

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2009-2139884
v.	:	
Philadelphia Gas Works	:	
Philadelphia Gas Works' Revised Petition For Approval of Energy Conservation and Demand Side Management Plan	:	P-2009-2097639

**STATEMENT OF TURN et al. IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

Tenant Union Representative Network (“TURN”) and Action of Alliance of Senior Citizens of Greater Philadelphia (collectively “TURN et al.”), signatory parties to the Joint Petition for Settlement (“Joint Petition”) in Docket Nos. R-2009-2139884 and P-2009-2097639, through counsel Community Legal Services, Inc., file this Statement in Support pursuant to 52 Pa. Code §69.1201(a). For the reasons set forth below, TURN et al. submit that the terms and conditions of the Settlement are in the public interest.

I. Background

TURN et al. incorporate by reference the background summary contained in Paragraphs 1-14 of the Joint Petition. After the events set forth therein, there was one further on-the-record conference of the parties under the supervision of Administrative Law Judge Rainey, in which it was determined that the Joint Petition including Statements of Support would be filed on May 19, 2010.

II. Terms and Conditions of Settlement

A. Introduction

The substantive terms and conditions of the Settlement are set forth in Paragraphs 16 through 34 of the Joint Petition for Settlement. The focus of TURN et al. in this litigation was to attempt to ensure: that the increase in base rates be held to a minimum; that any increase that might be granted be conditioned in such a way as to assure that PGW would maintain strict fiscal discipline; that any increase in base rates would be balanced by measures which strengthen universal service implementation for low and lower income customers; and that customer service tariff provisions be narrowly drawn so as not to impair the access to essential natural gas service to residential customers. In this Statement in Support, TURN et al. will focus on those aspects of the Settlement which in their judgment work to satisfy these critical litigation objectives. In this discussion, TURN et al. are mindful that the Commission's policy is to encourage settlements, and that negotiated settlements embody compromises which avoid the time, expense and uncertainty of litigation. 52 Pa. Code §§5.231, 69.391, 69.401.

B. Revenue Requirement

Paragraph 16 permits PGW to maintain the \$60 million revenue increase that was authorized in December 2008, and to further increase annual distribution revenues by \$16 million. Although TURN et al. would have welcomed the credible expert testimony by any party which recommended a partial rollback of the \$60 million extraordinary rate increase, there was no such testimony. In light of these circumstances, TURN et al. have

concluded that the critical question to be answered was not whether the \$60 million should be confirmed, but rather whether additional revenues should be provided.

TURN et al. submit that PGW does not need additional base rate revenues to maintain its debt service coverage ratios, fixed coverage ratio, or its cash flow. The issue, therefore, is what can be done to ensure that the uses made of the \$60 million currently subject to Commission confirmation and any additional base rates actually bring identifiable improvement in PGW's financial condition. The Settlement includes several measures which are aimed at making sure that PGW utilizes the increased Settlement revenues in a manner which actually improves its financial position, and avoids a post-rate case relaxation of financial discipline in operating and maintenance expenses.

One such measure is the focus on addressing Other Post-Employee Benefit (OPEB) liability – a liability with the potential to negatively impact PGW's credit rating and adversely affect its efforts to obtain long term credit on relatively advantageous terms. Under Paragraph 19 of the Settlement, PGW commits to deposit \$18.5 million annually for an initial five year period into an irrevocable trust to fund its OPEB obligations.

A second such measure is contained in Paragraph 17(a), in which PGW agrees to make substantial payments (\$276.6 million) on outstanding debt principal through FY2015. In addition, perhaps more significantly, PGW agrees to not sell new money bonds (after the issuance currently scheduled for July 2010), for at least 3 years. This limitation slows PGW's historical borrowing pace, and would have the effect of requiring

PGW to discipline its operating expenses to produce internally generated funds for its capital program.

A final such measure is set forth in Paragraph 18, which precludes PGW from filing another distribution rate case any sooner than two years after Commission approval of the Settlement. The function of this provision is to restrain PGW Operating and Administrative spending, because the Company may not reasonably expect increased base rates for at least thirty-three months after Commission approval of this Settlement.

C. Demand Side Management Program

Paragraph 24 addresses PGW's proposed DSM program. In TURN et al.'s view, the limitation of DSM spending to no more than 1% of PGW's total projected gross intrastate operating revenues is an appropriate limitation, recognizing that PGW's already existing high rate levels should constitute a constraining consideration on allowable DSM funding levels.

At the same time, TURN et al. submit that this limitation should not have a negative effect on the continuing viability of PGW's low-income CAP program, known as the Customer Responsibility Program (CRP). All reasonable efforts should be made to assure that CRP participants have the means to utilize natural gas efficiently. There is a consensus that conservation measures focused on CRP customers yield an advantageous cost/benefit ratio, which directly benefits all firm non-CRP customers. Conservation related savings by CRP customers (whose numbers have approximately doubled since 2003) reduce the necessary energy credits paid by other customers. In Paragraph 24(b), PGW commits to full funding of the Enhanced Low Income Retrofit Program, which

represents a long overdue tripling of the annual budget for the CRP related Conservation Works Program (CWP) from historical levels of approximately \$2 million annually. These measures will increase customer comfort by reducing the drafts which might otherwise spur greater gas usage by CRP participants in the winter months. At the same time, these measures will redound to the financial benefit of non-CRP customers in the form of a reduction in the average energy credit per CRP customer.¹

D. Customer Service Tariff Provisions

1. Meter Relocation Proposal

Paragraph 28 addresses PGW's Meter Relocation Proposal. PGW agrees to substantially narrow the very broadly written proposal for amendment of Tariff § 9.5 that was contained in its initial filing.

That filing proposed that PGW be allowed to relocate a residential meter "in its sole judgment and where physically feasible" to an outside, above ground meter location whenever the meter has been "tampered or interfered with." PGW would also be authorized to charge the "Customer being supplied through such equipment the costs and expenses of moving the meter."

TURN et al. opposed this amendment, because the Meter Relocation Charge, likely to be over \$2000, would represent an impossible barrier to service reconnection in many cases. Moreover, the proposed Meter Relocation Charge further threatened residential access to service because there was a substantial risk that Customers who may

¹ It is to be noted in Paragraph 25, PGW also agrees to propose amendments to its Universal Service Plan which will provide a "positive incentive to encourage conservation by CRP participants." This provision furthers the increased Pennsylvania state emphasis, reflected inter alia in Act 129, on raising conservation consciousness among utility consumers.

not in fact have tampered or interfered with the meter might become subject to the charge. Indeed, due to the fact that the burden of showing that the Customer was not responsible for the unauthorized use was upon the Customer, a Customer might have to endure many months and perhaps even a heating season without service before he/she would be able to establish non-responsibility for unauthorized use through the Commission's complaint processes.

In the Settlement, PGW agrees to language which virtually eliminates these risks. PGW agrees that it would be permitted to relocate a meter from inside a building to an outside, above ground location only when it has discovered unauthorized use two times within a twelve month period at the same premises. When PGW discovers unauthorized use, its policy is to promptly terminate service. Only after service has been illegally restored after this initial termination for unauthorized use would PGW, upon discovery of this second, subsequent occurrence, be authorized to consider relocating the meter. Moreover, the second instance of unauthorized use would have to be discovered within twelve months of the discovery of the initial unauthorized use. TURN et al. believe that the requirement that PGW detect unauthorized use twice at the same premises within a twelve month period adequately ensures against the possibility that a Customer would become initially subject to a Meter Relocation Charge on the basis of a mistaken allegation of unauthorized use.²

2. Method to Establish Prior Occupancy Proposal

² In addition, the Settlement provides that PGW will be allowed to charge only the labor costs of relocating the meter, not the costs of the piping that will be added and/or replaced. This amendment is anticipated to reduce the amount of the charge to be imposed.

Paragraph 29 addresses PGW's proposal to allow the Company greater latitude regarding the documents upon which it may rely in making the initial determination that an Applicant for service previously lived at the address for which service is being requested during the time that an unpaid balance accrued. When such a determination is made, the utility is authorized under Chapter 14 §1407(d) to condition granting the service application upon payment or arrangement to pay for service provided in the name of another person at the service address. In Chapter 14 §1407(e), the Legislature limited those documents to a mortgage, deed, lease, or commercially available consumer credit reporting service information. In that Section, the Legislature also specified that a utility might utilize "other methods approved as valid by the commission."

PGW initially proposed to amend §2.1.A of its Tariff to include many types of documents: (1) government issued licenses, permits, vehicle registrations; (2) available tax records and bankruptcy petitions; (3) documents electronically archived at PGW which had previously been obtained from customers, applicants and occupants concerning medical certifications, LIHEAP documents; (4) and personal checks. TURN et al. opposed this extensive expansion of permissible documents, because of substantial doubts concerning whether they provided an adequate basis for initially establishing that a particular person actually resided at a particular address at a particular time. All these documents generally were created for other purposes and taken individually, even when an accurate reflection of occupancy at the time of issuance, do not provide information concerning the date when the occupancy may have ended.

Regarding this issue, TURN et al. was concerned that increasing the list of permissible documents substantially increased the risk that Applicants would be wrongly required to assume liability for service provided in the name of another person, not because they really had occupied the account premises during the time that an arrearage accrued, but because they could not afford to go without utility service during the period of time when they were contesting PGW's requirements through the Commission's complaint processes.

In the Settlement, PGW agreed that only a Driver's License or PennDOT Identification Card could be used as the basis for an initial determination of an Applicant's prior occupancy at the address for which service was being requested. Although TURN et al. does not consider these documents as reliable for the proposed purposes as the ones identified by the Legislature, they appear to be more suitable than any of the other documents proposed by PGW.

3. Tariff Revisions – Collections Issues

In Paragraphs 30 and 31, PGW agrees to take two steps which further universal service goals for low and lower income customers.

In Paragraph 30, PGW agrees to give up its asserted right to collect security deposits for low income (Level 1) Applicants for service who do not enroll in the PGW's Customer Responsibility Program (CRP). Because CRP is a Percentage of Income Program (PIP), some low income Applicants with relatively high numbers of household members or relatively low gas usage will not benefit from CAP, and therefore opt to pay the standard rate for residential service, rather than a fixed percentage of income on a

monthly basis. These Applicants are nonetheless low income, with little disposable income for payment of a deposit, even when the deposit may be paid in installments. Under Chapter 14 §1404(f), PGW is not allowed to charge a deposit to low income customers who enroll directly into CRP. This agreement extends that deposit exclusion to all Level 1 Applicants, and accordingly works in favor of allowing prompt access to natural gas service to the poorest of Philadelphia's poor.

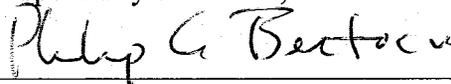
In Paragraph 31, PGW agrees to provide one additional Payment Agreement to a former CRP customer who due to an increase in income, or a decrease in household members, has become no longer income eligible for CRP. The problem for such customers has been that when they become ineligible and go off CRP, they may have unforgiven pre-CAP arrearages which come back on their bills. At the same time, because of their pre-CRP payment history, they may have defaulted on more than one Payment Agreement. Under such circumstances, PGW has been authorized under Chapter 14 §§1405(d) and 1407(c)(2)(i) to refuse a payment agreement, and to require payment of the total outstanding balance to continue or restore service. This provision of the Settlement furthers universal service, recognizing that many Level 2 and Level 3 customers are not financially capable promptly of paying off previously frozen pre-CAP arrears.

III. Conclusion

For the foregoing reasons, TURN et al. submit that the terms and conditions of the Settlement set forth in the Paragraphs 16-40 of the Joint Petition represent a reasonable balancing of customer and utility interests. As such, the Settlement is in the public

interest. The Commission should approve the Settlement and grant the Joint Petition for Settlement.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Statement of TURN et al. in Support of Joint Petition for Settlement upon the participants listed below in accordance with the requirements of 52 Pa.Code § 1.54 (relating to service by a participant).

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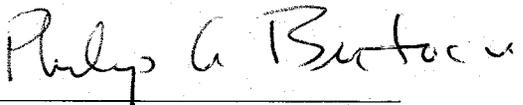
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