1/2022</u>	
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Residential	\$ 13.75	\$ 0.35	2.5%	\$ 0.35	2.5%	\$ 0.45	3.3%	\$ 1.15	8.4%
Commercial	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
Industrial	\$ 70.00	\$ 1.80	2.5%	\$ 1.80	2.5%	\$ 2.30	3.3%	\$ 5.90	8.4%
Municipal	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
PHA - GS	\$ 13.75	\$ 0.35	2.5%	\$ 0.35	2.5%	\$ 0.45	3.3%	\$ 1.15	8.4%
PHA - Rate 8	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
NGVS	\$ 35.00	\$ -		\$ -		\$ -			
Interruptible									
Total									
IT A	\$ 152.16								
IT B	\$ 273.89								
IT C	\$ 273.89								
IT D	\$ 273.89								
IT E	\$ 426.06								

Evaluation of Potential Firm Transportation Service Rate

25. In PGW’s next base rate case filing, PGW will submit an evaluation as to whether it will propose a firm transportation service rate (“FTS”). If PGW’s evaluation determines that Rate FTS is an appropriate service, PGW will submit a FTS proposal with its next base rate filing.

26. The evaluation shall include but not be limited to an evaluation of the following:

- a. PGW shall assess the current interruptibility and alternative fuel requirements in the Rate IT tariff language and determine the potential value of interruptible transportation service;
- b. Whether rate IT should be phased out;
- c. If the Company is proposing Rate FTS, whether Rate FTS should include an option for negotiated flex rates for current IT customers;
- d. If the Company is proposing Rate FTS, whether Rate FTS should, subject to rate gradualism, be subject to the USEC, ECR, OPEB and DSIC tariff charges;
- e. If the Company is proposing Rate FTS, PGW shall conduct an evaluation of the classification and allocation of distribution mains to determine how mains costs should be reasonably allocated to all customer classes.

27. The parties retain all rights to challenge, refute, or propose modifications to any or all issues related to PGW’s proposal for firm transportation service and/or the results of PGW’s above evaluations.

Rate Technology and Economic Development (“TED”) Rider and Micro-Combined Heat and Power (“Micro-CHP”) Incentive Program

28. The Technology and Economic Development (“TED”) Rider and Micro-CHP Incentive Program will continue as modified in this filing.

29. With respect to the TED Rider and Micro-CHP Incentive Program, PGW agrees to provide data on the number of customers, sales level and costs in its March 1, 2021 Annual Gas Cost Rate (“GCR”) Filing.

Rate BUS: Back-Up Service

30. The “AVAILABILITY” section of Back-Up Service – Rate BUS will be modified as follows:

AVAILABILITY

Available at the Company’s sole discretion where the Customer has installed any type of operable back-up, supplementary, standby, emergency, electric or heat generation equipment and who from, time to time, will require Gas from the Company for the Customer’s operation of

that equipment. This rate shall also apply to gas service for any system for which natural gas is not the primary fuel.

If a Customer is seeking interruptible back-up service, the Customer may take interruptible service at IT rates if the Customer meets all requirements of Rate IT, including that the Customer must: (1) have installed and operable alternative fuel equipment, including appropriate fuel storage capacity, capable of displacing the daily quantity of Gas subject to curtailment or interruption; or, in the alternative, (2) demonstrate to the Company's sole satisfaction the ability to manage its business without the use of Gas during periods of curtailment or interruption.

31. In addition to this change, Back-Up Service – Rate BUS will continue as otherwise modified in this filing.

32. As part of its Annual GCR filings, PGW will provide data on the number of customers, sales levels, revenues, and the costs incurred to provide service under Rate BUS.

D. LOW INCOME CUSTOMER ISSUES

33. PGW shall make the following enhancements to its Universal Service Programs:

- a. No later than March 31, 2021, PGW will provide an annual training to Community Based Organizations that are open on how to use the customer-facing online Customer Responsibility Program (CRP) application tool. The training will also include information about promoting CRP enrollment.
- b. PGW will create a video explaining how to apply for CRP online and post the video on its website, in social media and will advertise the video in a Good Gas News. PGW will similarly publicize non-contact methods for CRP application (call for application, mail-in, online).
- c. As part of its new CIS implementation, PGW shall review and adjust CRP asked to pay amounts quarterly, and increase/decrease the asked to pay amount if there has been a change in the average bill amount. If the average bill amount exceeds the household's energy burden, the customer shall be switched to a CRP Percentage of Income Bill at that time.
- d. Unspent 2019 and 2020 LIURP funds shall roll over and be added to PGW's LIURP program budget through the end of the current Universal Service and Energy Conservation Plan (USECP) (i.e. 2023), until expended. These funds shall be incremental to the existing LIURP budget.
- e. PGW will provide, to the tax mailing address available online or a contact address provided by a tenant, two landlord letters seeking to obtain landlord

approval to perform LIURP services for a tenant. If a landlord telephone number is available, one of the letters will be replaced with a telephone call.

34. PGW agrees to track and maintain annual data as follows:
- a. For PGW's LIHEAP Crisis acceptance policy:
 - (i) the number of customers who: receive a LIHEAP Crisis grant who had a balance due to PGW in an amount greater than the maximum Crisis grant amount; and
 - (ii) the dollar value of LIHEAP Crisis grants received by PGW for customers with an account balance greater than the maximum Crisis grant amount.
 - (iii) PGW will separately track this information for customers whose service is on and applicants or customers restoring service.
 - (iv) PGW will provide the parties to this settlement with the collected data on or before September 30, 2021 for the 2020-2021 LIHEAP season.
 - b. For properties where service has been terminated due to non-payment:
 - (i) The total number of customers who did not have service restored in the full year following such termination.
 - (ii) PGW will provide the data identified in subpart (b) to its Universal Service Advisory Group in 2022 for calendar year 2021.
 - c. PGW will provide the parties to this settlement with the collected data identified in subparts a and b in an excel spreadsheet.
35. PGW shall make the following policy changes:
- a. Crisis Acceptance:
 - (i) PGW shall perform an analysis of the results of its Crisis threshold amount for that LIHEAP season at the conclusion of the LIHEAP 2020-2021 season.
 - (ii) PGW shall provide this analysis to the parties to the settlement at the conclusion of the LIHEAP 2020-2021 season.
 - (iii) For the 2021 LIHEAP season, PGW shall expand its "LIHEAP Crisis Policy" to permit customers to restore PGW service if their balance with PGW is at or below \$1200, even if the grant is not enough to pay PGW's restoration requirement in full. Unauthorized usage debt is not eligible for such consideration.

- b. Domestic Violence: PGW shall draft a written policy that details how PGW handles cases for victims of domestic violence in compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's Regulations. This written policy will include how a call is referred to a CARES representative when a customer discloses that they are a victim of domestic violence, and designate a specific team within PGW to handle those calls and inquiries. PGW will provide a copy of this policy to all signatories to this settlement within 90 days of approval of this settlement agreement. PGW agrees to consider input from the rate case parties on the drafted policy for domestic violence victims, and while the decision is within PGW's discretion, will provide an explanation for any input from the rate case parties that is not adopted and integrated into the policy.
 - (i) PGW shall ensure that the team that works with these calls will be specifically trained on the unique statutory and regulatory protections, as well as the vulnerabilities and need for privacy protections of victims.
 - (ii) PGW shall provide all customer service representatives with annual training addressing handling of customers with a PFA, or court order issued by a court of competent jurisdiction in Pennsylvania providing clear evidence of domestic violence. This training shall include the rights associated with the domestic violence protections, the procedures used to process documentation, and how to refer customers to the designated team at PGW. PGW will provide the training materials created to the rate case parties.
 - (iii) A PGW trainer will work with a domestic violence agency (willing to do so) to obtain input and suggestions on soft skills in working with domestic violence victims protected under a PFA or similar order. Training materials created from that input will be updated and provided to the rate case parties.

36. Within 90 days of the approval of this settlement agreement, PGW shall create website content regarding:

- a. The protections available for victims of domestic violence. The website shall identify the rights associated with the domestic violence protections and the required documentation, and explain specifically how a customer can self-identify and provide information to PGW. PGW agrees to consider input from rate case parties on this created content.

37. PGW shall agree to the following:

- a. PGW shall provide availability to spoken language translation services, regardless of whether customers speaking that language comprise less than 5% of the PGW customer base, for service center communications.

- b. PGW shall provide customer service representatives with annual training on how to utilize language assistance services, and provide written hand-held reference on how to utilize spoken translation services.
- c. PGW shall work with the Universal Services Advisory Group (USAG) over the next year to identify no more than ten (10) key universal service, safety, and customer service documents that will be made available in up to five (5) languages (other than English and Spanish) that will be made available on PGW's website.

38. With respect to liens and arrearage forgiveness cost recovery:

- a. For 12 months, PGW shall report the number of liens perfected which include dollars subject to forgiveness pursuant to CRP and the dollars of pre-existing arrears covered by such liens.
- b. For 12 months, PGW shall report the number of liens paid off which include dollars of pre-existing arrears subject to forgiveness pursuant to CRP.
- c. For 12 months, PGW shall report the dollars of pre-existing arrears subject to forgiveness that were paid off as a result of a lien payoff.

39. PGW will work with its Universal Services Advisory Committee to refine its Consumer Education and Outreach Plan that was included with its Second Amended Universal Services and Energy Conservation Plan 2017-2022 at Docket Nos. P-2020-3018867, M-2016-2542415. The group will specifically address outreach to low-income customers at or below 0-50% of the Federal Poverty Level.

40. If, after the Commission's current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, while not delaying the Company's response to any cessation order, the Company will initiate discussions with the parties to this Settlement within thirty (30) days of the order to discuss a possible extension of customer benefits provided. PGW reserves the right to petition the Commission to take action or modify (i) the current termination moratorium order if the order remains in place beyond December 1, 2020, or (ii) any such similar order. The parties reserve their respective rights to respond to any Commission Order or any Company Petition or response to a Commission Order.

41. The continuation of a bad debt offset will satisfy the concerns identified by OCA witness Roger Colton at pages 61-65 regarding the double recovery of arrears collected through the CRP. PGW shall implement a 5.75% Bad Debt Offset which will offset CRP credit amounts (i.e., reported as “CRP Discount” in PGW’s quarterly filings) related to average annual CRP participants exceeding 80,000 customers. The offset will be calculated as follows: (1) average annual CRP credit amount; multiplied by (2) average annual number of CRP participants exceeding 80,000 customers; multiplied by (3) 5.75%. The offset will only be effective during the effective period of the distribution base rates established in this proceeding and, unless extended by a subsequent PUC order, shall terminate upon new base rates becoming effective. In the next base rate case, all parties reserve their rights to argue their positions as to the offset.

42. Within 12 months of PUC approval of this Settlement, PGW will review the reasons why customers were denied enrollment or recertification into CRP for inability to verify income, including whether a customer provided income and was rejected because it was unacceptable. Based on that review, PGW will determine whether PGW’s list of acceptable verification documents should be expanded. Within 15 months of PUC approval of this Settlement, PGW will convene a meeting of interested Rate Case Parties to present and discuss their findings. The final results of its review will be communicated to the Rate Case Parties.

E. PIPELINE SAFETY ISSUES

Cast Iron Main Replacement

43. PGW will remain focused on cast iron main replacement and present a shortened timeframe for cast iron main replacement in its next LTIP filing.

44. PGW must focus the cast iron main replacements based on risk and categorize risky assets, particularly cast iron assets, in their Distribution Integrity Management Plan (DIMP). The DIMP must break down the cast iron assets into smaller asset group categories that allows PGW to measure the effectiveness of the replacement plan.

Main Replacement Costs

45. PGW will review its most recent Annual Asset Optimization Plan with the Commission's Pipeline Safety Division in order to discuss further cost reduction efforts.

III. LITIGATED ISSUES

46. The parties agree that the following issues shall be the subject of litigation:

- a. **Rate Increase:** Whether PGW's rate increase should be denied because its infrastructure modernization program inadequately accounts for potential future mandates related to climate change.
- b. **Climate Business Plan:** Whether PGW should prepare and submit to the Commission a Climate Business Plan to significantly reduce or eliminate greenhouse gas emissions prior to being granted a rate increase.
- c. **Customer Charges:** Whether any increase in the customers charges should be granted.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

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

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

- a. **The Settlement Provides A Reasonable Resolution.** The Settlement represents a balanced compromise of the settling parties in this proceeding and is a reasonable resolution of PGW's claims for increased rates while balancing the interests of ratepayers and the public. The Settlement provides for a general rate increase of \$35 million on a phased basis, in lieu of the \$70 million in additional annual revenues originally requested by PGW. The Settlement Rates will establish customer charges and allocate the agreed upon revenue requirement to each customer class in a manner that is reasonable in light of the rate structure and/or cost of service positions of all Joint Petitioners.
- b. **Substantial Litigation And Associated Costs Will Be Avoided.** The Settlement amicably and expeditiously resolves the vast majority of issues in the proceeding. The administrative burden and costs to litigate these matters to conclusion would be significant.

- c. The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements. The Joint Petitioners arrived at the Settlement, including the Settlement Rates, after conducting extensive discovery, submitting testimony into the record, and having in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

IV. ADDITIONAL TERMS AND CONDITIONS

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

50. 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.

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

52. 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, each of the Joint Petitioners reserves their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

53. All Joint Petitioners shall support the Settlement, and (except with respect to provisions in which they do not join) will make reasonable and good faith efforts to obtain approval of the Settlement by the ALJs and the Commission without modification. The Parties agree that such good faith efforts do not include opposing or responding to comments or oppositions to the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated these proceedings resulting in the establishment of rates that are Commission-made, just and reasonable rates.

54. If the ALJs, in their Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to: (a) the Litigated Issues; (b) any modifications to the terms and conditions of this Settlement; or (c) any additional matters proposed by the ALJs in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed. The Joint Petitioners further reserve the right to file Exceptions to the compliance filing in the event that any of the exhibits therein are inconsistent with the Settlement and the exhibits attached thereto, the Commission's Final Order, or pertain to issues upon which there was no settlement.

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

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

1. That the ALJs approve the Settlement as set forth herein, including all terms and conditions, without modification.
2. With respect to the Settlement issues that the Commission's investigation at Docket No. R-2020-3017206 and the complaints of the OCA, OSBA, and PICGUG at Docket Nos. C-2020-3019161, C-2020-3019100 and C-2020-3019430, respectfully be marked closed.
3. With respect to the Litigated Issues, the ALJs issue a Recommended Decision recommending a resolution of those issues.
4. That the Commission, consistent with the Settlement, find the Settlement Rates to be just, reasonable, non-discriminatory, lawful and in the public interest.
5. That the Commission enter an Order approving the Settlement, including the Settlement Rates, without modification (except to the extent necessary to implement its determinations on the Litigated Issues), and permit PGW to file a tariff supplement that reflects the proposals in its base rate increase filing of February 28, 2020, as modified by the Settlement and the Order.

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Exhibit 1

**Philadelphia Gas Works
Base Rate Revenue at Current Rates**

	FY 2020-2021			Current PUC Approved Tariff Rates				Amounts in \$000s				
	No. of Customers	No. of Annual Bills	Annual Deliveries (mcf)	Monthly Cust. Charge	Delivery Charge	Merchant Function Charge (MCF)	Gas Procurement Charge (GPC)	Cust. Charge Revenue	Delivery Charge Revenue	Merchant Function Charge (MCF) Revenue	Gas Procurement Charge (GPC) Revenue	Total Full Base Rate Revenue
1 Non-Heating:												
2 Residential c	12,788	153,455	314,261	\$13.75	\$6.6967	\$0.1696	\$0.0400	2,110	2,105	53	13	4,280
3 Residential-Senior	330	3,960	6,919	\$13.75	\$6.6967	\$0.1696	\$0.0400	54	46	1	0	102
4 Commercial	3,328	39,939	992,898	\$23.40	\$4.8651	\$0.0280	\$0.0400	935	4,831	28	40	5,833
5 Industrial	97	1,164	93,822	\$70.00	\$4.7698	\$0.0176	\$0.0400	81	448	2	4	534
6 Municipal/MS	82	984	101,286	\$23.40	\$4.2723	\$ -	\$0.0400	23	433	0	4	460
7 NGV	3	36	804	\$35.00	\$1.2833	\$ -	\$0.0400	1	1	0	0	2
8 <i>Total Non-Heat Firm</i>	16,628	199,538	1,509,991					3,205	7,863	84	60	11,212 #
9												
10 Heating:												
11 Residential	434,461	5,213,533	32,180,127	\$13.75	\$6.6967	\$0.1696	\$0.0400	71,686	215,501	5,458	1,287	293,932
12 Residential-Senior	7,997	95,964	666,194	\$13.75	\$6.6967	\$0.1696	\$0.0400	1,320	4,461	113	27	5,920
13 Commercial	18,432	221,189	5,985,337	\$23.40	\$4.8651	\$0.0280	\$0.0400	5,176	29,119	168	239	34,702
14 Industrial	371	4,452	348,681	\$70.00	\$4.7698	\$0.0176	\$0.0400	312	1,663	6	14	1,995
15 Municipal/MS	401	4,812	457,754	\$23.40	\$4.2723	\$ -	\$0.0400	113	1,956	0	18	2,087
16 PHA Rate 8	220	2,640	44,625	\$23.40	\$5.0163	\$ -	\$0.0400	62	224	0	2	287
17 PHA/GS	1,993	23,916	175,885	\$13.75	\$5.7105	\$ -	\$0.0400	329	1,004	0	7	1,340
18 PHA/GS- Senior	18	216	1,788	\$13.75	\$5.7105	\$ -	\$0.0400	3	10	0	0	13
19 <i>Total Heat Firm</i>	463,893	5,566,722	39,860,391					78,999	253,938	5,744	1,594	340,277 #
20 Total Heat & Non-Heat Firm	480,522	5,766,260	41,370,382					82,204	261,801	5,828	1,655	351,488 #
21												
22 Firm Transport												
23 Non-Heating:												
24 Residential	1,590	19,074	26,494	\$13.75	\$6.6967	\$ -	\$ -	262	177	0	0	440
25 Commercial	576	6,906	535,552	\$23.40	\$4.8651	\$ -	\$ -	162	2,606	0	0	2,767
26 Industrial	39	465	155,221	\$70.00	\$4.7698	\$ -	\$ -	33	740	0	0	773
27 Municipal/MS	172	2,064	67,507	\$23.40	\$4.2723	\$ -	\$ -	48	288	0	0	337
28 NGV	0	0	0	\$35.00	\$1.2833	\$ -	\$ -	0	0	0	0	0
29 <i>Total Non Heat FT</i>	2,376	28,509	784,774					504,716	3,811,717	0	0	4,316
30												
31 Heating:												
32 Residential	22,191	266,289	1,512,871	\$13.75	\$6.6967	\$ -	\$ -	3,661	10,131	0	0	13,793
33 Commercial	2,579	30,948	3,259,300	\$23.40	\$4.8651	\$ -	\$ -	724	15,857	0	0	16,581
34 Industrial	88	1,050	273,586	\$70.00	\$4.7698	\$ -	\$ -	74	1,305	0	0	1,378
35 Municipal/MS	195	2,340	375,187	\$23.40	\$4.2723	\$ -	\$ -	55	1,603	0	0	1,658
36 PHA	909	10,908	409,661	\$23.40	\$5.0163	\$ -	\$ -	255	2,055	0	0	2,310
37 <i>Total Heat FT</i>	25,961	311,535	5,830,606					4,769	30,951	0	0	35,720
38 <i>Total FT</i>	28,337	340,044	6,615,379					5,274	34,763	0	0	40,037
39												
40 Total Interruptible Sales	3	36	12,593					9				9
41 Total PGW (Sales & FT)	508,862	6,106,340	47,998,354					87,487	296,564	5,828	1,655	391,534
42 GTS / IT Revenue												13,942
43 BUS and TED			400,000									400
44 WNA Revenue												
45 LNG Sales			50,000									190
46 Total Full Tariff Revenue			48,048,354									406,065

Degree Days 3,692

**Proposed IT Revenue Increase
1-Jan-21**

	Total	ITA	ITB	ITC	ITD	ITE		IT2	ITN	Total IT
Current IT Revenue	\$ 12,700,232	\$ 1,011,807	\$ 1,262,790	\$ 1,890,692	\$ 2,408,638	\$ 6,126,305		81,994.82	52,770.11	\$ 12,834,997
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Volumetric charge Revenue	\$ 11,401,261	\$ 825,563	\$ 930,836	\$ 1,483,144	\$ 2,178,570	\$ 5,983,148		\$ 81,095	\$ 49,483	\$ 11,531,840
Proposed Increase	\$ 628,000									
Totl volumetric revenue	\$ 12,029,261									
	6%	6%	6%	6%	6%	6%				
Current Delivery Charge	\$ 2.29	\$ 1.11	\$ 0.86	\$ 0.77	\$ 0.74					
Increase/Mcf	\$ 0.13	\$ 0.06	\$ 0.05	\$ 0.04	\$ 0.04					
New Delilvery Charge /Mcf	\$ 2.4146	\$ 1.1687	\$ 0.9119	\$ 0.8091	\$ 0.7835					
New Delilvery Charge /Dth @1036	\$ 2.3307	\$ 1.1281	\$ 0.8802	\$ 0.7810	\$ 0.7563					
Deliveries/mcf	13,814,858	360,744	840,332	1,716,006	2,840,749	8,057,027				
Proposed Volumetric Revenue	\$ 12,029,261	\$ 871,036	\$ 982,108	\$ 1,564,838	\$ 2,298,570	\$ 6,312,710		\$ 81,095	\$ 49,483	\$ 12,159,840
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Totoal Revenue	\$ 13,328,232	\$ 1,057,280	\$ 1,314,062	\$ 1,972,386	\$ 2,528,637	\$ 6,455,866		\$ 81,995	\$ 52,770	\$ 13,462,997
Revenue Increase	628,000	\$ 45,473	\$ 51,272	\$ 81,694	\$ 119,999	\$ 329,562				\$ 628,000

**Proposed IT Revenue Increase
1-Jul-21**

	Total	ITA	ITB	ITC	ITD	ITE		IT2	ITN	Total IT
Current IT Revenue	\$ 12,700,232	\$ 1,011,807	\$ 1,262,790	\$ 1,890,692	\$ 2,408,638	\$ 6,126,305		81,994.82	52,770.11	\$ 12,834,997
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Volumetric charge Revenue	\$ 11,401,261	\$ 825,563	\$ 930,836	\$ 1,483,144	\$ 2,178,570	\$ 5,983,148		\$ 81,095	\$ 49,483	\$ 11,531,840
Proposed Increase	\$ 1,256,000									
Totl volumetric revenue	\$ 12,657,261									
	11%	11%	11%	11%	11%	11%				
Current Delivery Charge	\$ 2.29	\$ 1.11	\$ 0.86	\$ 0.77	\$ 0.74					
Increase/Mcf	\$ 0.25	\$ 0.12	\$ 0.10	\$ 0.08	\$ 0.08					
New Delilvery Charge /Mcf	\$ 2.5406	\$ 1.2297	\$ 0.9595	\$ 0.8514	\$ 0.8244					
New Delilvery Charge /Dth @1036	\$ 2.4523	\$ 1.1870	\$ 0.9262	\$ 0.8218	\$ 0.7958					
Deliveries/mcf	13,814,858	360,744	840,332	1,716,006	2,840,749	8,057,027				
Proposed Volumetric Revenue	\$ 12,657,261	\$ 916,510	\$ 1,033,380	\$ 1,646,532	\$ 2,418,569	\$ 6,642,272		\$ 81,095	\$ 49,483	\$ 12,787,840
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Totoal Revenue	\$ 13,956,232	\$ 1,102,753	\$ 1,365,334	\$ 2,054,080	\$ 2,648,636	\$ 6,785,428		\$ 81,995	\$ 52,770	\$ 14,090,997
Revenue Increase	1,256,000	\$ 90,947	\$ 102,544	\$ 163,388	\$ 239,998	\$ 659,123				\$ 1,256,000

**Proposed IT Revenue Increase
1-Jan-22**

	Total	ITA	ITB	ITC	ITD	ITE		IT2	ITN	Total IT
Current IT Revenue	\$ 12,700,232	\$ 1,011,807	\$ 1,262,790	\$ 1,890,692	\$ 2,408,638	\$ 6,126,305		81,994.82	52,770.11	\$ 12,834,997
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Volumetric charge Revenue	\$ 11,401,261	\$ 825,563	\$ 930,836	\$ 1,483,144	\$ 2,178,570	\$ 5,983,148		\$ 81,095	\$ 49,483	\$ 11,531,840
Proposed Increase	\$ 2,199,000									
Totl volumetric revenue	\$ 13,600,261									
	19%	19%	19%	19%	19%	19%				
Current Delivery Charge	\$ 2.29	\$ 1.11	\$ 0.86	\$ 0.77	\$ 0.74					
Increase/Mcf	\$ 0.44	\$ 0.21	\$ 0.17	\$ 0.15	\$ 0.14					
New Delilvery Charge /Mcf	\$ 2.7299	\$ 1.3213	\$ 1.0310	\$ 0.9148	\$ 0.8858					
New Delilvery Charge /Dth @1036	\$ 2.6350	\$ 1.2754	\$ 0.9952	\$ 0.8830	\$ 0.8550					
Deliveries/mcf	13,814,858	360,744	840,332	1,716,006	2,840,749	8,057,027				
Proposed Volumetric Revenue	\$ 13,600,261	\$ 984,792	\$ 1,110,369	\$ 1,769,203	\$ 2,598,759	\$ 7,137,139		\$ 81,095	\$ 49,483	\$ 13,730,840
Customer Charge Revenue	\$ 1,298,971	\$ 186,244	\$ 331,955	\$ 407,548	\$ 230,068	\$ 143,156		\$ 900	\$ 3,287	\$ 1,303,157
Totoal Revenue	\$ 14,899,232	\$ 1,171,036	\$ 1,442,324	\$ 2,176,751	\$ 2,828,826	\$ 7,280,295		\$ 81,995	\$ 52,770	\$ 15,033,997
Revenue Increase	2,199,000	\$ 159,229	\$ 179,533	\$ 286,059	\$ 420,188	\$ 1,153,990				\$ 2,199,000

Statement A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2020-3017206
	:	
	:	
Office of Consumer Advocate	:	C-2020-3019161
Office of Small Business Advocate	:	C-2020-3019100
Philadelphia Industrial and Commercial Gas User Group	:	C-2020-3019430
v.	:	
	:	
Philadelphia Gas Works	:	

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

Philadelphia Gas Works (“PGW” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Partial Settlement (“Settlement” or “Joint Petition” filed in the above-captioned proceeding.

This Partial Settlement¹ is joined in by the Bureau of Investigation and Enforcement (“BIE” or “I&E”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) (collectively, the “Joint Petitioners”). Additionally, the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia

¹ Issues raised by the Sierra Club and Clean Air Council (the “Environmental Stakeholders”) have been reserved for litigation. *See* Joint Petition at ¶ 14.

(“TURN, *et al.*”) and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) do not oppose the Settlement.²

PGW believes that the Settlement is in the best interests of PGW and its customers, and provides customer service enhancements that will benefit low-income and residential customers. Importantly, the Settlement also includes a robust COVID-19 Relief Plan to assist customers affected by the ongoing pandemic. The Settlement is therefore in the public interest and should be approved expeditiously and without modification.³ The Settlement was reached after considerable review of PGW’s finances and operations, the submission of extensive testimony by the active parties, and after a series of negotiations and discussions concerning all of the issues raised by PGW’s filing, including the appropriate level and allocation of the proposed rate increase, rate design, and new or enhanced programs to benefit low-income and other customers. It therefore represents a reasonable resolution of the rate case.

PGW’s key goals in filing its request for an increase of \$70 million in annual operating revenues was to ensure that it could maintain its financial health while continuing to modernize its infrastructure and make other improvements in its distribution network to which it has committed in order to enhance the safety, reliability and efficiency of its system. As explained further below, PGW believes the Settlement achieves this result while properly considering the interests of ratepayers and other stakeholders in the virtually unprecedented circumstances created by the COVID-19 pandemic and the accompanying economic consequences.

² See Joint Petition at 1.

³ See Joint Petition at ¶¶ 47-48.

I. BACKGROUND

As more fully set forth in the Joint Petition, February 28, 2020, PGW filed Supplement No. 128 to PGW’s Gas Service Tariff – PA. P.U.C. No. 2 (“Supplement No. 128”) and Supplement No. 85 to Gas Supplier Tariff – Pa. P.U.C. No. 1 (“Supplement No. 85”). As filed, the rates and regulations proposed were to become effective April 28, 2020, and sought a general rate increase calculated to produce \$70 million in additional annual revenues, or a 10.5% overall increase. By Order entered on April 16, 2020, the Commission instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase, as well as PGW’s current rates. Accordingly, Supplement Nos. 128 and 85 were suspended by operation of law⁴ until November 28, 2020, unless permitted by Commission Order to become effective at an earlier date. Due to challenges created by the COVID-19 pandemic, PGW agreed to a voluntary extension of the suspension period to December 4, 2020. This proceeding was assigned to Administrative Law Judge Marta Guhl and Administrative Law Judge Darlene Heep for hearings and the issuance of a Recommended Decision.

Extensive formal and informal discovery was conducted throughout the proceeding.⁵ The active parties submitted direct, rebuttal and surrebuttal testimony and PGW submitted written rejoinder, as well as supplemental rebuttal testimony. Evidentiary hearings were held on July 29, 2020.

The active parties also engaged in extensive discussions to try to achieve a settlement of some or all of the issues in this case.⁶ As a result of these negotiations, the Joint Petitioners were

⁴ 66 Pa. C.S. § 1308(d).

⁵ *See* Joint Petition at ¶ 9.

⁶ *See* Joint Petition at ¶ 13.

able to reach the Settlement set forth in the Joint Petition for Partial Settlement. The parties were able to come to agreement on all but one set of issues, as more fully set forth in the Joint Petition.

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

A. Standard of Review of Settlements

The Commission encourages parties in contested on-the-record proceedings to settle cases.⁷ Settlements eliminate the time, effort and expense the parties must expend litigating a case and at the same time conserves administrative resources. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.⁸

The focus of inquiry for determining whether a proposed settlement should be recommended for approval is not a “burden of proof” standard, as is utilized for contested matters.⁹ Instead, the benchmark for determining the acceptability of a settlement or partial settlement is whether the proposed terms and conditions are in the public interest.¹⁰

⁷ See 52 Pa. Code § 5.231.

⁸ 52 Pa. Code § 69.401.

⁹ See, e.g., *PUC v. Borough of Schuylkill Haven Water Department*, Docket No. R-2015-2470184, et al., Opinion and Order entered Oct. 22, 2015 adopting the Recommended Decision dated Sept. 1, 2015 at 9-10, 2015 Pa. PUC LEXIS 422; *PUC v. City of Lancaster – Bureau of Water*, Docket Nos. R-2010-2179103, et al., Opinion and Order entered July 14, 2011, at 11; *Warner v. GTE North, Inc.*, Docket No. C-00902815, Opinion and Order entered April 1, 1996, 1996 Pa. PUC LEXIS 78.

¹⁰ *Id.*; see also *PUC v. Allied Utility Services, Inc.*, Docket No. R-2015-2479955, et al., Opinion and Order entered April 7, 2016 adopting the Recommended Decision dated Feb. 26, 2016 at 8, 2016 Pa. PUC LEXIS 73.

By definition, a “settlement” reflects a compromise of the positions that the parties of interest have held, which arguably fosters and promotes the public interest. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the agreement reached suits the public interest.¹¹ In their supporting statements, the Joint Petitioners conclude, after extensive discovery and discussion, that this Settlement resolves all but one party’s contested issues in this case, fairly balances the interests of the Company and its ratepayers, is in the public interest, and is consistent with the requirements of the Public Utility Code.

Not every issue was of equal concern to every Joint Petitioner. Accordingly, each of the Joint Petitioners’ statements in support does not necessarily address each and every aspect of the Settlement.

B. Revenue Requirement

In its rate filing, PGW requested that it be permitted to increase its revenues by \$70.0 million, based upon the Fully Projected Future Test Year (“FPFTY”) of September 1, 2020 – August 31, 2021.¹²

PGW calculated its need for increased revenues using the “Cash Flow” method.¹³ In summary,¹⁴ in accordance with both the Public Utility Code and a PUC Policy Statement, rather than having its revenue requirement determined on the basis of a fair rate of return on a used and useful rate base, PGW’s Cash Flow method establishes rates by determining the appropriate levels of cash, debt service coverage and other financial metrics, such as debt-to-equity ratio,

¹¹ See, e.g., *PUC v. York Water Co.*, Docket No. R-00049165, Opinion and Order entered Oct. 4, 2004 adopting the Recommended Decision dated Aug. 30, 2004.

¹² See Joint Petition at ¶¶ 1-3.

¹³ PGW St. No. 1 at 2.

¹⁴ A more detailed description of the Cash Flow method is contained in PGW’s Main Brief, Section II.A.

necessary to enable PGW to pay its bills, meet minimum debt service coverage requirements and maintain or improve a bond rating sufficient to access the capital markets at reasonable rates. In 2010, the PUC issued a policy statement more fully setting forth these criteria and the financial and other considerations that are to be looked to in setting PGW's base rates at just and reasonable levels.¹⁵

Broadly speaking, PGW's cash requirements fall into four categories. First, PGW needs cash for operating expenses and to compensate for uncollectibles, since PGW must pay for basic day-to-day operations and maintenance activities from rates.¹⁶ Second, PGW needs cash for debt service and debt service coverage.¹⁷ Third, PGW has cash requirements beyond debt service. This cash, or internally generated funds ("IGF"), is used to fund construction projects¹⁸ and pay for other obligations (as described in Section V.B.2 of this Brief). Fourth, PGW has the need for a level of cash reserves to help PGW deal with (a) situations where revenue can fall short of expenditures and (b) unexpected emergencies.¹⁹ ("PGW incurs costs to provide the service (labor, materials, supplies, services, etc.) in advance of bills being rendered and revenue collected for providing the service. The timing of the costs necessary to run the business precede

¹⁵ 52 Pa. Code § 69.2702, 2703.

¹⁶ 52 Pa. Code § 69.2702(b). (The Commission has "the subsidiary obligation to provide revenue allowances from rates adequate to cover its reasonable and prudent operating expenses ...").

¹⁷ 52 Pa. Code § 69.2702(b). (The Commission has "the subsidiary obligation to provide revenue allowances from rates adequate to cover its ... depreciation allowances and debt service, as well as sufficient margins to meet bond coverage requirements ...").

¹⁸ 52 Pa. Code § 69.2702(b). (The Commission has "the subsidiary obligation to provide revenue allowances from rates adequate to cover its ... [need for] internally generated funds over and above its bond coverage requirements, as the Commission deems appropriate and in the public interest for purposes such as capital improvements, retirement of debt and working capital.").

¹⁹ PGW St. No. 2-R at 15.

the timing of the receipt of revenues to cover those costs, which means a reserve of cash always must be available to handle basic day-to-day utility operations.”).

Some of the key drivers for the requested base rate increase are: increasing health care costs, general higher costs of operations, and higher levels of capital spending financed by IGF. The statement of income as presented on an accrual basis, shows operating expenses remaining relatively the same in the FPFTY as the recent prior years. However, the increase in cash outlays for Other Postemployment Benefits (“OPEB”) payments and cash outlays for pension payments are not seen because, as a result of the implementation of recent Governmental Accounting Standards Board pronouncements, some of these cash outlays are not recorded on the income statement. Rather, they are recorded on the balance sheet. Other key drivers include increased capital spending for projects like the CIS replacement and building consolidation which are financed, in part, by internally generated funds. Additionally, debt service will increase with the issuance of the new money revenue bonds.

As permitted by Act 11 of 2012, PGW has based its claimed revenue requirement on the fully forecasted 12 months ending August 31, 2021, referred to as the FPFTY. The Future Test Year (“FTY”) is FY 2020 and the Historical Test Year (“HTY”) is FY 2019. Those results are displayed on Exhibit JFG-1A. Each page of this exhibit shows data for: (1) the HTY, the 12 months ended August 31, 2019 or FY 2019; (2) the FTY, the 12 months ended August 31, 2020 or FY 2020; and, (3) the FPFTY, the 12 months ended August 31, 2021 or FY 2021. The Exhibit also shows projections for FY 2022 through FY 2025 (“Forecast Period”). Page 1 of Exhibit JFG-1A displays operating revenues, operating expenses and net earnings (Statement of Income); page 2 displays PGW’s Cash Flow Statement, page 3 shows Debt Service Coverage;

and page 4 shows the Company's Balance Sheet and capitalization ratios. The Company financial results, assuming the full \$70.0 million is granted, are shown on Exhibit JFG-2A.

At present rates, and for the FPFTY (FY 2021), PGW is projecting that it will end the year with just \$45.4 million in cash; this cash projection is negative in FY 2022 and dramatically decreases in the remainder of the Forecast Period (FY 2023 through FY 2025). That level of cash in the FPFTY (FY 2021) equates to just 33.9 days of cash on hand²⁰ — with the cash balance being negative starting in FY 2022 and continuing to be negative throughout the Forecast Period. As more fully explained by PGW witness Hartman,²¹ a cash balance of only 33.9 days would not only be extremely concerning to the rating agencies, it would also pose real challenges to the Company's ability to meet all of its obligations when they came due.

With respect to debt service coverage ratios, PGW showed that its coverage ratios are minimally above its Bond Ordinance coverage requirement of 1.5x in the FPFTY. This coverage calculation does not take account of certain cash obligations that are not in the operating expense section of the income statement, including the City Payment, capital funding, and certain pension and OPEB obligations, all of which must be paid out of the cash that is part of the "coverage" in excess of the debt service.²² Without rate relief, PGW would experience debt service coverage at unacceptably low levels. While the FPFTY debt service coverage on an "Ordinance" basis is 1.71x, Ordinance coverage drops to 1.59x in FY 2022.

Finally, PGW showed that, at present rates, its debt to equity capitalization ratio in the FPFTY (FY 2021) is approximately 78.15%. That percentage is below the level in the HTY (FY

²⁰ Days of cash on hand calculation: Total Operating Expenses, less non-cash items, depreciation and amortized pensions, divided by 365, divided into cash balance.

²¹ PGW St. No. 3 at 12-13.

²² PGW St. No. 2 at 16.

2019), 84.78%. The Forecast Period shows marginal reductions in this ratio. PGW would be very concerned about significantly increasing its debt burden, resulting in even higher levels of debt, if it were required to do so to compensate for reduced levels of available IGF. PGW has had a goal of reducing its debt to equity level to under 60% of total capitalization, and the Commission Staff has opined that a level of 70% was not unreasonable.²³

In summary, PGW’s requested \$70.0 million rate increase was calculated to improve its *pro forma* year-end cash and debt service coverage to acceptable levels compared to the FPFTY (FY 2021) as well as for the next several years:

PGW Financial Metrics

Total Operating Revenues	Year-End Days of Cash on Hand	Debt Service Coverage (1998 Bond)	Debt-to-Equity Ratio²⁴
FPFTY ²⁵ @ Present Rates	33.9	2.15x	79.27%
Without City Fee	n/a	1.54x	n/a
FPFTY ²⁶ @ Proposed Rates	87.0	2.35x	75.86%
Without City Fee	n/a	2.18x	n/a

In response to PGW’s testimony, OCA recommended that PGW be denied any rate relief or that PGW’s present rates be reduced by \$3.0 million; I&E’s recommendation was for a \$47.0 million rate increase.²⁷ OSBA witness Knecht recommended that PGW be permitted to increase rates by some \$10.0 million.²⁸

²³ Pennsylvania Public Utility Commission, Staff Report: Inquiry into the Philadelphia Gas Works’ Pipeline Replacement Program, dated April 21, 2015, p. 6, 44, 50.

²⁴ Since PGW has no “equity” in the conventional sense, this comparison is between debt and total capitalization (total debt plus City Equity). *See, e.g.*, Exh. JFG-1, pg. 4.

²⁵ Exh. JFG-1-A.

²⁶ Exh. JFG-2-A.

²⁷ I&E St. No. 1-SR at 10.

²⁸ OSBA St. 1 at 9.

The Settlement permits PGW to file rates designed to produce a total increase in operating revenues of \$35.0 million staged in the following manner:

- \$10.0 million base rate increase on or after January 1, 2021
- \$10.0 million base rate increase on July 1, 2021
- \$15.0 million base rate increase on January 1, 2022

PGW has agreed not to collect recoupment between January, 2021, July, 2021 and January, 2022 for any deferred rate increase.

The Settlement financial metrics are within the ranges recommended by the Parties:

PGW Settlement Rates Comparison (@ \$35.0 Million)

	PGW @ \$70M	OCA	I&E	Settlement
Debt Service Coverage (1998 Bonds)	2.35x ²⁹ (2.18x w/o CF)	1.88x ³⁰	1.87x ³¹	2.03X
Year-End Days Cash	87 ³²	73 ³³	68 ³⁴	65 Days
Debt to Equity	75.86% ³⁵	75-80%	77% ³⁶	77.53%

Notably, not included in the above calculation of the effect of the settlement rates is the fact that PGW has agreed to defer billing the full increase until January 1, 2022. As a result, PGW will forgo billing \$25.0 million (annualized) from January 1, 2021 to June 30, 2021 and

²⁹ PGW Exh. JFG-2A, p. 3.

³⁰ OCA Exh. DSH-2.

³¹ I&E Exh. 1-SR, Sch. 1.

³² PGW Exh. JFG-2A, p. 2.

³³ OCA St. No. 5 at 6. These levels of cash and debt service are only achieved by assuming that PGW will reduce its construction expenditures by some \$30 million.

³⁴ I&E Exh. 1-SR, Sch. 1.

³⁵ PGW Exh. JFG-2A, p. 4.

³⁶ I&E Exh. 1-SR, Sch. 1.

\$15.0 million (annualized) from July 1, 2021 to December 31, 2021.³⁷ This represents a significant reduction compared to a scenario in which PGW was permitted to increase its rates for the full \$35.0 million in January 2021. These deferrals mean that the increases as a percentage of total rates are materially lower than PGW's original, \$70.0 million rate request and PGW's actual billed revenues will be materially lower in FY 2020-21 than \$35 million.

Finally, as part of the Settlement, PGW has agreed that it will not file a general rate increase pursuant to 66 Pa. C.S. § 1308(d) before January 1, 2022.³⁸

PGW submits that the rate increases proposed in the Settlement are eminently reasonable. PGW's original, \$70 million rate increase request was amply supported and the Settlement rate increase level (\$35 million, not fully starting until 2022) is actually less than the rate increase testified to as reasonable by I&E (\$47 million). Moreover, the financial metrics produced by the Settlement rate levels are minimally reasonable. Given that the OCA recommended that PGW be granted no rate relief, the Settlement clearly represents a reasonable compromise of the various positions of the Parties. Moreover, PGW believes that, given the unprecedented nature of the current circumstances, agreeing to a modest rate increase, the full effect of which will be deferred until 2022, was the most reasonable course at the present time. Therefore, the proposed increases in the Settlement are clearly in the public interest.

C. COVID-19 Relief Plan

The COVID-19 pandemic has created a challenging and evolving situation in recent months that has significantly affected Philadelphians. PGW has recognized the effect that the pandemic may have on its customers and has taken a number of steps to assist customers who

³⁷ Multi-year rate increases, as proposed in the Settlement, are authorized by 66 Pa. C.S. § 1330.

³⁸ Joint Petition at ¶ 15. This Paragraph does not apply to, *inter alia*, extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e).

may be struggling.³⁹ To provide further support to these customers, the parties agreed to a COVID-19 Relief Plan (“C19RP”) as part of the Settlement.⁴⁰ The plan provides a \$300 credit on PGW’s gas bill for eligible residential customers who are in arrears, including CRP asked to pay bills, up to a program total maximum of \$2 million or 6,660 customers.⁴¹ The plan will end on March 31, 2021 or when funding is exhausted.⁴² The C19RP provides for a variety of benefits, including the following:

- Eligibility – C19RP benefits will be available to residential customers in arrears without unauthorized usage on their account. These residential customers are eligible if: they are contract employees or self-employed; a household member is caring for someone with COVID-19; a household member is caring for children at a time when the school or childcare is not open; households with a member on furlough; households experiencing pandemic-related financial hardship; or households where a member has lost work.⁴³
- Customer Responsibility Program (“CRP”) Participation – Participation in C19RP will not affect CRP eligibility.⁴⁴ Additionally, PGW will not remove customers from CRP for failure to recertify until July 1, 2021, and will not require acceptance of LIURP weatherization until December 31, 2020.⁴⁵ All C19RP customers who may be eligible for CRP will be encouraged to apply for CRP; for those ineligible for CRP, remaining balances will be eligible for a long-term deferred payment arrangement.⁴⁶
- Customer Outreach – PGW will contact customers terminated for non-payment within the last 12 months who owe \$300 or less to inform them of the C19RP and

³⁹ PGW St. No. 9-R at 7-9.

⁴⁰ Joint Petition at ¶¶ 18-22.

⁴¹ Joint Petition at ¶ 18.

⁴² Joint Petition at ¶ 18.e. *See also* Joint Petition at ¶ 22.g (stating that, if the PUC’s Emergency Order has not ended by March 1, 2021, PGW will meet with the parties by March 5, 2021 to discuss a possible extension of the C19RP benefits.).

⁴³ Joint Petition at ¶¶ 18-19.

⁴⁴ Joint Petition at ¶ 20.

⁴⁵ Joint Petition at ¶ 21.a, b.

⁴⁶ Joint Petition at ¶ 22.b.

provide options for service restoration.⁴⁷ PGW will also conduct outreach to confirmed low-income customers within the last 12 months to promote PGW's CRP.⁴⁸

- Data Tracking – PGW will track the number of customers who restore service through C19RP and will provide this information to the parties.⁴⁹
- Medical Certificates – PGW will accept at least one additional medical certificate to prevent termination of service for non-payment.⁵⁰
- Collections – PGW will suspend PUC-regulated collection efforts for amounts due for service from March 2020 through the duration of the PUC Emergency Order or April 1, 2021, whichever comes first.⁵¹
- Late Payment Fees – C19RP customers are eligible for a waiver of late payment fees from the time of enrollment through April 1, 2021.⁵²
- Reconnections – Reconnection fees will be waived for C19RP participants for the duration of the Commission's Emergency Order.⁵³ For customers who currently do not have active service, PGW will determine eligibility and apply the \$300 credit as follows: (a) for customers owing less than \$300, PGW will credit the amount owed and waive the reconnection fee; (b) for customers owing more than \$300 and not more than \$600, PGW will credit \$300 toward the reconnection fee and the customer will be eligible for a long-term deferred payment arrangement; and (c) those owing more than \$600 will be advised to bring the balance down to \$600 in order to participate.⁵⁴

The COVID-19 Relief Plan provides significant benefits to eligible customers affected by the COVID-19 pandemic and represents a benefit to customers that likely could not have been

⁴⁷ Joint Petition at ¶ 21.d.

⁴⁸ Joint Petition at ¶ 21.h.

⁴⁹ Joint Petition at ¶ 21.e, f.

⁵⁰ Joint Petition at ¶ 21.g.

⁵¹ Joint Petition at ¶ 22.a.

⁵² Joint Petition at ¶ 22.c.

⁵³ Joint Petition at ¶ 22.d.

⁵⁴ Joint Petition at ¶ 22.e.

achieved outside the context of settlement. Accordingly, the COVID-19 Relief Plan should be approved as part of the full Settlement as being in the public interest.

D. Revenue Allocation and Rate Design

1. Revenue Allocation

The Joint Petitioners agreed to the following revenue allocation:⁵⁵

Class	Current Revenues Excluding COG	PGW Litigation	Joint Settlement Proposal	Joint Settlement Proposal Scaled to \$35 million	Percent
Residential	318,467	59,099	54,793	27,396	8.603%
Commercial	59,883	3,300	8,183	4,092	6.833%
Industrial	4,681	213	776	388	8.286%
Municipal	4,541	935	1,050	525	11.562%
PHA-GS	1,354	325	350	175	12.929%
PHA-Rate 8	2,598	126	450	225	8.660%
NGVS	2	0	0	0	0.000%
Rate IT	12,700	6,000	4,399	2,199	17.317%
Total	404,225	69,999	70,000	35,000	8.659%

⁵⁵ Joint Petition at ¶ 23.

Further, the Joint Petitioners agreed that this allocation will be phased in as follows:⁵⁶

Joint Settlement Proposal	1-Jan-2021	1-Jul-2021	1-Jan-2022	Total
Residential	7,828	7,828	11,741	27,396
Commercial	1,169	1,169	1,754	4,092
Industrial	111	111	166	388
Municipal	150	150	225	525
PHA-GS	50	50	75	175
PHA-Rate 8	64	64	96	225
NGVS	0	0	0	0
Rate IT	628	628	943	2,199
Total	10,000	10,000	15,000	35,000

If the Settlement is approved by the Commission, a residential sales customer using 75 thousand cubic feet (Mcf) per year will see increases in their monthly bills as follows: (1) an increase from \$99.52 to \$101.02 or by 1.5% on January 1, 2021; (2) an increase from \$101.02 to \$102.53 or by 1.5% on July 1, 2021; and (3) an increase from \$102.53 to \$104.78 or by 2.2% on January 1, 2022, or a total increase of 5.2%. If the Company's entire request had been approved, the total bill for a residential customers using 75 Mcf per year would increase from \$99.52 to \$110.68 per month, or by 11.2%. The total bill for a commercial customer using 342 Mcf of gas purchased from PGW per year will see increases in their monthly bills as follows: (1) an increase from \$351.92 to \$355.38 or by 1.0% on January 1, 2021; (2) an increase from \$355.38 to \$358.84 or by 1.0% on July 1, 2021; and (3) an increase from \$358.84 to \$363.99 or by 1.4% on

⁵⁶ Joint Petition at ¶ 23.

January 1, 2022. If the Company's request had been approved as proposed, the total bill for a commercial customer using 342 Mcf of gas per year would have increased by 3.3%.

The revenue allocation and rate design agreed to in this Settlement reflect a compromise and do not endorse any particular cost of service study.⁵⁷ Cost of Service Studies were presented by the witnesses for OCA and OSBA in addition to PGW witness Heppenstall. I&E witness Cline and PICGUG witness Pollock also made recommendations with respect to the allocation of any rate increase. Accordingly, the proposed allocations are cost based and reflect a reasonable compromise on the parties' revenue allocation and rate design proposals and is in the public interest.

Exhibit 1 to the Joint Petition sets forth a Proof of Revenue demonstrating that the proposed rates produce a total of \$35 million in additional revenues, assuming *pro forma* revenue at present rates using 20-year average degree days.

2. Customer Charge

As part of its filing, PGW proposed changes to its fixed monthly customer charges to move the charges closer to the full cost of service.⁵⁸ Other parties recommended lower increases or no increase. For example, the OCA recommended that PGW's current monthly Residential customer charge be increased to no more than \$16.00 at the full requested rate increase, or proportionately reduced to reflect the authorized rate increase.⁵⁹ The Joint Petitioners have agreed to the following customer charges, which represent a reasonable compromise based on the parties' positions:⁶⁰

⁵⁷ See Joint Petition at ¶ 48.a.

⁵⁸ PGW St. No. 6 at 6-7.

⁵⁹ OCA St. No. 4 at 4.

⁶⁰ Joint Petition at ¶ 24.

<u>Customer Class</u>	<u>Present Customer Charge</u>	<u>Increase on 1/1/2021</u>		<u>Increase on 7/1/2021</u>		<u>Increase on 1/1/2022</u>		<u>Total Cumulative Increase on 1/1/2022</u>	
		<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Residential	\$ 13.75	\$ 0.35	2.5%	\$ 0.35	2.5%	\$ 0.45	3.3%	\$ 1.15	8.4%
Commercial	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
Industrial	\$ 70.00	\$ 1.80	2.5%	\$ 1.80	2.5%	\$ 2.30	3.3%	\$ 5.90	8.4%
Municipal	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
PHA - GS	\$ 13.75	\$ 0.35	2.5%	\$ 0.35	2.5%	\$ 0.45	3.3%	\$ 1.15	8.4%
PHA - Rate 8	\$ 23.40	\$ 0.60	2.5%	\$ 0.60	2.5%	\$ 0.75	3.2%	\$ 1.95	8.3%
NGVS	\$ 35.00	\$ -		\$ -		\$ -			
Interruptible									
Total									
IT A	\$ 152.16								
IT B	\$ 273.89								
IT C	\$ 273.89								
IT D	\$ 273.89								
IT E	\$ 426.06								

The modest increases in the customer charges are fully supported by the evidence presented in the proceeding. PGW demonstrated that the actual customer related costs would justify a customer charge of \$26.54 for residential customers.⁶¹ I&E actually supported PGW's proposed increase at present rates.⁶² OCA recommended an increase of \$2.25 (Current charge:

⁶¹ PGW St. No. 5-R at 7; Exh. CEH-1R, Sch G.

⁶² I&E St. No. 2 at 3.

\$13.75 vs. \$16.00) scaled back proportionally depending on the level of overall increase ultimately awarded.⁶³ Since the Settlement rate increase is one-half of PGW’s original request, the Settlement customer charge increase of \$1.15 is just slightly above the OCA recommendation in the case.

3. Firm Transportation Service

The settling parties agreed that, as part of its next base rate case filing, PGW will evaluate whether to propose a firm transportation service (“FTS”) rate. If this evaluation shows that Rate FTS is appropriate, PGW will submit a FTS proposal with its next base rate filing.⁶⁴

4. Rate BUS

The parties agreed to modify the “Availability” section of Back-Up Service – Rate BUS to reflect the availability of interruptible back-up service.⁶⁵ Otherwise, Rate BUS will continue as modified in the filing. PGW has also agreed to provide data on the number of customers, revenues and costs incurred under Rate BUS as part of its annual GCR filings.⁶⁶

5. TED Rider and Micro-CHP Incentive Program

The parties agreed that the TED Rider and Micro-CHP Incentive Program will continue as modified by PGW’s filing.⁶⁷ Additionally, PGW agreed to provide data on the number of customers, sales level and costs as part of its March 1, 2021 Annual GCR filing.⁶⁸

⁶³ OCA St. No. 4 at 33-35.

⁶⁴ Joint Petition at ¶¶ 25-27.

⁶⁵ Joint Petition at ¶ 30.

⁶⁶ Joint Petition at ¶¶ 31-32.

⁶⁷ Joint Petition at ¶ 28.

⁶⁸ Joint Petition at ¶ 29.

E. Low Income Customer Issues

The Settlement contains numerous terms intended to address residential consumer issues raised by the OCA and the low-income policy advocacy organizations, TURN and CAUSE-PA. These concerns were focused on universal service and affordability issues for residential customers, including (but not limited to) low-income customers.

The “Low Income Customer Issues” section of the Settlement represents the results of the Joint Petitioners’ extensive settlement discussions and good faith compromises of the respective positions of the parties. These are in addition to the COVID-19 Relief Plan discussed above, which provides significant additional benefits to eligible customers impacted by the COVID-19 pandemic, who may also be low-income. As a whole, these sections of the Settlement constitute a reasonable resolution that balances the interests and competing positions of the Joint Petitioners and resolves all issues related to residential low-income assistance rules and programs. In addition, the Settlement terms provide clarifications and enhancements to PGW’s programs and policies.

1. Enhancements to Universal Service Programs

- **CRP Enrollment** – PGW has agreed to provide an annual training to Community Based Organizations by March 31, 2021 on how to use the online CRP application tool and promotion of CRP enrollment generally.⁶⁹ PGW will also create a video explaining how to apply for CRP online, which will be posted on its website and social media. The video and other contactless CRP application methods will be publicized.⁷⁰
- **CRP Average Bill** – PGW will review and adjust CRP asked to pay amounts quarterly, rather than annually upon recertification. The asked to pay amount will be increased or decreased if there is a change in the CRP Average Bill amount, or

⁶⁹ Joint Petition at ¶ 33.a.

⁷⁰ Joint Petition at ¶ 33.b.

the customer may be switched to a CRP Percentage of Income Payment if the CRP Average Bill amount exceeds the household's maximum energy burden.⁷¹

- LIURP – Any unspent 2019 and 2020 LIURP funds will be added to PGW's LIURP program budget through the end of its current Universal Service and Energy Conservation Plan ("USECP") until expended, and will be incremental to the existing LIURP budget.⁷² Additionally, PGW will provide two landlord letters or one letter and one telephone call in an attempt to obtain landlord consent to perform LIURP services for a tenant.⁷³

2. Data Collection and Reporting

- LIHEAP Crisis Grants – PGW will track the number of customers who receive a LIHEAP Crisis grant and have an account balance greater than the maximum Crisis grant amount and the dollar amount of Crisis grants received by PGW for those customers. PGW will track this information separately for customer whose service is on and for those restoring service, and will provide this data to the parties by September 30, 2021 for the 2020-2021 LIHEAP season.⁷⁴
- Terminations for Non-Payment – For properties where service has been terminated for non-payment, PGW agrees to track the number of customers who did not have service restored in the following year, and will provide this data for calendar year 2021 to its Universal Service Advisory Group ("USAG") in 2022.⁷⁵

3. Policy Changes

- Crisis Acceptance – PGW will analyze the results of its Crisis threshold amount at the conclusion of the 2020-2021 LIHEAP season and provide the analysis to the parties. For the 2021 LIHEAP season, PGW will allow customers to restore service if their account balance with PGW is at or below \$1,200, even if the Crisis grant amount is insufficient to cover the restoration requirement.⁷⁶
- Protections for Victims of Domestic Violence – PGW agrees to draft a written policy detailing its processes for handling cases for victims of domestic violence. PGW will provide this policy to the parties within 90 days of approval of the

⁷¹ Joint Petition at ¶ 33.c.

⁷² Joint Petition at ¶ 33.d.

⁷³ Joint Petition at ¶ 33.e.

⁷⁴ Joint Petition at ¶ 34.a.

⁷⁵ Joint Petition at ¶ 34.b.

⁷⁶ Joint Petition at ¶ 35.a.

Settlement and will consider their input on the policy.⁷⁷ PGW's team handling domestic violence issues will be specifically trained, and all customer service representatives will receive annual training on protections and processes for victims of domestic violence.⁷⁸ A PGW trainer will work with a local domestic violence agency for input on appropriate training. PGW will provide the training materials to the parties.⁷⁹ PGW will also create website content regarding protections available for victims of domestic violence.⁸⁰

- Language Access – PGW will continue providing spoken language translation services for customer service center communications.⁸¹ Customer service representatives will receive annual training and a hand-held reference guide for how to utilize these services.⁸² PGW will also work with the USAG to identify ten key documents to be made available in up to five languages, other than English and Spanish, to be posted on PGW's website.⁸³
- Liens and Arrearage Forgiveness Cost Recovery – For 12 months, PGW will report: (a) the number of liens perfected, including amounts subject to forgiveness as part of the CRP and pre-existing arrears; (b) the number of liens paid off that include amounts of pre-existing arrears subject to forgiveness; and (c) the dollar amount of pre-existing arrears subject to forgiveness that were paid off as a result of a lien payoff.⁸⁴
- Consumer Education and Outreach – PGW will work with the USAG to refine its Consumer Education and Outreach plan,⁸⁵ specifically focused on outreach to low-income customers at 0-50% of the Federal Poverty Level.⁸⁶

⁷⁷ Joint Petition at ¶ 35.b.

⁷⁸ Joint Petition at ¶ 35.b.i, ii.

⁷⁹ Joint Petition at ¶ 35.b.iii.

⁸⁰ Joint Petition at ¶ 36.a.

⁸¹ Joint Petition at ¶ 37.a.

⁸² Joint Petition at ¶ 37.b.

⁸³ Joint Petition at ¶ 37.c.

⁸⁴ Joint Petition at ¶ 38.

⁸⁵ PGW's Consumer Education and Outreach Plan was included as Appendix G to its Second Amended Universal Service and Energy Conservation Plan 2017-2022, filed on April 10, 2020 at Docket Nos. P-2020-3018867 and M-2016-2542415.

⁸⁶ Joint Petition at ¶ 39.

- Terminations – If the Commission’s current termination moratorium expires or is otherwise terminated, and the Commission subsequently issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, PGW will initiate discussions with the parties to this Settlement within thirty (30) days to discuss a possible extension of customer benefits. The parties reserved their ability to take other actions regarding such orders.⁸⁷
- Bad Debt Offset – PGW will implement a 5.75% Bad Debt Offset which will offset CRP credit amounts related to average annual CRP participants exceeding 80,000 customers.⁸⁸
- CRP Enrollment and Recertification – Within 12 months of approval of the Settlement, PGW will review the reasons why customers were denied enrollment or recertification into CRP for inability to verify income, and will determine whether its list of acceptable verification documents should be expanded. PGW will meet with the parties within 15 months of the Settlement’s approval to discuss their findings, and the final results of the review will also be shared with the parties.⁸⁹

F. Pipeline Safety Issues

A goal of PGW’s rate increase request is to provide adequate funding to continue to modernize its distribution system to ensure its long-term safety and reliability.⁹⁰ The parties agreed to the following regarding PGW’s main replacements.

1. Cast Iron Main Replacement

As part of the Settlement, PGW has agreed to continue its focus on cast iron main replacement and to present a shortened timeframe for these replacements in its next LTIP filing.⁹¹ Additionally, PGW will focus these replacements based on risk, and will categorize

⁸⁷ Joint Petition at ¶ 40.

⁸⁸ Joint Petition at ¶ 41.

⁸⁹ Joint Petition at ¶ 42.

⁹⁰ See PGW St. No. 1 at 3.

⁹¹ Joint Petition at ¶ 43.

risky assets (particularly cast iron assets) in its Distribution Integrity Management Plan (“DIMP”) in a way that allows PGW to measure the effectiveness of the replacement plan.⁹²

2. Main Replacement Costs

PGW has also agreed to review its most recent Annual Asset Optimization plan with the Commission’s Pipeline Safety Division to discuss further cost reduction efforts.⁹³ These agreements reflect the positions advanced by I & E and are consistent with prior PUC orders. Therefore they are in the public interest.

⁹² Joint Petition at ¶ 44.

⁹³ Joint Petition at ¶ 45.

III. CONCLUSION

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

Therefore, PGW respectfully requests that the ALJs and the Commission: (a) expeditiously review and approve the Settlement, without modification, in order that the rates can be implemented as soon as possible; (b) mark the complaints of the Parties to this Settlement closed; and (c) take any other action deemed to be in the public interest.

Respectfully submitted,

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Dated: August 26, 2020

Counsel for Philadelphia Gas Works

Statement B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Pennsylvania Public Utility
Commission**

v.

Philadelphia Gas Works

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Docket No.: R-2020-3017206

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGES MARTA GUHL AND DARLENE HEEP:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through its Prosecutor Carrie B. Wright, hereby submits that the terms and conditions of the foregoing *Joint Petition For Partial Settlement* (Joint Petition or Settlement) are in the public interest and represent a reasonable and equitable balance of the interests of Philadelphia Gas Works (PGW or Company), PGW's customers, and the parties to the Settlement Agreement. The parties have conducted extensive formal and informal discovery and have participated in numerous settlement

conferences. The extensive and open discussions culminated in the attached Settlement Agreement. I&E requests approval of the Joint Petition based on I&E's determination that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. "The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest."¹ The Commission has recognized that a settlement "reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest."² As a product of negotiation and compromise between multiple parties, this Settlement Agreement reflects concessions from PGW's original rate request. Accordingly, the Bureau of Investigation and Enforcement believes that the terms and conditions of the Joint Petition are in the public interest.

In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape on Public Utilities

A business may acquire "public utility status" when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure (e.g., substations, poles, lines, etc.) and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961), at 3-14; 66 Pa. C.S. § 102.

monopoly as the sole service provider in the extended geographic service territory.⁴ In order to protect consumers, the public utility's rates and services are regulated.⁵ Price regulation strives to replicate the results of effective competition.⁶

As a public utility, a natural gas distribution company (NGDC) shall provide just and reasonable rates to customers receiving service in the Commonwealth of Pennsylvania.⁷ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁸ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereof.⁹

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.¹⁰ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters, and to enforce compliance with the Public Utility Code.¹¹ By representing the public interest in rate proceedings before the Commission, I&E works to

⁴ See *id.*; 66 Pa. C.S. § 2802 (it is in the public interest for the distribution of electricity to be regulated as a natural monopoly by the Commission).

⁵ See *id.*; 66 Pa. C.S §§ 1301, 1501.

⁶ See *Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

⁷ 66 Pa. C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944).

⁸ *City of Lancaster v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); see *Hope*, 320 U.S. at 602-603.

⁹ 66 Pa. C.S. § 1501.

¹⁰ Act 129 of 2008, 66 Pa. C.S. § 308.2(a)(11); 66 Pa. C.S. §§ 101 *et seq.*; 52 Pa. Code §§ 1.1 *et seq.*

¹¹ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹²

C. History of the Proceeding

On February 28, 2020, PGW filed Supplement No. 128 to PGW's Gas Service Tariff – Pa. PUC No. 2, containing proposed changes in rates, rules, and regulations calculated to produce approximately \$70 million in additional annual revenues based upon data for a fully projected future test year. This proposed rate change represents an average increase in the Company's distribution rates of approximately 10.5%.

Supplement No. 128 was proposed to take effect on April 28, 2020. Pursuant to 66 Pa. C.S. § 1308(d), the filing was suspended by Commission Order entered April 16, 2020, until November 28, 2020, and assigned to the Office of Administrative Law Judge (“OALJ”) for the development of an evidentiary record and Recommended Decision.

On March 6, 2020, Governor Tom Wolf issued a Proclamation of Disaster Emergency in the Commonwealth of Pennsylvania as a result of the coronavirus pandemic (COVID-19). Because of the difficulties that arose from the COVID-19 pandemic, I&E filed a Motion to Extend the Statutory Suspension Period of the instant proceeding. Ultimately, the Parties were able to reach an agreement on the extension of the suspension period for this case and PGW voluntarily extended the suspension period to December 4, 2020.

¹² See 66 Pa. C.S. §§ 1301, 1304.

Administrative Law Judges Marta Guhl and Darlene Heep were assigned to preside over the proceeding. A call-in telephonic prehearing conference was held as scheduled on May 5, 2020. At the conference, a schedule was memorialized, identifying filing dates for the parties' testimony, setting dates for public input hearings, and scheduling dates for evidentiary hearings.

Four public input hearings were held electronically on June 2 and June 3, 2020, at 1:00 p.m. and 6:00 p.m. each day.

Pursuant to the procedural schedule agreed to at the prehearing conference, the parties submitted direct and rebuttal testimony on June 15, 2020 and July 13, 2020 respectively. Surrebuttal testimony was served on July 24, 2020.

On July 29, 2020, an evidentiary hearing was held as scheduled. The active parties waived cross-examination with limited exception, and all of their testimony and exhibits were admitted into the record.

II. DISCUSSION

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹³ Here, the Joint Petitioners successfully achieved a Settlement Agreement of most of the issues.

The Settlement Agreement is a "Black Box" agreement, which does not specifically identify the resolution of certain disputed issues.¹⁴ Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent

¹³ *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

¹⁴ *See id.* at *11.

proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.¹⁵

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, three days of litigious hearings, briefing, and further involvement of both ALJs would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.¹⁶ The request for approval of the *Joint Petition for Partial Settlement* is based on the I&E conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”¹⁷ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”¹⁸ The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

REVENUE REQUIREMENT (Joint Petition, ¶¶A.16-17)

Revenue Number

¹⁵ See *id.*

¹⁶ See *id.*

¹⁷ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

¹⁸ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

The Settlement Agreement provides for an increase of \$35 million to the Company's annual overall revenue in total. PGW will increase rates over a three step process as follows: 1) \$10 Million for services rendered on or after January 1, 2021; 2) \$ 10 Million for services rendered on or after July 1, 2012; and 3) \$15 Million for services rendered on or after January 1, 2022. This increase is \$35 million less than the \$70 million initially requested by PGW, or a reduction of approximately 50% of the amount requested. I&E agreed to settlement in the amount of \$35 million only after I&E conducted an extensive investigation of PGW's filing and related information obtained through the discovery process to determine the amount of revenue PGW needs to provide safe, effective, and reliable service to its customers. Further, the nature of the stepped increase serves to benefit customers in these uncertain economic times resulting from the COVID-19 pandemic.

The additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a "Black Box" settlement with limited exceptions. The prior Chairman of the Commission has explained that black box settlements are beneficial in this context because of the difficulties in reaching an agreement on each component of a company's revenue requirement calculation, when he stated, the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box

settlements are an integral component of the process of delivering timely and cost-effective regulation.”¹⁹

This increased level of “Black Box” revenue adequately balances the interests of ratepayers and PGW. PGW will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial request. Mitigation of the level of the rate increase benefits ratepayers and results in “just and reasonable rates” in accordance with the Public Utility Code, regulatory standards, and governing case law.²⁰

Rate Case Stay Out

PGW has agreed that it will not file a general rate increase any sooner than January 1, 2022. This provision affords a level of rate stability that would not be available should the case be fully litigated.

COVID-19 RELIEF PLAN (Joint Petition, ¶¶B.18-22)

PGW will implement a COVID-19 relief plan to assist customers who have been impacted by the COVID-19 pandemic. This relief plan consists of, among other things, a \$300 credit to ratepayers who are in arrears funded by pipeline refunds in the amount of \$2 Million. The program will end March 31, 2021 or when the funding for the program is exhausted.

¹⁹ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

²⁰ 66 Pa. C.S. § 1301.

I&E did not submit testimony regarding the COVID-19 Relief Plan which provides payment relief for customers that may need temporary assistance as a result of the COVID-19 pandemic. The general concern raised by the parties is and was that in these tenuous economic times caused by the COVID-19 pandemic, it may be necessary to provide emergency relief to certain ratepayers. I&E shares these concerns. Therefore, after extensive negotiations, I&E supports the implementation of the proposed COVID-19 Relief Plan as a full and fair compromise that provides regulatory certainty for all parties, which facilitates the Commission's stated preference favoring negotiated settlements as in the public interest.

The program provides for assistance and funding through the use of pipeline refunds. As PGW is a cash flow utility, this was the best way to provide funding for this program. The program will allow PGW to assist a large number of customers but does not provide unlimited use of pipeline refunds. This aspect of the settlement was important to I&E as pipeline refunds are generally passed back to customers. Using them in this way provides a way for PGW to support a COVID relief plan while not entirely doing away with the notion that pipeline refunds are to be passed on to customers. Further, the program is set up in such a way as to allow PGW to administer the program without needing to implement significant changes to its existing software. This keeps costs low which allows for the money to be spent to assist customers and not on administrative matters. As such, I&E believes this portion of the settlement to be in the public interest.

REVENUE ALLOCATION AND RATE DESIGN (Joint Petition, ¶¶C.23-C.32)

Allocation

A public utility shall not establish or maintain unreasonable differences in rates among rate classes.²¹ While there may exist sound justification for some discrepancies in rates, this alone does not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time. The revenue allocation set forth in this settlement not only reflects a compromise of the Joint Petitioners, but it also produces an allocation that moves each class closer to its actual cost of service. This movement is consistent with the principles of *Lloyd*. Accordingly, this revenue allocation is in the public interest because it is designed to limit customer class subsidies, and to place costs upon the classes responsible for causing those costs.

Rate Design

The Joint Petition provides that the residential customer charge will be increased and will be increased by a cumulative total of \$1.15. This consists of a \$0.35 increase on January 1, 2021; a \$0.35 increase on July 1, 2021; and a \$0.45 increase on January 1, 2022. Nearly all parties in this proceeding opposed PGW's proposal to raise the residential customer charge from \$13.75 per month to \$19.25 per month. Therefore, this resolution represents a significant compromise by PGW. The ultimate resolution is in the public interest because it protects ratepayers while still providing PGW with adequate revenue.

²¹ 66 Pa. C.S. § 1304.

The remaining customer charges in the Company's proposed tariff will be modified to reflect the mitigated level of the overall increase. A utility must be allowed to recover the fixed portion of providing service through the implementation of the proper customer charge.²² This fixed charge provides PGW with a steady, predictable level of income which will allow PGW to recover certain fixed costs such as metering, billing, and payment processing.²³ Limiting the requested increase benefits ratepayers by allowing them to save more money through conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage. Designing rates to allow customers to have greater control of their gas bills is in the public interest. Preventing such a large increase in the customer charge demonstrates a compromise of the interests of the Joint Petitioners. Therefore, this provision is in the public interest.

Evaluation of Potential Firm Transportation Service Rate (FTS)

I&E took no specific position on whether PGW should propose an FTS rate. Here, however, PGW has agreed to submit an evaluation in its next base rate case as to whether it should propose an FTS. The information provided by PGW will allow the parties to better evaluate whether an FTS rate should be implemented or not.

Technology and Economic Development (TED) Rider and Micro-Combined Heat and Power (Micro-CHP) Incentive Program

I&E took no specific position on PGW's TED Rider or Micro-CHP Incentive Program in testimony. PGW has agreed that on March 1, 2021, as part of its annual Gas

²² Jim Lazar. "Electric Utility Residential Customer Charges and Minimum Bills: Alternative Approaches for Recovering Basic Distribution Costs." Regulatory Assistance Project (Nov. 2014).

²³ *Id.*

Cost Rate (GCR) Filing it will provide the data on the numbers of customers, sales levels and costs. This will provide information to evaluate the TED Rider and Micro-CHP Incentive Program.

Rate BUS: Back-Up Service

I&E took no specific position on Rate BUS: Back-Up Service. Like with the TED Rider and Micro-CHP Incentive Program, PGW has agreed that as part of its GCR Filing it will provide data on the number of customers, sales levels, revenues, and costs incurred to provide service under Rider BUS.

LOW INCOME CUSTOMER ISSUES (Joint Petition, ¶¶D.33-42)

While I&E reviewed the customer issues in this proceeding, I&E took no specific positions on the provisions outlined in this portion of the Settlement. I&E however supports the ultimate outcome of these provisions. Additionally, these issues are particularly important in PGW's service territory which is composed of a large low-income population. When coupled with the current tumultuous state of the economy resulting from the COVID-19 pandemic, it is clear that assistance to low-income customers is particularly important. Easing the burden on these customers and providing them with the opportunity to be able to afford their utility bills is in the public interest.

GAS SAFETY ISSUES (Joint Petition, ¶¶D.43-45)

Removing risky cast iron mains at the most aggressive rate possible and improving safe operation of these lines to prevent cast iron main breaks, such as the fatal event that occurred on December 19th 2019 which remains an active investigation, should remain the utmost priority of PGW. As part of this settlement, PGW has agreed that it will

remain focused on cast iron main replacement and, in its next Long-Term Infrastructure Improvement Plan (LTIIP), PGW will propose a shortened timeframe for cast iron main replacement. The timeframe by which PGW expects to replace these cast iron mains at the agreed upon revenue increase is a quicker timeframe than that which was approved by the Commission in PGW's last LTIIP filing. The fact that PGW will propose a shortened timeframe in its next LTIIP filing is also in the public interest as it assures the Commission that PGW will attempt to remove these risky assets as quickly as possible.

In addition, PGW has agreed that it will break down in its Distribution Integrity Management Plan (DIMP) cast iron assets into smaller asset categories. Breaking down cast iron assets in this manner will allow PGW which size pipes are the riskiest and rank their assets accordingly.

Furthermore, PGW has agreed to allow the Commission's Pipeline Safety Division to review its most recent Annual Asset Optimization Plan (AAOP). Increasing pipeline replacement costs are a concern because when the cost of replacement goes up, there is less money available overall for replacement of risky pipe. Allowing Pipeline Safety to review the most recent AAOP will allow for a discussion of areas where PGW can reduce costs. Reviewing in this manner will help to identify areas where costs are trending upward and allow for a proactive approach in reducing costs.

III. CONCLUSION

Based on I&E's analysis of the base rate revenue increase requested by Philadelphia Gas Works, acceptance of this proposed Joint Petition is in the public interest. Resolution of these provisions by settlement rather than continued litigation will

avoid the additional time and expense involved in formally pursuing all issues in this proceeding. Increased litigation expenses may have impacted the increase in revenue agreed to in the Joint Petition. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E further submits that acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this Base Rate Investigation proceeding best serves the interests of PGW and its customers.

The Settlement Agreement is conditioned upon the Commission's approval of all terms and conditions contained therein and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a "Black Box" agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or in the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJs recommend that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and

conditions of the Settlement Agreement, or any additional matters, that may be proposed by the presiding officers in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any active party to this proceeding.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement supports the *Joint Petition For Partial Settlement* as being in the public interest and respectfully requests that Administrative Law Judges Marta Guhl and Darlene Heep recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



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Dated: August 26, 2020

Statement C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
Philadelphia Gas Works	:	

STATEMENT IN SUPPORT OF THE
OFFICE OF CONSUMER ADVOCATE AS TO
THE JOINT PETITION FOR PARTIAL SETTLEMENT

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Partial Settlement (Settlement), finds that the proposed terms and conditions of the Settlement are in the public interest and in the interests of PGW's ratepayers. The OCA respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the Settlement, without modification, for the reasons set forth below:

I. BACKGROUND

On February 28, 2020, PGW filed Supplement No. 128 to PGW's Gas Service Tariff – Pa. P.U.C. No. 2 (Supplement No. 128) and Supplement No. 85 to PGW's Supplier Tariff – Pa. P.U.C. No. 1 (Supplement No. 85) to become effective April 28, 2020, seeking a general rate increase calculated to produce \$70 million (10.5%) in additional annual revenues. On March 6, 2020, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. On March 10, 2020, the Office of Consumer Advocate (OCA) filed a Formal Complaint. On March 11, 2020, the Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On March 19, 2020, Direct Energy Services, Inc. (Direct Energy) filed a Petition to Intervene. On April 7, 2020, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Formal Complaint. On April 13, 2020, the Tenant Union Representative Network – and Action Alliance of Senior Citizens of Greater Philadelphia (TURN, *et al.*) filed a Petition to Intervene.

On April 16, 2020, the Commission initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Supplement No. 128 and Supplement No. 85 were suspended by operation of law until November 28, 2020, unless permitted by Commission Order to become effective at an earlier date. The matter was assigned to ALJs Darlene Heep and Marta Guhl

(ALJs). On April 16, 2020, the ALJs issued a Prehearing Order setting the initial Prehearing Conference for May 5, 2020.

On April 29, 2020, I&E filed an Expedited Motion to Extend the Statutory Suspension Period During the Emergency Interruption of Normal Operations of the Pennsylvania Public Utility Commission, seeking to extend the period until January 14, 2021. On May 5, 2020, the Parties informed the ALJs that an agreement had been reached as to the I&E Motion. PGW would file a tariff supplement to extend the suspension period until December 4, 2020. On May 12, 2020, PGW filed PGW's Tariff Supplement No. 132 to its Gas Service Tariff– Pa. P.U.C. No. 2 and Tariff Supplement No. 89 to its Gas Supplier Tariff – Pa.P.U.C. No. 1.

The Prehearing Conference was held on May 5, 2020. A procedural schedule was agreed to and certain modifications to the Commission's discovery regulations were implemented. Telephonic Public Input Hearings were also scheduled for June 2 and June 3, 2020, at 1:00 and 6:00 on both days. The Public Input Hearings were held as scheduled, and several PGW customers testified on the record as to PGW's proposed rate increase.

On June 15, 2020, in accord with the procedural schedule, the OCA filed the Direct Testimony of its witnesses, Scott J. Rubin,¹ OCA Statement 1, Mark E. Garrett,² OCA Statement 2, David S.

¹ Mr. Rubin is an independent attorney and public utility industry consultant under contract with the OCA who has testified as an expert witness before utility commissions and courts in seventeen states and the District of Columbia and province of Nova Scotia. OCA St. 1 at 1-3. Since 1984, Mr. Rubin has provided legal and consulting services to a variety of parties interested in public utility regulatory proceedings. A complete description of Mr. Rubin's qualifications is provided in OCA Statement 1, Appendix A.

² Mr. Garrett is the President of Garrett Group Consulting, Inc., a consulting firm specializing in public utility regulation and litigation. Mr. Garrett is a licensed attorney and a certified public accountant, primarily working as a consultant in public utility regulation. Mr. Garrett received his bachelor's degree from the University of Oklahoma and completed post-graduate hours at Stephen F. Austin State University and at the University of Texas at Arlington and Pan American. Mr. Garrett received his juris doctorate degree from Oklahoma City University Law School and was admitted to the Oklahoma Bar in 1997. Mr. Garrett has provided expert testimony in utility proceedings in a number of jurisdictions, including the states of Alaska, Arizona, Arkansas, Colorado, Florida, Indiana, Massachusetts, Nevada, Oklahoma, Texas, Utah, and Washington. Mr. Garrett's complete qualifications are listed in OCA Statement 2, Appendix A.

Habr,³ OCA Statement 3, Jerome D. Mierzwa,⁴ OCA Statement 4 and Roger D. Colton,⁵ OCA Statement 5. Other Intervenors also filed direct testimony, including OSBA, I&E, TURN, *et al.*, PICGUG and the Sierra Club and Clean Air Council (Environmental Advocates).

On June 25, 2020, PGW filed a Motion *in Limine* seeking to strike portions of the testimonies of OCA witness Roger Colton and TURN, *et al.*'s witness Harry Geller. (PGW Motion). On June 30, 2020, the OCA and TURN, *et al.* each filed an Answer opposing the PGW Motion. On July 8, 2020, the ALJs issued an order granting in part and denying in part the PGW Motion and ordering that certain portions of both the Colton and Geller testimony be stricken from the record (July 8 ALJs Order).

On July 13, 2020, the OCA filed the Rebuttal Testimony of Jerome D. Mierzwa, OCA Statement 4-R. PGW, I&E, OSBA and PICGUG also filed rebuttal testimonies. On July 15, 2020, and July 21, 2020, TURN *et al.*, and the OCA, respectively, filed their Petitions for Interlocutory

³ Dr. David Habr is the owner of Habr Economics, a consulting firm founded in January 2009 that focuses on cost of capital and mergers and acquisitions. Dr. Habr received a Bachelor of Arts and a Master of Arts degree in economics from the University of Nebraska- Lincoln and a Ph.D. degree in Economics from Washington State University. Dr. Habr has provided expert testimony in merger cases in Maine and Maryland, rate of return testimony in Hawaii, Pennsylvania, Maine and Maryland, and debt service coverage ratio testimony in Philadelphia Gas Works' 2017 rate case. Dr. Habr's professional background and qualifications are described in OCA Statement 3, Exh. DSH-1.

⁴ Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College. His full background and qualifications are provided in Appendix A, attached to OCA Statement 4.

⁵ Mr. Colton is a Principal of Fisher Sheehan & Colton, Public Finance and General Economics in Belmont, Massachusetts. He provides technical assistance to public utilities and primarily works on low income utility issues. Mr. Colton has devoted his professional career to helping public utilities, community-based organizations and state and local governments design, implement and evaluate energy assistance programs to help low income households better afford their home energy bills. He has been involved with the development of the vast majority of ratepayer-funded affordability programs in the nation. A more complete description of Mr. Colton's education and experience is provided in OCA Statement 5, Appendix A.

Review and Answer to Material Questions for consideration by the Commission as to the July 8 ALJs Order. On July 24, 2020, the OCA filed the Surrebuttal Testimony of its witnesses Scott J. Rubin, OCA Statement 1-S, Mark E. Garrett, OCA Statement 2-S, David S. Habr, OCA Statement 3-S, Jerome D. Mierzwa, OCA Statement 4-S, and Roger D. Colton, OCA Statement 5-S. On July 28, 2020, in accord with the July 8 ALJs Order, the OCA filed the Revised Direct Testimony of Roger Colton, OCA Statement 5 with the appropriate sections removed.

Evidentiary hearings were held on July 29, 2020. All previously identified OCA testimony was admitted into the record, including OCA Statement 5 – Revised. On August 6, 2020, the Commission issued an Order granting the Petitions of OCA and TURN, *et al.*, and reinstated the stricken portions of the Colton and Geller testimonies.⁶ Accordingly, on August 12, 2020, the OCA submitted the original Direct Testimony of Roger Colton, OCA Statement 5, for inclusion in the record.

Subsequent to the August 6 Order, the Parties agreed that supplemental rebuttal, surrebuttal and rejoinder would be necessary in order to preserve the Due Process rights of all Parties. As authorized by the ALJs, dates were set for the submission of such testimonies as may be needed, and the date for Main Briefs was moved from August 19 to August 20, 2020. It was also agreed to by the Parties that any further testimonies that may be submitted would not require an affirmative filing in response, but rather issues raised therein would be preserved for briefing. On August 13, 2020, PGW filed the Supplemental Rebuttal of Denise Adamucci.

The parties engaged in a number of settlement discussions during the course of this proceeding. As a result of these settlement discussions, the Company, OCA, I&E, OSBA, and PICGUG (collectively, Joint Petitioners) were able to agree to resolve certain contested issues in

⁶ Pa. PUC v. PGW, Dock. No. R-2020-3017206 (Order entered Aug. 6, 2020) (August 6 Order).

this proceeding, resulting in a partial Settlement of this matter. On August 19, 2020, the ALJs were notified that a partial settlement had been reached.⁷ Subsequently, the ALJs advised the Parties that the Joint Petition for Partial Settlement, Statements in Support and Main Briefs on the contested issues would now be due on August 26, 2020.⁸ In accord with the ALJs' directions, the OCA submits this Statement in Support of the Partial Settlement.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the many complex issues presented in this proceeding.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA raised in this case. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

⁷ The Environmental Advocates are litigating their issues, as set forth in the Settlement:

The parties agree that the following issues shall be the subject of litigation:

Rate Increase: Whether PGW's rate increase should be denied because its infrastructure modernization program inadequately accounts for potential future mandates related to climate change;

Climate Business Plan: Whether PGW should prepare and submit to the Commission a Climate Business Plan to significantly reduce or eliminate greenhouse gas emissions prior to being granted a rate increase.

Customer Charges: Whether any increase in the customers charges should be granted.

Settlement at ¶46.

⁸ TURN, *et al.* and CAUSE-PA do not oppose the Settlement. The Environmental Advocates oppose the Settlement.

For these reasons, and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest and in the interest of PGW's ratepayers, and should be approved by the Commission without modification.

II. TERMS OF THE SETTLEMENT

A. Revenue Requirement (Settlement ¶¶ 16-17).

Through Tariff Supplement No. 128, PGW proposed to increase rates designed to produce additional annual operating revenue of approximately \$70 million, or an increase of 10.5 percent.⁹ PGW's rates are established using the cash flow method.¹⁰ Under this method, the revenue requirement is the sum of operating expenses, debt service, and a "margin" sufficient to maintain the organization's ability to attract capital on reasonable terms.¹¹ The 1998 Ordinance under which all of PGW's outstanding revenue bonds have been issued requires that 1.5 times the debt service amount be included in the rate calculation.¹²

The Company's testimony provided that its \$70 million base rate increase proposal was driven by several factors, including modernizing infrastructure and increases in the following: pension costs, post-retirement benefit costs, capital spending, and debt service.¹³ The Company also argued that it is critically important that it maintain its financial metrics and current financial position so that it can maintain access to, and improve its borrowing costs for long-term bond transactions and access to credit facilities.¹⁴

⁹ PGW St. 1 at 2.

¹⁰ Id.

¹¹ OCA St. 3 at 2-3.

¹² Id.

¹³ PGW St. 1 at 3.

¹⁴ Id.

In its approach to this proceeding, the OCA recognized the impact of this unusual public health crisis and the resulting affects it has had on our economy. As stated by Scott Rubin in his testimony submitted on behalf of the OCA:

Through no fault of its own, PGW ended up filing its application just weeks before its service area -- indeed the entire world -- was devastated with the worst pandemic in a century. Understandably, PGW prepared this case assuming “business as usual,” but life and business in its service territory is now anything but normal.

In particular, I am very concerned about the impact that significant rate increases would have on PGW’s customers at this time. To be blunt, this is not the time to impose higher costs on either people or businesses. If regulation is supposed to be a substitute for market forces, then we must recognize that except for those commodities experiencing significant imbalances of supply and demand due to the pandemic, competitive businesses cannot sustainably raise prices when their customers’ incomes have decreased significantly. . . . Simply stated, what may have been a “just and reasonable” rate three months ago may be unreasonable today.¹⁵

PGW’s Operations were impacted by the COVID-19 pandemic, including, among other things, having to scale back construction activities due to the Governor’s Emergency Declaration.¹⁶ Accordingly, the OCA recommended a reduction in net construction expenditures to reflect more recent expenditure levels, which would also reduce the rate impact on customers.¹⁷ The OCA also recommended numerous adjustments to the Company’s proposed budgeted expenses.¹⁸ Additionally, the OCA recommended a debt service coverage ratio of 1.88.¹⁹ The OCA’s debt service coverage ratio recommendation reflected the burden customers are carrying

¹⁵ OCA St. 1 at 9.

¹⁶ PGW St. No. 2-R at 8.

¹⁷ OCA St. 3 at 2.

¹⁸ OCA St. 2 at 7.

¹⁹ PGW St. 3 at 5.

as a result of the COVID-19 pandemic while still providing PGW with sufficient funds to maintain investment grade bond ratings.²⁰

The Settlement provides that the Company shall be permitted to increase base rates on a delayed and phased in schedule.²¹ The Settlement results in rates designed to produce \$35 million in additional revenue at the conclusion of the phase in, in lieu of the \$70 million in additional annual revenue by December of 2020 as originally requested by PGW.²² Importantly, this rate increase will be delayed, and then implemented and phased-in over an extended period of time. Specifically, the first rate increase will take effect on January 1, 2021, and is designed to produce additional annual revenue of \$10 million.²³ The second increase will take effect on July 1, 2021, six months later, and is designed to produce additional revenues of \$10 million. Lastly, a third increase of \$15 million occurs on or after January 2, 2022.²⁴

Importantly, as a result of this Settlement, PGW will not file a general rate increase pursuant to 66 Pa. C.S. 1308(d) any sooner than January 1, 2022.²⁵ This stay-out provision will provide for some level of rate stability for the Company's customers as the phase in is completed. As such, the OCA submits that the stay-out provision of the Settlement is in the public interest and the interests of PGW's customers.

²⁰ OCA St. 3 at 6.

²¹ Settlement at ¶¶ 16-17.

²² Settlement ¶ 16.

²³ Id.

²⁴ Id.

²⁵ This Settlement provision does not apply to extraordinary or emergency rate relief pursuant to 66 Pa C. S. Section 1308(e), or tariff changes required or authorized by PUC order or industry-wide changes in regulatory policy which affect PGW's rates; Settlement ¶ 17.

These Settlement provisions are carefully designed to balance the interests of PGW and its customers. As the COVID-19 pandemic has progressed, some business operations in Pennsylvania have reopened including PGW resuming construction activities.²⁶ As part of resuming these activities, the Company continues to fulfill its obligations under its Long-Term Infrastructure Improvement Plan (LTIIIP), which are necessary to address higher risk assets on its system and ensure safe, reliable service to its customers.

It is evident, however, that customers are struggling during this unprecedented situation. Moreover, the COVID-19 pandemic is an evolving situation and it is unclear the extent to which it may further inhibit the Pennsylvania economy in the future. Accordingly, the Joint Petitioners have agreed to defer the beginning of the agreed upon increase until January 1, 2021, and the remainder being phased-in through January 1, 2022. While it is possible that this pandemic may continue until such time, the OCA believes this is a fair compromise in light of the other provisions and protections provided to customers by this Settlement. Additionally, based on the OCA's analysis of the Company's filing, the proposed revenue increase under the Settlement represents an amount which, in the OCA's view, would be within the range of likely outcomes in the event of full litigation of the case.

The OCA also notes that the Settlement represents a "black box" approach to the revenue requirement including cost of capital issues, unless otherwise specified. Black box settlements avoid the need for protracted disputes over the merits of individual revenue requirement adjustments and avoid the need for a diverse group of stakeholders to attempt to reach a consensus on each of the disputed accounting and ratemaking issues raised in this matter, as policy and legal positions can differ. As such, the parties have not specified a dollar amount for each issue or

²⁶ PGW St. 2-R at 8-9.

adjustment raised in this case. Attempting to reach agreement regarding each adjustment in this proceeding would have likely prevented any settlement from being reached.

The OCA submits that the Revenue Requirement portion of the Settlement is reasonable and in the public interest. Accordingly, it should be approved without modification.

B. COVID Relief Plan (Settlement ¶¶ 18-22, 40).

Given the unprecedented pandemic situation affecting the financial well-being of PGW customers, along with the rest of the Commonwealth, nation and world, the Settlement provides for a COVID-19 Relief Plan (C19RP)²⁷ to operate as an additional source of relief for the many vulnerable PGW customers during this time.²⁸ OCA witness Scott J. Rubin testified, at length, about the financial hardships faced by many Philadelphians due to unemployment and wage loss as a result of the pandemic and how increased natural gas rates during this time would further impede PGW customers' abilities to afford service. In his direct testimony, Mr. Rubin states,

Residential customers are experiencing unprecedented levels of unemployment and other economic dislocation (such as reduced hours of work), while many are battling the COVID-19 infection.²⁹

Through this emergency relief plan, PGW will apply GCR Pipeline Refunds towards a one-time \$300 per eligible customer credit on the PGW gas bill (C19RP credit).³⁰ The \$300 C19RP credit will be distributed up to a total of \$2 million, or to 6,660 customers, on a "first-come-first-serve" basis to eligible customers³¹ and will roll over to the eligible customer's subsequent PGW gas bills

²⁷ Settlement at ¶¶ 18-22.

²⁸ C19RP is a product of settlement negotiations and was not originally introduced as a part of PGW's rate increase filing.

²⁹ OCA St. 1, p. 21, lines 7-10.

³⁰ Settlement at ¶ 18.

³¹ According to the Settlement, residential customers are eligible for the C19RP credit if they fall into the following categories: contract employees and self-employed, households in which a household member is caring for someone with COVID-19, households in which a household member is caring for children at a time when the

until exhausted.³² In addition to \$300 C19RP credit, the Settlement also includes provisions which provide for a suspension of PUC-related collection efforts and waivers of late and reconnection fees for eligible customers.³³

The OCA submits that the C19RP is in the public interest as it represents an opportunity to assist many customers impacted by COVID-19. As of mid-July, the unemployment rate in Philadelphia was 15.8% and wage loss for Philadelphian households was more than 50%.³⁴ Given the substantial reductions in employment and wages, there is an unusually large pool of ratepayers unable to afford utility bills. C19RP will help to relieve some of the burden on PGW customers of unaffordable natural gas bills along with the compilation of arrears as a result of COVID-19.

In addition to the \$300 credit, all PUC-related collection efforts towards PGW customers enrolled in C19RP will be suspended for any amounts due for service beginning as of the March 2020 billing cycle and continuing through the duration of the PUC Emergency Order or April 1, 2021, whichever comes first.³⁵ This provision of C19RP addresses a finding by the Electric Power Research Institute (“EPRI”), cited in OCA witness Scott Rubin’s direct testimony, that about two-thirds of people who lost their jobs during the pandemic are concerned about being able to pay their energy bills, more than 20% of survey respondents reported that their energy bills were higher because of the pandemic, and more than 25% of people who lost their jobs are planning to skip at

children’s school or childcare is normally open but is not open, households with a member on furlough, households experiencing financial hardship related to the pandemic, and households in which a member has lost work, even if there is another income-earning member in the household. Settlement at ¶ 19.

³² Id.

³³ Settlement at ¶¶ 12 and 22(c)-(d).

³⁴ OCA St. 1-SR, p. 4-5.

³⁵ Settlement at ¶ 12(a).

least one utility bill payment.³⁶ Also under the C19RP, eligible customers will be entitled to receive waiver of late fees from March 19 until the end date of the current waiver of late fees, unless late fees are re-implemented prior to a customer enrolling in C19RP.³⁷ Reconnection fees will also be waived for the duration of the PUC Emergency Order upon C19RP enrollment.³⁸ The OCA submits that delaying collections efforts and the waiver of late and reconnection fees for the PGW customers eligible for C19RP is in the public interest as it adds a further layer of protection for customers who likely will not have the funds during this time to pay the bills and fees associated with late payments and disconnection of service due to nonpayment.

The Settlement also ensures that customers who may be otherwise eligible for CRP are encouraged to apply for CRP.³⁹ If a C19RP-eligible customer is not eligible for CRP, any remaining current applicable balance that customer may have will be eligible for a long-term deferred payment arrangement (including the suspended amount) of no less than 12 months.⁴⁰ The at least 12-month payment arrangement will be provided to the customer even if the customer has had a prior PGW payment arrangement and/or Commission-authorized payment arrangement.⁴¹

Moreover, the C19RP payment arrangement will not be counted by PGW as a Commission-authorized or PGW payment agreement and will not otherwise be considered regarding future payment arrangement eligibility.⁴² The Settlement specifically provides that

³⁶ OCA St. 1, p. 18, lines 9-12; see also, Schedule SJR-5, pp. 3, 5 and 7 (footnote omitted).

³⁷ Settlement at ¶ 22(c)-(d).

³⁸ Id.

³⁹ Settlement at ¶ 22(b). To be clear, customers will be encouraged to apply for CRP but enrollment in CRP is not required in order for customers to enroll and receive the benefits of C19RP.

⁴⁰ Id.

⁴¹ Settlement at ¶ 22(b)

⁴² Settlement at ¶ 22(b).

customers who receive C19RP payment agreements do not waive their right to also obtain a Commission-authorized payment agreement under Section 1405 of the Public Utility Code.⁴³ The Company may also offer longer payment arrangements to C19RP participants at the discretion of the Company.⁴⁴ This provision is in the public interest as it ensures that eligible customers are informed of the CRP program, and encouraged to apply, if that better suits the customer's needs.

Lastly, under C19RP, if by March 1, 2021 the PUC's Emergency Order has not ended, PGW agrees to meet with the parties by no later than March 5, 2021 to discuss a possible extension of the customer benefits contained in the C19RP.⁴⁵ The Settlement also provides:

If, after the Commission's current termination moratorium expires or is otherwise terminated, the Commission issues a similar order reinstating a termination moratorium due to the COVID-19 pandemic, while not delaying the Company's response to any cessation order, the Company will initiate discussions with the parties to this Settlement within thirty (30) days of the order to discuss a possible extension of customer benefits provided. PGW reserves the right to petition the Commission to take action or modify (i) the current termination moratorium order if the order remains in place beyond December 1, 2020, or (ii) any such similar order.⁴⁶

The OCA submits that this provision is in the public interest as it addresses the great uncertainty surrounding the length of this pandemic and the extent of its economic repercussions on ratepayers as cited by Mr. Rubin in his surrebuttal testimony:

The future is uncertain; the situation is dynamic and changing almost daily; and we do not know the long-term impact on our people, businesses, or economy.⁴⁷

⁴³ Settlement at ¶ 22(b); 66 Pa. C.S. § 1405.

⁴⁴ Settlement at ¶ 22(b).

⁴⁵ Settlement at ¶ 22(g).

⁴⁶ Settlement at ¶ 40.

⁴⁷ See OCA St. 1, p. 24.

The C19RP provisions of the Settlement, taken together, are in the public interest as they provide a small, yet impactful, amount of relief to PGW customers in need of financial assistance during this difficult time. Given the remaining uncertainty of the full impact of COVID-19 on PGW customers, additional support to customers may be necessary in the future. Nevertheless, the OCA submits that C19RP is in the public interest as it is a critical first step in protecting vulnerable PGW customers from the financial impacts of the pandemic and should be approved by the Commission, without modification.

C. Revenue Allocation And Rate Design (Settlement ¶¶ 23-32).

1. Revenue Allocation (Settlement ¶ 23).

PGW proposed to allocate approximately 84% of the proposed \$70 million increase to residential customers. The OCA opposed PGW's allocation proposal, arguing that it was based on its flawed Cost of Service Study (COSS) which was inconsistent with Commission precedent in this area.⁴⁸ Further, OCA witness Jerome D. Mierzwa found that as a result of PGW's modifications to its COSS in Rebuttal there had been significant changes to the cost of service for the residential customer class, which made it "unreasonable not to modify the Company's initial revenue distribution to reflect the significant change in the indicated Residential cost of service."⁴⁹

The Parties agreed to resolve their various differences over allocation, as the Settlement⁵⁰ provides:

⁴⁸ OCA St. 4 at 21-24.

⁴⁹ OCA St. 4-S at 5-6.

⁵⁰ Settlement at ¶ 23.

Rate Class	Increase Percentage	Revenue Allocation Scaled to \$35 million
Residential	8.603%	27,396
Commercial	6.833%	4,092
Industrial	8.286%	388
Municipal	11.562%	525
PHA-GS	12.929%	175
PHA-Rate 8	8.660%	225
NGVS	0.000%	0
Rate IT	17.317%	2,199
TOTAL		35,000

The OCA submits that based on the various COSS presented in this matter the Settlement presents a fair and reasonable allocation of the phased-in revenue increases. Accordingly, the OCA submits this Settlement provision is in the public interest and should be approved.

2. Rate Design (Settlement ¶ 24).

PGW proposed to increase the monthly Residential customer charge for the Residential Class from \$13.75 to \$19.25, a 40% increase. Mr. Mierzwa found that the increase in the customer charge was “out of line with the Residential customer charges of other NGDCs in the Commonwealth,” violated “the principle of gradualism,” and that “a high fixed monthly customer charge is inconsistent with the Commission’s general goal of fostering energy conservation.”⁵¹ Mr. Mierzwa recommended that if PGW’s request for an increase of \$70 million in total operating revenues were granted in full, then the customer charge should be increased to no more than \$16.00.⁵² Mr. Mierzwa further recommended that to the extent the Commission authorized an increase that was less than the PGW’s requested increase, the \$16.00 charge should be proportionately scaled-back to reflect the reduction in the Company’s requested increase.⁵³

⁵¹ OCA St. 4 at 33.

⁵² OCA St. 4 at 35.

⁵³ Id.

OCA witness Roger Colton also testified as to the impacts of PGW's proposed customer charge increase, especially as to its low-income customers.⁵⁴ As Mr. Colton testified:

According to PGW witness Dybalski, this proposal increases the residential customer charge by 40%. (PGW St. 6, at 7). The size of the residential customer charge is important to all residential customers because it is an "unavoidable" fixed monthly charge. I support OCA witness Mierzwa recommendation regarding the residential customer charge.⁵⁵

The Parties agreed to resolve the residential customer charge issue as set out in the Settlement at Paragraph 24. In accord with the phased-in revenue increase, the customer charge will increase \$.35 on January 1, 2021, then an additional \$.35 on July 1, 2021, and finally an additional increase of \$.45 on January 1, 2022.⁵⁶

The OCA submits that the phased-in customer charge increase, resulting in a total change from PGW's current customer charge of \$13.75 to \$14.90 over this period of time is reasonable and consistent with the OCA's recommended scale back in this proceeding. Accordingly, the OCA submits this Settlement provision is in the public interest and should be adopted.

3. Rate Technology and Economic Development (TED) Rider and Micro-Combined Heat and Power (Micro-CHP) Incentive Program and Back-Up Service (BUS) (Settlement ¶¶ 28-32).

In its last base rate proceeding, the Company proposed to implement, on a pilot basis, the Technology and Economic Development (TED) Rider, which PGW contended would increase access and expand the use of natural gas by giving commercial customers more options to obtain natural gas. Mr. Mierzwa recommended "that in its next base rate proceeding, PGW provide

⁵⁴ OCA St. 5 at 12-35.

⁵⁵ OCA St. 5 at 12.

⁵⁶ Settlement at ¶ 24.

information showing the rate of return on incremental investment for TED Rider customers, consistent with the requirement imposed on PGW in its last base rate proceeding [to] assist in ensuring that the TED Rider is operating as intended and not adversely affecting other customers.”⁵⁷ Further, the Company proposed to modify the incentives offered under the Micro-CHP Incentive Program to clarify the incentives available to customers. Mr. Mierzwa supported the approval of the clarification to the Micro-CHP Incentive Program, “subject to the same reporting requirements imposed in PGW’s last base rate proceeding.”⁵⁸ Paragraph 28 of the proposed Settlement provides that the TED Rider “and Micro-CHP Incentive Program will continue as modified in this filing.”⁵⁹ Paragraph 29 of the proposed Settlement provides that “[w]ith respect to the TED Rider and Micro-CHP Incentive Program, PGW agrees to provide data on the number of customers, sales level and costs in its March 1, 2021 Annual Gas Cost Rate (“GCR”) Filing.”⁶⁰

In its last base rate case, PGW proposed a tariff provision for Back-Up Service (BUS) that would permit PGW to negotiate a rate with a customer installing any type of operable backup or emergency equipment and that would, from time to time, require natural gas from the Company for the customer’s operation of that equipment. Mr. Mierzwa supported continuing to allow PGW to provide service under Rate BUS, “subject to the same reporting requirements established in its last base rate case,” under which “PGW was required to provide data on the number of customers, sales levels, and the costs incurred to provide service under Rate BUS.”⁶¹ Paragraph 30 of the

⁵⁷ OCA St. 4 at 40.

⁵⁸ OCA St. 4 at 41.

⁵⁹ Settlement at ¶ 28.

⁶⁰ Settlement at ¶ 29.

⁶¹ OCA St. 4 at 42.

proposed Settlement provides for the modification of the “AVAILABILITY” section of Back-Up Service – Rate BUS as follows:

AVAILABILITY

Available at the Company’s sole discretion where the Customer has installed any type of operable back-up, supplementary, standby, emergency, electric or heat generation equipment and who from, time to time, will require Gas from the Company for the Customer’s operation of that equipment. This rate shall also apply to gas service for any system for which natural gas is not the primary fuel.

If a Customer is seeking interruptible back-up service, the Customer may take interruptible service at IT rates if the Customer meets all requirements of Rate IT, including that the Customer must: (1) have installed and operable alternative fuel equipment, including appropriate fuel storage capacity, capable of displacing the daily quantity of Gas subject to curtailment or interruption; or, in the alternative, (2) demonstrate to the Company’s sole satisfaction the ability to manage its business without the use of Gas during periods of curtailment or interruption.⁶²

Per Paragraph 31 of the proposed Settlement, “[i]n addition to this change, Back-Up Service – Rate BUS will continue as otherwise modified in this filing.”⁶³ Further, per Paragraph 32, “[a]s part of its Annual GCR filings, PGW will provide data on the number of customers, sales levels, revenues, and the costs incurred to provide service under Rate BUS.”⁶⁴

The Settlement provisions relating to the TED, Micro-CHP and BUS are all consistent with the OCA’s recommendations in this proceeding. As such, the OCA submits these provisions of the Settlement are reasonable, in the public interest and should be adopted.

D. Low Income Customer Issues (Settlement ¶¶ 33-42).

1. Limited English Proficiency.

⁶² Settlement at ¶ 30.

⁶³ Settlement at ¶ 31.

⁶⁴ Settlement at ¶ 32.

In their respective Direct Testimonies, OCA witness Colton and TURN *et al.* witness Geller identify concerns regarding how PGW currently addresses the needs of customers with Limited English Proficiency.⁶⁵ As Mr. Colton testifies, language access is critical for customers to have adequate access to PGW's natural gas service and programs.⁶⁶ TURN *et al.* witness Geller states that nearly a quarter of Philadelphia's population speaks a language other than English, and Mssrs. Colton and Geller found that this segment of the population needs additional language assistance.⁶⁷ The OCA submits that under the proposed Settlement, improvements will be provided for Limited English Proficiency customers giving them greater access to PGW's services and programs.

The Settlement adopts recommendations to address the concerns raised by OCA witness Colton and TURN *et al.* witness Geller to improve Limited English Proficiency customers' language access to PGW information and services. The Settlement provides that the Company will "provide availability to spoken language translation services, regardless of whether customers speaking that language comprise less than 5% of the PGW customer base, for service center communications."⁶⁸ The Company will also incorporate annual training for its customer service representatives on how to utilize the language assistance services, include a written reference guide on how to access the translation services.⁶⁹ Finally, PGW will work with its Universal Services Advisory Group (USAG) over the next year to identify ten key universal service, safety, and

⁶⁵ See, OCA St. 5 at 65-73; TURN *et al.* St. 1 at 54-61.

⁶⁶ OCA St. 5 at 71.

⁶⁷ TURN *et al.* St. 1 at 40.

⁶⁸ Settlement at ¶ 37(a).

⁶⁹ Settlement at ¶ 37(b).

customer service documents that will be made available in up to five languages, other than English and Spanish, and available on PGW's website.⁷⁰

The OCA submits that a customer's inability to communicate with customer service representatives imposes unnecessary barriers to both the customer and PGW that limit the Company's ability to serve the customer. The proposed modifications to PGW's language access policies will benefit both customers and the Company. With these proposed modifications, for example, Limited English Proficiency customers will be able to more effectively negotiate a payment agreement with the Company, and the customer service representative will be able to more clearly identify the customer's income level to determine the most appropriate payment arrangement for the customer or to evaluate the customer's eligibility for CRP.⁷¹ The customer will also better understand their rights and payment obligations so that the customer will be more likely to comply with the requirements of the payment arrangement. OCA witness Colton testifies that:

For income-challenged customers participating in CRP, for example, not only must customers know and understand their payment obligations, but they must know and understand their recertification and reverification obligations to maintain their participation in CRP. They must also know and understand their payment obligations to be able to cure any missed CRP payments in order to maintain their participation in CRP.⁷²

Moreover, the ability to identify a customer as "low-income" will help ensure that the customer is extended the right to important winter shutoff protections.⁷³

⁷⁰ Settlement at ¶ 37(c).

⁷¹ See, OCA St. 5 at 71.

⁷² Id.

⁷³ Id.

The OCA submits that these modifications are in the public interest and should be adopted. The modifications will provide greater access to language services for its customers with Limited English Proficiency. They will also help Limited English Proficiency customers to better understand their rights and responsibilities as customers and improve their knowledge of programs such as the Customer Responsibility Program (CRP).

2. Liens and CRP Arrearage Forgiveness Cost Recovery (Settlement at ¶ 38).

In his Direct Testimony, OCA witness Colton identifies concerns regarding the potential for the double recovery of the costs of arrearage forgiveness provided to low-income customers through CRP and the liens that PGW imposes upon unpaid account balances.⁷⁴ Mr. Colton testifies that he found there is a “substantive probability of the double-recovery of costs.”⁷⁵ In his examination of the Company’s reconciliation of the costs collection of arrearage forgiveness and the Company’s lien program, Mr. Colton, however, found that PGW did not track much of the information necessary to reconcile the dollars for which liens have been perfected against those dollars that have been “forgiven” pursuant to CRP, with the forgiven arrears charged to ratepayers.⁷⁶

The Settlement provides that PGW will track for 12 months the data necessary to determine whether there is in fact a double recovery of costs. Under the Settlement, the Company will collect and report the following data:

For 12 months, PGW shall report the number of liens perfected which include dollars subject to forgiveness pursuant to CRP and the dollars of pre-existing arrears covered by such liens.

⁷⁴ OCA St. 5 at 74.

⁷⁵ Id.

⁷⁶ OCA St. 5 at 75-78; see also OCA St. 5-S at 18-23.

For 12 months, PGW shall report the number of liens paid off which include dollars of pre-existing arrears subject to forgiveness pursuant to CRP.

For 12 months, PGW shall report the dollars of pre-existing arrears subject to forgiveness that were paid off as a result of a lien payoff.⁷⁷

The OCA submits that this information will address the concerns raised by OCA witness Colton in this case. The information gathered will allow the parties to be able to better understand whether there is a double recovery of the costs through the perfection of the liens and the CRP arrearage forgiveness program. The parties will also be able to better understand whether and/or how much overlap there is between the dollars recovered through the lien program and the CRP arrearage forgiveness. The information will help to inform future recommendations regarding a potential reconciliation of the dollars collected through the lien program and the CRP arrearage forgiveness program. The OCA submits that the data to be collected under the Settlement is in the public interest and the proposed data collection should be adopted.

3. Consumer Education and Outreach Plan (Settlement at ¶ 39).

The Settlement adopts the recommendation of OCA witness Colton for the Company to enhance its Consumer Education and Outreach Plan and to specifically improve its outreach to potential CRP customers at or below 0-50% of the Federal Poverty Level (FPL).⁷⁸ Under the Settlement, PGW will work with its Universal Services Advisory Committee (USAC) to refine its Consumer Education and Outreach Plan that was included with its Second Amended Universal Services and Energy Conservation Plan 2017-2022 at Docket Nos. P-2020-3018867, M-2016-2542415.⁷⁹ As a part of this review of the Consumer Education and Outreach Plan, the USAC will

⁷⁷ Settlement at ¶ 38.

⁷⁸ OCA St. 5 at 60.

⁷⁹ Settlement at ¶ 39.

specifically address outreach to low-income customers at or below 0-50% of the Federal Poverty Level.⁸⁰

In his review of PGW's quality of service provided to low-income customers, OCA witness Colton identified a concern that the Company was not effectively identifying its low-income customer population.⁸¹ Mr. Colton made two recommendations as a result of his review of the Company's low-income customer service: (1) for PGW to better identify and reach out to low-income customers potentially eligible for CRP and (2) to enhance its Customer Outreach and Education Plan to address the 0-50% of Poverty population.⁸² Increased outreach efforts about CRP would benefit both CRP-eligible low-income customers and the Company. OCA witness Colton testified:

Through CRP, PGW has the capacity to address the inability-to-pay problems of its low-income customers. In doing so, not only can the Company help its low-income customers retain service, but quality, efficient and effective performance will help improve the Company's collection of revenue, reduce out-of-pocket expenses such as working capital (through a reduced level of days of arrears and dollars of arrears) and bad debt, and reduce the need for collection activities. The ability of CRP to help the Company succeed in achieving these outcomes, however, depends on the performance of the Company in enrolling eligible customers.⁸³

In order for PGW to effectively manage its universal service program, PGW must first adequately identify low-income customers in its system; otherwise, eligible customers cannot effectively be enrolled in CRP.⁸⁴

⁸⁰ Id.

⁸¹ OCA St. 5 at 51-60.

⁸² OCA St. 5 at 60.

⁸³ OCA St. 5 at 51.

⁸⁴ Id.

The Settlement provision will help to better identify eligible low-income customers. The improved identification of low-income customers benefits both the Company and the CRP customers. The OCA submits that the Settlement provision is in the public interest and should be adopted.

4. CRP Cost Recovery.

PGW collects its CRP costs through its Universal Service and Energy Conservation (USEC) rider. In his Direct Testimony, OCA witness Colton identifies a concern regarding the potential double recovery of arrearage forgiveness costs, first through base rates and then also through the Company's USEC rider.⁸⁵ The Company's current bad debt off-set was set to expire at the effective date of new rates in this proceeding. Accordingly, Mr. Colton broadened his review of the bad debt off-set to examine whether the Company had a potential double recovery of arrearage forgiveness costs through base rates and the USEC rider. Mr. Colton's initial proposal was intended to replace the existing bad debt off-set with a broader arrearage forgiveness off-set.

As a compromise to the resolution of this issue, the Settlement provides that PGW will continue the Company's existing bad debt off-set. The Settlement provides that:

The continuation of a bad debt offset will satisfy the concerns identified by OCA witness Roger Colton at pages 61-65 regarding the double recovery of arrears collected through the CRP. PGW shall implement a 5.75% Bad Debt Offset which will offset CRP credit amounts (i.e., reported as "CRP Discount" in PGW's quarterly filings) related to average annual CRP participants exceeding 80,000 customers. The offset will be calculated as follows: (1) average annual CRP credit amount; multiplied by (2) average annual number of CRP participants exceeding 80,000 customers; multiplied by (3) 5.75%. The offset will only be effective during the effective period of the distribution base rates established in this proceeding and, unless extended by a subsequent PUC order, shall terminate upon new base rates becoming effective. In the next base rate case, all parties reserve their rights to argue their positions as to the offset.⁸⁶

⁸⁵ OCA St. 5 at 61-65.

⁸⁶ Settlement at ¶ 41.

The OCA submits that it is important that an off-set be established in order to address the potential double recovery of costs, and the Settlement proposal will achieve that objective. The Commission has previously acknowledged the potential for the double recovery of universal service costs through the USEC rider and base rates and the need to address this potential over-recovery.⁸⁷ The 2007 PGW Order provided:

We find the ALJs recommendation to be supported by the record as well as Section 1408 of the Code. Accordingly, we find OCA's argument to be convincing. Double recovery of uncollectible accounts expense is a possibility and can be alleviated by implementing a mechanism for reconciliation. The record is clear that PGW's CRP is a CAP and its purpose is to implement a means of affordable gas service to income-eligible customers.⁸⁸

The bad debt off-set will maintain a mechanism for reconciliation.

The OCA submits that the Settlement maintains an important off-set of the costs recovered through base rates and the USEC rider and effectively addresses the issue identified by OCA witness Colton. The OCA submits that the Settlement represents a reasonable resolution of this issue. The Settlement will continue the Company's existing bad debt offset and provides a 5.75% adjustment to CRP credits included in the USEC rider for incremental CRP participants over 80,000 participants. This will provide the necessary off-set to avoid double recovery of bad debt through the USEC.

5. Low-Income Customer Issues Raised By TURN *et al.*

In addition to the low-income customer issues raised by OCA witness Colton, the Settlement also addresses important low-income customer issues raised by TURN *et al.* in the

⁸⁷ See, Pa. PUC v. Philadelphia Gas Works, Docket No. R-0006193, slip op., at 39, 42 (Order entered Sept. 28, 2007) (2007 PGW Order).

⁸⁸ 2007 PGW Order at 42-43.

testimony of Harry Geller.⁸⁹ These Settlement provisions will help to improve low-income customer education programs; operation of the CRP and LIURP; and, address the Company's LIHEAP crisis acceptance policy.⁹⁰ The OCA submits that these provisions are in the public interest and should be adopted.

In response to the issues raised by TURN *et al.* witness Geller, the Settlement provides that the Company will make enhancements to low-income customer education, including Company employee training regarding domestic violence issues⁹¹ and an annual training for Community Based Organizations regarding how to use the on-line Customer Responsibility Program (CRP) tool and about CRP enrollment.⁹² PGW will also create a video explaining how to apply for CRP on-line and post the video on its media outlets and will publicize non-contact methods for CRP application.⁹³ The OCA submits that the proposed education initiative will also work to address the education and outreach concerns also raised by OCA witness Colton.⁹⁴

The Settlement will also help to improve the operation of CRP and LIURP. The Settlement includes a provision for the review and adjustment of the CRP asked to pay amounts quarterly, and an increase/decrease of the asked to pay amount if there has been a change in household income.⁹⁵ This provision will ensure that PGW will review the CRP bills to ensure that customers are not over-paying for service.

⁸⁹ Settlement at ¶¶ 33-36.

⁹⁰ Id.

⁹¹ Settlement at ¶¶ 33(a), (b), 35(b).

⁹² Settlement at ¶ 33(a).

⁹³ Settlement at ¶ 33(b).

⁹⁴ See, OCA St. 5 at 60.

⁹⁵ Settlement at ¶ 33(c).

The Company will also improve the operation of its Low Income Usage Reduction Program (LIURP). Unspent 2019 and 2020 LIURP funds will be rolled over into the current Universal Service and Energy Conservation Plan until expended.⁹⁶ PGW will also work to improve landlord consent to LIURP weatherization by providing to “the tax mailing address available online or a contact address provided by a tenant, two landlord letters seeking to obtain landlord approval to perform LIURP services for a tenant.”⁹⁷ A telephone call will replace one of the letters if a landlord telephone number is available.⁹⁸ The LIURP provisions will ensure that funds allocated for LIURP will continue to be used to address weatherization needs and the landlord outreach program will operate to try to educate landlords about the benefits of the program.

Finally, the Company will make changes to its Low Income Home Energy Assistance Program (LIHEAP) crisis acceptance policy. PGW will expand the pool of customers from whom it will restore or maintain service in exchange for a LIHEAP crisis grant.⁹⁹ The Company will also further track and analyze data with respect to its current LIHEAP crisis acceptance policy.¹⁰⁰ The program will be particularly important this year as low-income customers come out of the COVID-19 pandemic. The additional data will help all stakeholders to better understand the costs and benefits of the LIHEAP crisis acceptance policy.

The OCA submits that the Settlement provisions responsive to the TURN *et al.* testimony should also be adopted as in the public interest. The provisions will expand customer education,

⁹⁶ Settlement at ¶ 33(d).

⁹⁷ Settlement at ¶¶ 33(d), (e).

⁹⁸ Id.

⁹⁹ Settlement at ¶ 35(a).

¹⁰⁰ Settlement at ¶ 34.

improve the operation of CRP and LIURP, and evaluate and expand the LIHEAP crisis acceptance policy.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this rate investigation, taken as a whole, represents a fair and reasonable resolution of the issues raised by the OCA in this matter. Therefore, the OCA submits that the Settlement should be approved by the Commission, without modification as being in the public interest and in the interest of PGW's ratepayers.

Respectfully submitted,

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DATED: August 26, 2020
294675

Statement D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
PHILADELPHIA GAS WORKS	:	

**STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE
IN PARTIAL SUPPORT OF THE JOINT PETITION FOR
PARTIAL SETTLEMENT**

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission (“Commission”) under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate (“OSBA”) is participating as a party to this proceeding to ensure that the interests of small business customers of Philadelphia Gas Works (“PGW” or the “Company”) are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On February 28, 2020, PGW filed Supplement No. 128 to Philadelphia Gas Work’s Gas Service Tariff –Pa. P.U.C. No. 2. The proposed Tariff, if approved by the Commission, would increase the retail distribution rates of Philadelphia Gas Works (“PGW” or “Company”) by \$70 million per year, for the fully projected future test year ending August 31, 2021.

On March 6, 2020, the OSBA filed a Complaint, alleging that the materials filed by PGW may be insufficient to justify the rate increase requested and that the Company's present and proposed rates, rules, and conditions of service may be unjust, unreasonable, unduly discriminatory, and otherwise contrary to law, particularly as they pertain to small business customers.

By Order issued April 16, 2020, the Commission instituted a formal investigation of PGW's existing and proposed rates, and Supplement No. 128 was suspended by operation of law until November 28, 2020. Administrative Law Judges ("ALJ") Marta Guhl and Darleen Heep were assigned to this proceeding and issued a Prehearing Conference Order on April 16, 2020.

On April 29, 2020, the Commission's Bureau of Investigation and Enforcement ("I&E") filed an Expedited Motion to Extend the Statutory Suspension Period During the Emergency Interruption of Normal Operations of the Pennsylvania Public Utility Commission, seeking to extend the period until January 14, 2021. PGW filed an Answer in opposition to I&E's motion on May 5, 2020. Additionally, on May 5, 2020, the parties notified the ALJs that they had reached a settlement relating to I&E's Motion to Extend the Statutory Period in the proceeding. That settlement resulted in an agreement to extend the suspension period until December 4, 2020. Subsequently, PGW filed Tariff Supplement No. 132 to its Gas Service Tariff-Pa. PUC No. 2 and Tariff Supplement No. 89 to its Gas Supplier Tariff – Pa. PUC No. 1. Both tariff supplements reflect the extension of the suspension period until December 4, 2020.

A Prehearing Conference was held on May 5, 2020, at which time the parties agreed upon a procedural schedule and discovery modifications.

Subsequently, the parties engaged in extensive formal and informal discovery.

The OSBA submitted direct testimony, rebuttal testimony, and surrebuttal testimony in accordance with the established procedural schedule, as did various other parties.

The parties ultimately successfully negotiated a settlement of all issues with the exception of those issues raised by the environmental stakeholders. Consequently, all parties, other than the environmental stakeholders, waived cross-examination of all witnesses and agreed to admit all pre-served testimony and exhibits into the record by stipulation.

On July 29, 2020, a hearing was held to allow PGW to provide rejoinder testimony, to allow PGW and the environmental stakeholders to cross examine their respective witnesses, and to admit by stipulation the parties' testimony and exhibits. The evidentiary hearings scheduled for July 28 and July 30, 2020, were cancelled.

The OSBA actively participated in the negotiations that led to the proposed partial settlement, and is a signatory to the Joint Petition for Partial Settlement ("*Joint Petition*"). As explained herein, the OSBA affirmatively supports certain aspects of the *Joint Petition* and expresses non-opposition to other aspects. The OSBA submits this statement in partial support of the *Joint Petition*.

III. STATEMENT IN PARTIAL SUPPORT OF THE *JOINT PETITION*

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The OSBA did not take an affirmative position on all issues in the case, but does not object, generally, to the terms of the *Joint Petition*.

As this case was filed in February of 2020, the subsequent closure of physical offices within the Commonwealth, including government, businesses (large and small), educational institutions, and houses of worship has greatly impacted the way the OSBA and other parties had to evaluate the filing. While efforts to mitigate the spread of COVID-19 have helped to slow the spread of the virus, many physical locations impacted by the pandemic closures remain closed or have had to make significant changes to the manner in which they conduct business. The loss of human lives due to the pandemic has been tragic. The impact on the livelihoods of many of the small business customers that have been, and remain closed, while the pandemic and its impact continues to evolve.

The following issues were of primary significance to the OSBA when it concluded that certain aspects of the *Joint Petition* are in the best interests of PGW's small business customers.

A. Revenue Requirement (*Joint Petition* at ¶¶ 16-17)

As noted above, PGW's proposed Supplement No. 128 requested \$70 million in additional annual base rate revenues. Through the settlement negotiation process, the parties have agreed to a net revenue increase in FPFTY distribution rate revenues of \$35 million, or approximately half of the Company's original request, with a phased implementation of rate increases at January 1, 2021, (\$10 million), July 1, 2021, (\$10 million), and January 1, 2022, (\$15 million). The OSBA observes that these are base rate increases only, and do not reflect the effects on DSIC and universal service charges that will be caused by these increases. These increases also exclude the Company's estimated rate increases of \$37 million that PGW ratepayers will face in the coming year associated with the implementation of the "pilot program" for enhanced universal service benefit,

nor does it include the increases in DSIC charges that will likely accompany the increase in universal service charges. *See* OSBA Statement No. 1 at 8.

The OSBA submitted testimony relating to the overall initial revenue requirement request of \$70 million, and its potential impact on ratepayers when considered in conjunction with the Company's DSIC and universal service charges, demonstrating that the combined effects of the increases meant that ratepayers would face a near-term increase of \$124 million. *Id.* The OSBA does not affirmatively support the phased \$35 million base rate increases in the *Joint Petition*, but does not oppose their imposition.

The *Joint Petition* also precludes PGW from filing for a distribution rate increase, pursuant to 66 Pa. C.S. §1308(d), before January 1, 2022.¹ The OSBA observes that all types of utility service are becoming more expensive, and the true economic impact of the pandemic is not yet clear. Thus, compared to the Company's original filing, the reduction in the overall revenue increase provided by the *Joint Petition*, as well as the stay-out, will benefit all of PGW's consumers, including the Company's small business customers. The OSBA takes no affirmative position as to whether the combined effects of the base rate increase and the stayout provision are just and reasonable.

B. COVID-19 RELIEF PLAN (Limited to \$2 million or maximum of 6,660 customers at up to \$300 per customer) (*Joint Petition* at ¶¶ 18-22)

The *Joint Petition* proposes that the Company develop and implement a "COVID-19 Relief Plan ("C19RP") to provide certain benefits and protections to residential ratepayers. The OSBA understands that this program was not contemplated in the Company's filing, but arose out of parties' concerns regarding the pandemic. Spending

¹ *Joint Petition* at 6, para.17.

for C19RP is limited to \$2 million and is funded by “residential pipeline refunds.” The OSBA understands that GCR pipeline refunds associated with the non-residential classes will continue to be credited to those non-residential customers as part of the GCR. Because the C19RP benefits only residential customers, and because it will be funded entirely by residential GCR customers, the OSBA does not oppose the proposal.

C. Revenue Allocation and Rate Design (*Joint Petition* at ¶¶23-32)

1. Revenue Allocation (*Joint Petition* at ¶23 and ¶¶25-27)

With respect to revenue allocation, the various parties relied on a variety of different cost allocation methods, and thus produced a variety of revenue allocation recommendations. The table below sets out the various positions of the parties, reported as a percentage of the overall increase at the full base rate increase request of \$70 million.

Table IEC-R2				
Comparison Revenue Allocation Proposals				
Base Rate Percent Increase				
	PGW	Mierzwa	Knecht	Pollock
Residential	18.6%	15.8%	17.7%	18.6%
Commercial	5.5%	17.3%	9.4%	5.5%
Industrial	4.5%	26.0%	6.4%	4.5%
Municipal	20.6%	25.9%	26.0%	20.6%
PHA-GS	24.1%	26.0%	26.0%	24.1%
PHA-Rate 8	4.9%	17.3%	5.3%	4.9%
Interruptible	47.2%	47.2%	47.2%	0.0%
Total	17.3%	17.3%	17.3%	15.8%
Sources: RDK WP8				

2

This table requires some explanation. In particular, OSBA witness Mr. Knecht made the recommendation for a larger rate increase for the Commercial class than did the Company. As detailed in his testimony, this recommendation was based on the fact that the PGW cost allocation study was hopelessly botched. As detailed in OSBA Statement No. 1, the Company's analysis contained simple spreadsheet alignment errors, it departed from established Commission precedent, it reversed long-standing Company policy regarding the allocation of certain universal service costs, and it contained a variety of other technical errors and dubious assumptions. To a large extent, other parties' experts agreed with Mr. Knecht's evaluations. Moreover, the Company declined to provide any rebuttal to Mr. Knecht's analysis, nor did it modify its revenue allocation proposal to reflect the few changes that it made to its cost allocation analysis. In short, the OSBA concluded that it was very likely that the Company's revenue allocation proposal would be given no weight in any reasonable evaluation of competing revenue allocation

² OSBA Statement No 1-R at 15.

proposals. For that reason, the OSBA ignored the Company's proposal for settlement purposes.

As shown in Mr. Knecht's table, the largest area of disagreement involved revenue allocation for the Rate IT class. The Company proposed a large percentage rate increase for that class (albeit relatively small on a per-mcf basis) to reflect the fact that these customers were receiving virtually firm service at highly discounted rates. The OSBA (Knecht) and the OCA (Mierzwa) agreed with the Company, while PICGUG (Pollock) strongly objected. To settle this issue, the *Joint Petition* assigns a 2-times system average percentage increase to the Rate IT class. The OSBA deems this compromise to be consistent with the principle of rate gradualism. As discussed further below, the *Joint Petition* also requires PGW to undertake a serious evaluation of the value of interruptible service on its system for the next base rates proceeding.

Regarding the revenue allocation for the other rate classes, the *Joint Petition* generally adopts a proposal that lies between the positions advocated by the OSBA and OCA witnesses, adjusted for the reduction in revenues from Rate IT. As such, the overall revenue allocation in the *Joint Petition* lies within the range of the positions of the parties.³

The OSBA concludes that the revenue allocation in the *Joint Petition* provides a meaningful benefit to small business customers, since it eliminates the litigation risk associated with OCA's proposed increase to commercial customers. Therefore, the

³See *Joint Petition*, Para, 23

OSBA determined that the *Joint Petition* is in the best interest of PGW's small business customers.⁴

In his Surrebuttal testimony, OSBA witness Mr. Knecht explained how PGW's Rate IT rate design continues to lack any consistent philosophy. *OSBA Statement No. 1-S at 11-12*. He explained that (a) PGW gained little or no benefit from the interruptibility of Rate IT customers, (b) PGW proposed to treat Rate IT customers as firm for cost allocation purposes, (c) PGW proposed to continue to require Rate IT customers to maintain alternative fuel capability, (d) PGW proposed to impose a large base rate increase on Rate IT customers, while continuing to exempt them from contributing to universal service costs, and (e) PGW does not currently offer a credible firm service option for these customers (except to the extent that they currently receive *de facto* firm service at heavily discounted rates).

The *Joint Petition* attempts to address this mishmash by requiring PGW to undertake a serious evaluation of the potential for a large firm service transportation rate, the value of the interruptibility of current Rate IT customers, whether Rate IT should be phased out, and whether large transportation service customers should contribute to universal service and the various other riders and charges that litter PGW's tariff (ECR, OPEB and DSIC). The OSBA respectfully submits that the combination of the material rate increase for Rate IT in this proceeding and the rate design analysis required for the

⁴ The OSBA has an economic interest in PGW's universal service programs because non-residential firm service customers are required (at this time) to pay the USEC. While the OSBA has agreed to a settlement of the revenue allocation and rate design in this proceeding, that should not in any way be interpreted as the OSBA waiving or agreeing that it should be required to continue to pay universal service costs for the programs, the participation in which is limited to residential customers.

next proceeding represent a good first step toward eliminating a long-standing rate inequity relating to Rate IT service.

The OSBA therefore affirmatively supports this section of the *Joint Petition*.

2. Rate Design (*Joint Petition* at ¶¶24 and ¶¶28-32)

PGW's originally proposed a 40% increase to the customer charge for small and medium commercial customers, which would have resulted in the customer charge increasing from \$23.40 to \$32.75 per month. Mr. Knecht observed that the proposed charge (a) would exceed the customer-related costs for smaller Commercial customers in the class, (b) would result in a customer charge that was higher than that at any major Pennsylvania natural gas distribution company, and (c) would result in rate increases that were three or more times system average for more than one-third of Commercial customers. Mr. Knecht recommended that the customer charge increase be more gradual and be limited to no more than twice the rate of increase applied to the Commercial class.

The *Joint Petition* proposal is directionally consistent with Mr. Knecht's recommendation, and results in a smaller increase than Mr. Knecht's proposal. The proposed increase in the customer charge in the *Joint Petition* is phased in through more modest increases every 6 months over a 2 year period, resulting in a \$1.95 per month or 8.3% increase. Since the *Joint Petition* proposes a 6.8 percent increase for the Commercial class, the OSBA concludes that the customer charge increase has been reasonably scaled back. The OSBA therefore affirmatively supports the rate design proposal for the Commercial class in the *Joint Petition*.

The *Joint Petition* incorporates certain provisions regarding the TED Rider and Rate BUS. *Joint Petition* at ¶¶28-32. OSBA did not take a position on these issues in this proceeding, and therefore does not object to the *Joint Petition* in this respect.

D. Low Income Customer Issues (*Joint Petition* at ¶¶33-42)

Although PGW's small business customers are required to pay for certain low-income customer assistance program costs, the OSBA did not litigate all of the issues related to those programs in this base rates proceeding. Specifically, the OSBA did not participate in the negotiation of the specific provisions in the *Joint Petition* regarding low-income programs and therefore takes no position regarding those costs. The OSBA relies on the Company and the Commission to ensure that funds provided by small business customers are expended in an efficient and effective manner.

E. Pipeline Safety Issues (*Joint Petition* at ¶¶43-45)

While the OSBA did not take an active role in evaluating the pipeline safety issues in this proceeding, the OSBA concludes that the provisions in the *Joint Petition* are reasonable and prudent, and the OSBA affirmatively endorses those proposals

Lastly, settlement of this proceeding avoids the litigation of competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the *Joint Petitioners*, but ultimately by the PGW's ratepayers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to employ its resources more efficiently in other areas.

IV. CONCLUSION

For the reasons set forth in the *Joint Petition*, as well as the additional factors enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that ALJ Guhl , ALJ Heep and the Commission approve the *Joint Petition* in its entirety without modification.

Respectfully submitted,

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Dated: August 26, 2020

Statement E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2020-3017206
Philadelphia Gas Works	:	

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

The Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), by and through their counsel, submits this Statement in Support ("Statement") of the Joint Petition for Partial Settlement ("Joint Petition" or "Settlement"), filed in the above-captioned proceeding with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). This Joint Petition reflects settlement with respect to Supplement No. 128 to Philadelphia Gas Works ("PGW" or Company") Gas Service Tariff – Pa. P.U.C. No. 2 ("Supplement No. 128"), filed with the PUC on February 28, 2020, in the above-captioned matter.

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

I. BACKGROUND

1. On February 28, 2020, PGW filed Supplement No. 128 with the PUC requesting a general rate increase calculated to produce \$70 million in additional annual revenues (a 10.5% overall increase) to become effective on April 28, 2020.

2. On April 7, 2020, PICGUG filed a Complaint in this proceeding.

3. On April 30, 2020, PICGUG filed a Prehearing Memorandum with the PUC outlining its concerns with the Company's filing.

4. On May 5, 2020, Administrative Law Judges ("ALJs") Marta Guhl and Darlene Heep held an initial Prehearing Conference.

5. Pursuant to litigation schedule set forth in this proceeding, parties submitted several rounds of testimony, including the following statements submitted by PICGUG: (a) PICGUG Statement No. 1: Direct Testimony and Exhibits of Jeffry Pollock ; (b) PICGUG Statement No. 1-R: Rebuttal Testimony and Exhibits of Jeffry Pollock; and (c) PICGUG Statement No. 1-SR: Surrebuttal Testimony and Exhibits of Jeffry Pollock.

6. Evidentiary hearings were held on July 29, 2020.

7. Negotiations were conducted by the Joint Petitioners prior to and after the hearing in an effort achieve a settlement with respect to almost all of the issues in this proceeding. As a result, on August 19, 2020, the Joint Petitioners notified the ALJs that almost all of the issues in this proceeding, except for issues reserved for litigation, had been resolved. That settlement resolving almost all of the issues was memorialized as the Joint Petition.

II. STATEMENT IN SUPPORT

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

9. The Joint Petitioners agree that approval of the proposed settlement is in the public interest.

10. The Joint Petitioners agree that PGW should be authorized to file a tariff supplement to reflect implementation of a rate increase consistent with the terms and conditions of the Joint Petition.

11. The Joint Petitioners agree that the \$35 million rate increase allowed for PGW by the Joint Petition is just, reasonable, and in the public interest.

12. The Joint Petitioners agree that this resulting rate increase should be allocated pursuant to the terms of PGW's Settlement.

13. The Joint Petition is in the public interest for the following reasons:

- a. PGW's Joint Petition increases its rates by \$35 million, which is 50% of the Company's original request of \$70 million;¹
- b. As a result of the Joint Petition, expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be less than they would have been if the proceeding had been fully litigated;
- c. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission regarding the issues in this Settlement are avoided as a result of the Joint Petition; and
- d. The Joint Petition reflects compromises on all sides presented without prejudice to any position any Joint Petitioner may have advanced so far in this proceeding. Similarly, the Joint Petition is presented without prejudice to any position any party may advance in future proceedings involving PGW.

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

- a. The Joint Petition: (1) lowers the total revenue increase amount by approximately 50%; and (2) reasonably allocates the proposed increase of \$35 million among the customer classes;²

¹ Joint Petition at ¶¶ 16.

² *Id.* at ¶¶ 16, 23.

- b. PGW agrees not to file a general rate increase pursuant to 66 Pa. C.S. § 1308(d) any sooner than January 1, 2020;³
- c. The Joint Petition provides a just and reasonable means by which to allocate the resulting increase among PGW's large commercial and industrial classes. Specifically, the Settlement indicates Interruptible Transportation ("IT") customer rates will increase by 17.3%;⁴
- d. The Joint Petition provides that PGW will clarify the Availability" section of the Company's Back-Up Service ("BUS") rate in PGW's Tariff to ensure that customers seeking interruptible back-up service may take interruptible service at IT rates if the customer meets the requirements of Rate IT.⁵

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

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

³ *Id.* at ¶ 17. This provision does not apply to extraordinary or emergency rate relief pursuant to 66 Pa. C.S. § 1308(e) or tariff changes required or authorized by PUC order or industry-wide changes in regulatory policy that affects PGW's rates.

⁴ *Id.* at ¶ 23.


⁵ *Id.* at ¶ 30.

III. CONCLUSION

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

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: August 26, 2020