

Philadelphia Gas Works

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December 16, 2011

VIA EXPRESS MAIL

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

RE: Pa. PUC v. Philadelphia Gas Works
Docket No. R-2008-2073938
December 19, 2008 Ordering Paragraph No. 9 – Collaborative Process

Dear Secretary Chiavetta,

Enclosed for filing is an original and three copies of Philadelphia Gas Works' Statement in Support of the Joint Petition for Settlement in the above referenced matter.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to be "Gregory J. Stunder", written over a printed name. The signature is fluid and cursive.

Gregory J. Stunder

Enclosure

cc: Parties of Record

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION, et al.

v.

PHILADELPHIA GAS WORKS

Docket No. R-2011-2224739

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PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**PHILADELPHIA GAS WORKS' STATEMENT IN SUPPORT
OF THE JOINT PETITION FOR SETTLEMENT –
COLLABORATIVE PROCESS RE: ALTERNATIVE DEFAULT SERVICE SUPPLY**

Philadelphia Gas Works (“PGW” or “Company”) submits this Statement in Support of the Joint Petition for Settlement filed in the above captioned proceeding. The settlement was joined by Interstate Gas Supply, Inc. (“IGS”), Dominion Retail, Inc. (“Dominion Retail”), Hess Corporation (“Hess”) and Direct Energy Services, LLC (“Direct Energy”).

I. BACKGROUND

On November 14, 2008, PGW filed a petition, direct testimony and supporting exhibits with the Commission requesting emergency rate relief, pursuant to 66 Pa.C.S. §§ 1308, 1308(e), 2212(c) and 52 Pa. Code § 5.41. Most of the following active parties participated in discovery, filed testimony, participated in the evidentiary hearings and filed briefs: Office of Trial Staff (“OTS”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”), Interstate Gas Supply, Inc. and Dominion Retail, Inc. (collectively

the “NGSs”), Tenant Union Representative Network (“TURN”) and Action Alliance of Senior Citizens (“Action Alliance”) (together with TURN, “TURN, *et al.*”) and Philadelphia Housing Authority (“PHA”).

On December 19, 2008, the Commission issued an Order granting emergency rate relief in the amount of \$60 million effective on or after January 1, 2009.¹ The December 19, 2008 Order also set forth:

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

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

On July 23, 2009, PGW and the Collaborative Process participants received a joint proposal from Interstate Gas Supply, Dominion Retail, Hess and Direct Energy (the “Supplier Proposal”). On September 23, 2009, the collaborative participants met in order to discuss

¹ *PA PUC v. PGW*, R-2008-2073938 (Opinion and Order Dec. 19, 2008, Ordering Paragraph 2).

² *Id.* at Ordering Paragraph 9.

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

On April 13, 2011, the Commission issued a Secretarial Letter referring the Supplier Proposal to the Office of Administrative Law Judge (“OALJ”) for an on the record proceeding in which the suppliers will bear the burden of proof if there was still interest by the suppliers.⁴ The Secretarial Letter also encouraged PGW and the Supplier Proposal parties to work cooperatively and pursue reasonable opportunities for settlement. After the issuance of the aforementioned Secretarial Letter, PGW, Interstate Gas Supply, Dominion Retail, Hess and Direct Energy engaged in extensive discussions to try to achieve a settlement. As a result of those negotiations, the Joint Petitioners were able to reach the Settlement set forth herein.

II. THE SETTLEMENT IS IN THE PUBLIC INTEREST.

PGW submits that the Settlement is in the public interest because:

- 1) *Substantial Litigation And Associated Costs Will Be Avoided.* The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The

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

⁴ *PA PUC v. PGW*, R-2008-2073938 (Sec’l Letter April 13, 2011).

administrative burden and costs to litigate these matters to conclusion would be significant.

- 2) *The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.* The Joint Petitioners arrived at the Settlement terms after preparing and submitting positions/legal questions and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by a substantial record.
- 3) *The Settlement Is A Reasonable Resolution.* The Settlement represents a reasonable resolution of the Collaborative Process issues regarding consumer education, customer switching data, permissible rate offerings, consolidated billing and capacity assignment/allocation.

III. CONCLUSION

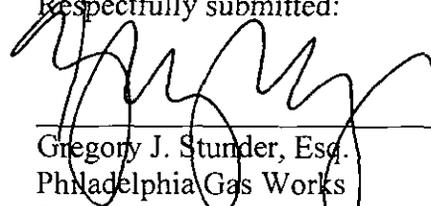
For the reasons set forth in the above and in the Joint Petition, PGW submits that the Settlement is in the public interest and should be approved without modification.

PGW respectfully requests:

1. That the OALJ and the Commission approve the Settlement as set forth herein, including all terms and conditions thereof;
2. That the Collaborative Process established in Commission proceeding at Docket No. R-2008-2073938 be marked closed following a Commission decision; and

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

Respectfully submitted:



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215-684-6878

Counsel for Philadelphia Gas Works

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CERTIFICATE OF SERVICE

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

VIA REGULAR MAIL

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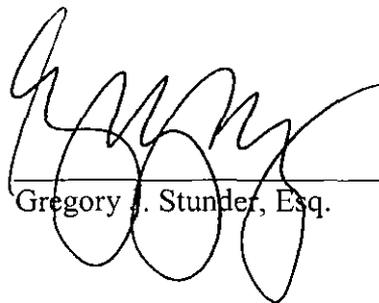
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Gregory J. Stunder, Esq.

Date: December 16, 2011

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