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December 9, 2011

**VIA HAND DELIVERY**

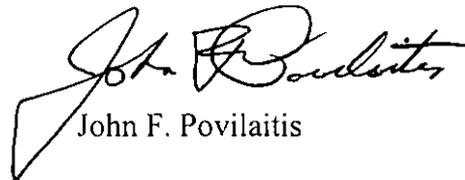
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17105

Re: Pennsylvania Public Utility Commission v. Philadelphia Gas Works;  
Docket No. R-2008-2073938

Dear Secretary Chiavetta:

I have enclosed for filing the original and three (3) copies of the Direct Energy Services, LLC and Hess Corporation Statement in Support of Joint Petition for Settlement in the above-captioned matter. Copies have been served on all parties as indicated in the attached certificate of service.

Very truly yours,

  
John F. Povilaitis

JFP/kra  
Enclosure  
cc: Certificate of Service

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, :  
 :  
 v. : Docket No. R-2008-2073938  
 :  
 Philadelphia Gas Works :  
 :

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DIRECT ENERGY SERVICES, LLC AND HESS CORPORATION STATEMENT IN  
SUPPORT OF  
JOINT PETITION FOR SETTLEMENT

COLLABORATIVE PROCESS REGARDING ALTERNATIVE DEFAULT  
SERVICE SUPPLY

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I. INTRODUCTION

Philadelphia Gas Works ("PGW" or the "Company"), Direct Energy Services, LLC ("Direct Energy"), Hess Corporation ("Hess") and Interstate Gas Supply, Inc. ("IGS"), parties to the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"), have reached a settlement ("Settlement") of the issues presented in the collaborative process regarding options for transitioning some or all of its customers to an alternative default service supplier. The Joint Petitioners have requested that the Pennsylvania Public Utility Commission approve the Settlement without modification. In support of this Settlement, Direct and Hess submit the following statement:

1. This Settlement is the product of an extensive effort by PGW and the interested competitive suppliers to address the issue relieving PGW of gas purchasing financial obligations through transitioning customers to an alternative default service provider. The Settlement does not provide for a new default supplier other than PGW at this time, this topic may be a

discussion issue in an annual meeting held between PGW and collaborative parties to assess the operation of PGW's Choice Program.<sup>1</sup> Nevertheless, by focusing in the Settlement on ways to improve and expand shopping by customers and allowing for continuing discussions on a new default supplier role, the Joint Petitioners have addressed the issue of assisting the Company in an on-going rational approach. The creation of an effective Choice Program which will encourage many suppliers to participate will result in a reduction of PGW's obligation to purchase gas as a supplier of last resort for non-shopping customers

2. The Settlement expands consumer education through bill messages, the PGW website, Good Gas News, mailings to all customers including new applicants, Call Center script additions and a holding recording that discusses gas choice. Details of these efforts will be determined by a smaller break out group. The cost recovery mechanism and spending level will be determined in the Purchase of Receivables collaborative, which the Settlement requires to be completed by January 2012.

2. Suppliers will be provided with releasable customer information when customers move, as well as advise suppliers via an EDI transaction when a customer switches to PGW or another supplier.

3. The Settlement also provides for a variety of supplier rates to be billed by PGW fixed and variable rates, percentage off rates, flat rates and multiple per mcf rates. Consolidated billing will be provided as indicated in the Purchase of Receivables collaborative. In addition, PGW agrees to bill customers on a consolidated bill with an initial percentage off rate, with the customer selecting a longer term supplier after the initial three month period.

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<sup>1</sup> See Settlement paragraph 23.

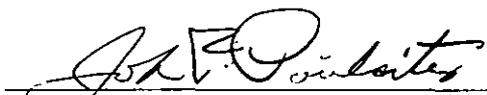
4. In addition to the annual meeting and discussion on the operation of PGW's Choice Program, PGW will be conducting a "Capacity Collaborative" that will be looking into a variety of technical issues. Finally, to the extent a waiver is required, the Joint Petitioners will address in the Purchaser of Receivables collaborative, the collection of any required Merchant Function Charge from shopping and non-shopping customers as a means of eliminating a high Purchase of Receivables discount rate applied to competitive suppliers, that otherwise would chill interest by those suppliers in participating in the PGW Choice Program.<sup>1</sup> The proposed regulations that require a Merchant Function Charge only on non-shopping customers to collect uncollectible expenses has not yet been approved finally by IRRRC. Therefore it is not clear at this time if a formal waiver of the regulation is required.

5. The proposed terms of the Settlement are lawful and in the public interest. This Settlement resolves a difficult and long-standing issue before the Commission in a way that is reasonable and fair to all affected interests.

WHEREFORE, Direct and Hess respectfully request that the Settlement be approved without modification by the Commission.

Respectfully submitted,

Dated: December 9, 2011

  
\_\_\_\_\_  
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Counsel for Direct Energy Services  
and Hess Corporation

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**CERTIFICATE OF SERVICE**

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

Service via First Class and Electronic Mail, as follows:

Gregory J. Stunder, Esquire  
Senior Attorney  
Abby Pozefsky, Esquire  
Senior Vice President and General Counsel  
Philadelphia Gas Works  
800 West Montgomery Avenue, 4th Floor  
Philadelphia, PA 19122

Daniel Clearfield, Esquire  
Carl R. Shultz, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak, LLC  
100 North 10th Street  
Harrisburg, PA 17101

Dated: December 9, 2011

  
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