

**Philadelphia Gas Works**

Gregory J. Stunder  
Senior Attorney



800 W. Montgomery Avenue, Philadelphia, PA 19122  
Telephone: (215) 684-6878 – Fax (215) 684-6798  
Email: greg.stunder@pgworks.com

August 30, 2013

**RECEIVED**

**AUG 30 2013**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

VIA EXPRESS MAIL

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

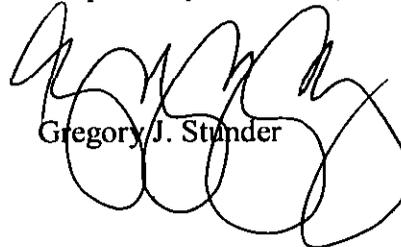
RE: Pa. PUC v. Philadelphia Gas Works - Docket No. R-2008-2073938  
Pa. PUC v. Philadelphia Gas Works - Docket No. R-2009-2139884

Dear Secretary Chiavetta,

Enclosed for filing is a Joint Petition for Settlement and Statements in Support in the above-referenced proceedings. Parties to both proceedings have reached a settlement of all issues presented in two collaborative processes: 1) the SOLR Collaborative; and 2) the POR Collaborative. The SOLR Collaborative was convened pursuant to a Pennsylvania Public Utility Commission Order granting PGW's 2008 request for emergency rate relief which also required PGW to convene a collaborative process to explore options for transitioning some or all of its customers to an alternative default service supplier.<sup>1</sup> The POR Collaborative was convened pursuant to a Joint Petition for Settlement submitted in a subsequent 1308(d) base rate proceeding which included a provision that PGW shall convene a collaborative with the purpose of identifying the systems (e.g., EDI) and billing improvements (e.g., utility consolidated billing) it needs to make in order to implement a Purchase of Receivables Program, as well as a time line for implementing the necessary systems and billing changes.<sup>2</sup>

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

Respectfully submitted,



Gregory J. Stunder

Enclosure

cc: Christopher Pell, Administrative Law Judge  
Certificate of Service

<sup>1</sup> PaPUC v. PGW, Docket No. R-2008-2073938, Order (December 19, 2008) Ordering Paragraph 9.

<sup>2</sup> PaPUC v. PGW, Docket No. R-2009-2139884, Joint Petition for Settlement (May 19, 2010) Settlement Paragraph 32.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION** :

v.

**PHILADELPHIA GAS WORKS** :

**Docket No. R-2008-2073938**

**RECEIVED**

**AUG 30 2013**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION** :

v.

**PHILADELPHIA GAS WORKS** :

**Docket No. R-2009-2139884**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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**JOINT PETITION FOR SETTLEMENT**

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**TO THE HONORABLE CHRISTOPHER PELL, ADMINISTRATIVE LAW JUDGE:**

Philadelphia Gas Works ("PGW" or the "Company"), Office of the Consumer Advocate ("OCA"), Office of the Small Business Advocate ("OSBA"), Interstate Gas Supply, Inc. ("IGS"), Dominion Retail, Inc. ("Dominion Retail") and Hess Corporation ("Hess") (collectively, the "Joint Petitioners" or "Settling Parties"),<sup>1</sup> by their respective counsel, submit this Joint Petition For Settlement ("Settlement") of the issues presented in: 1) the Collaborative Process Exploring Options for Transitioning Some or All of Its Customers to an Alternative

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<sup>1</sup> The Bureau of Investigation and Enforcement ("I&E"), Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("TURN, *et al.*"), Direct Energy Services, LLC ("Direct Energy") and the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

Default Service Supplier (the “SOLR Collaborative”) which was established in Docket No. R-2008-2073938; and 2) the Collaborative Process Identifying the Systems, Billing Improvements and Timeline in Order to Implement a Purchase of Receivables Program (the “POR Collaborative”) which was established in Docket No. R-2009-2139884. The Joint Petitioners also request that the Office of Administrative Law (“OALJ”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”) approve the Settlement without modification.

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

## I) BACKGROUND

### **The SOLR Collaborative – Exploring Options for Transitioning Some or All of Its Customers to an Alternative Default Service Supplier – Docket No. R-2008-2073938**

- 1) On November 14, 2008, PGW filed a petition and direct testimony with the Commission requesting emergency rate relief, pursuant to 66 Pa.C.S. §§ 1308, 1308(e), 2212(c) and 52 Pa. Code § 5.41. Formal complaints and/or interventions were filed by the Office of Trial Staff (“OTS”),<sup>2</sup> OCA, OSBA, PICGUG, IGS/Dominion Retail, TURN, *et al.* and the Philadelphia Housing Authority (“PHA”).<sup>3</sup> The active parties conducted formal and informal discovery throughout the proceeding. Rebuttal testimony was filed on December 2, 2008 by PGW, OTS, OCA, OSBA, PICGUG, IGS/Dominion Retail and TURN, *et al.* Evidentiary hearings were held on December 4, 2008. Briefs were filed on December 12, 2008, by PGW, OTS, OCA, OSBA, PICGUG, IGS/Dominion Retail and TURN, *et al.* On December 19, 2008, the Commission issued an Order granting emergency rate relief in the amount of \$60 million effective on or

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<sup>2</sup> OTS is now known as the Bureau of Investigation and Enforcement (“I&E”).

<sup>3</sup> PHA declined further participation in the SOLR Collaborative and the related settlement agreement process.

after January 1, 2009.<sup>4</sup>

- 2) 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.<sup>5</sup>

- 3) 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 and Direct Energy (collectively the “NGSs”).
- 4) On July 23, 2009, PGW and the Collaborative Process participants received a joint proposal from the NGSs (the “Supplier Proposal”).
- 5) On September 23, 2009, the collaborative participants met in order to discuss next steps. During that meeting, some of the participants expressed their concerns that the Supplier Proposal did not comport with the Pennsylvania Public Utility Code and it was proposed that the Commission review all legal questions presented by the collaborative participants before the Collaborative Process proceeded any further. Accordingly, the participants agreed that all interested parties would submit their positions/legal questions

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<sup>4</sup> *PA PUC v. PGW*, R-2008-2073938 (Opinion and Order Dec. 19, 2008, Ordering Paragraph 2).

<sup>5</sup> *Id.* at Ordering Paragraph 9.

to the Commission on October 21, 2009 and submit reply comments, if any, on November 4, 2009. There were submissions in accordance with this schedule by PGW, OCA, OSBA and the NGSs.

- 6) 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.<sup>6</sup> The Secretarial Letter also encouraged the pursuit of reasonable opportunities for settlement.
- 7) After the issuance of the aforementioned Secretarial Letter, PGW and the NGSs engaged in extensive discussions to try to achieve a settlement. PGW and the NGSs submitted a joint petition for settlement in Docket No. R-2008-2073938 on November 23, 2011. I&E, OCA and OSBA filed answers to the joint petition for settlement on December 13, 2011 requesting denial of the petition and PICGUG filed its opposition to the petition on December 28, 2011.
- 8) On January 13, 2012, the NGSs filed a Motion To Hold Matter in Abeyance. In the Motion, the NGSs requested that disposition of the November 23, 2011 Joint Petition

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<sup>6</sup> The Secretarial Letter provided, in relevant part:

If the suppliers wish to pursue the matter before the OALJ, the suppliers should be prepared to supplement their proposal and provide evidence to address the following concerns and policy preferences of the Commission. Specifically, the Supplier Proposal should:

- Satisfy the least cost procurement requirements of the Public Utility Code;
- Use a balanced supply portfolio that uses existing storage assets to level purchases and reduce seasonal volatility;
- Use a customer assignment process that results in a single clearing price paid by all members of the same customer class (e.g., such as a declining block auction used in default service electric procurements);
- Include a detailed implementation plan for review by all parties;
- Include contingency plans for what happens to affected customers if an alternative supplier defaults on its obligation. For example, the affected customers could be reassigned to the remaining suppliers.

*PA PUC v. PGW*, R-2008-2073938 (Secretarial Letter April 13, 2011).

(Docket R-2008-2073938) be held in abeyance pending resolution of the ongoing POR Collaborative which involved the same parties and many of the same issues as the SOLR Collaborative. The NGSs also indicated that the POR collaborative included discussions about PGW implementing a POR program, consolidated billing, and electronic data transfer protocols. The NGSs requested that the pending Joint Petition be held in abeyance until such time as a joint resolution of both the SOLR and POR Collaborative issues were submitted to the Commission for approval. The NGSs request was granted on February 15, 2012.

- 9) The active parties continued negotiations in this matter and updated ALJ Pell of their efforts along with requests for additional time to continue negotiations. During July 2013, the active parties advised the ALJ that a settlement had been achieved in principle with the active parties either joining in the settlement or not opposing it.

**The POR Collaborative – Identifying the Systems, Billing Improvements and Timeline in Order to Implement a Purchase of Receivables Program – Docket No. R-2009-2139884**

- 10) On December 18, 2009, PGW filed a proposed revision to its tariff that would implement a base rate increase designed to produce additional annual revenues to provide funding for PGW's Other-Post Employment Benefits ("OPEB") liability on an accrual basis. This rate filing was made in accordance with the Order issued in the aforementioned extraordinary rate filing which directed PGW to file a section 1308(d) base rate case no later than December 31, 2009. Eight formal complaints and/or interventions were filed by the OTS, OCA, OSBA, PHA, PICGUG, TURN, *et al.*, Clean Air Council ("CAC") and the Retail Energy Suppliers Association ("RESA").

The active parties conducted extensive formal and informal discovery throughout the proceeding. On March 26, 2010, direct testimony was submitted by OTS, OCA, OSBA, TURN, *et al.*, RESA, CAC and PHA. Five public input hearings were held during early April 2010. On April 23, 2010, rebuttal testimony was submitted by PGW, OTS, OCA, OSBA, CAC and PICGUG. Surrebuttal testimony was submitted by PGW, OTS, OCA, OSBA, RESA, TURN, *et al.*, and PHA on May 4, 2010. On May 11, 2010, the active parties advised the ALJ that a settlement of all of the issues had been achieved among the Company and all active parties and the hearings in this matter were cancelled.

11) On May 19, 2010, the Joint Petition for Settlement was filed. Paragraph 32 of the Joint Petition set forth the following:

PGW shall convene a collaborative with the purpose of identifying the systems (e.g., EDI) and billing improvements (e.g., utility consolidated billing) it needs to make in order to implement a Purchase of Receivables Program, as well as a time line for implementing the necessary systems and billing changes. The collaborative shall be initiated within 60 days after a Final Commission Order in this proceeding. If a consensus cannot be reached on these matters within 180 days after initiation of the collaborative, or if a consensus cannot be reached on the timing by which PGW will move forward to implement the necessary systems and billing changes, PGW agrees to put the matter(s) to the PUC for resolution, absent an agreement by all collaborative parties to continue with the collaborative process.

12) On July 29, 2010, the Commission entered its Order approving the Joint Petition for Settlement.

13) In accordance with the agreed upon schedule, PGW met with the active parties<sup>7</sup> and the suppliers operating on PGW's system in order to discuss the systems and billing improvements it needs to make in order to implement a Purchase of Receivables

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<sup>7</sup> CAC and PHA declined further participation in the POR Collaborative and the related settlement agreement process.

Program, as well as a time line for implementing the necessary systems and billing changes.

14) As set forth above, on January 13, 2012, the NGSs filed a Motion To Hold Matter in Abeyance. In the Motion, the NGSs requested that disposition of the November 23, 2011 Joint Petition (Docket R-2008-2073938) regarding the SOLR Collaborative be held in abeyance until such time as a joint resolution of both the SOLR and POR Collaborative issues were submitted to the Commission for approval. The NGSs request was granted on February 15, 2012.

15) As set forth in the settlement terms below, PGW has agreed to implement a POR Program, consolidated billing and an Electronic Data Interchange (“EDI”)<sup>8</sup> and has also agreed to other competition enhancing steps as set forth in this Settlement for both the SOLR and POR Collaboratives.

## **II) TERMS AND CONDITIONS OF SETTLEMENT**

1) PGW will provide Choice related customer education and will implement a POR program and utility consolidated billing. The POR/consolidated billing applications and systems will be developed within 18 months after the Commission approves the terms of this Settlement. Additionally, PGW is currently in the process of implementing an EDI as a result of the Collaboratives and will expand these capabilities for residential and small business customers within 18 months after the Commission approves the terms of this Joint Petition for Settlement.

2) Cost Recovery

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<sup>8</sup> PGW currently exchanges data with suppliers via its Transaction Management System but now that suppliers have expressed interest during the Collaboratives in marketing to all of PGW’s customers, PGW is implementing EDI in order to enhance its data exchange capabilities in order to accommodate a larger volume of shopping customers.

- a) Consumer education expenses are currently estimated to be \$1,000,000 for the cost of two choice/supplier informational mailings to PGW Rate GS Residential, Commercial and Industrial customers who are eligible to participate in the POR program. Costs in excess of \$1,000,000 will not be recovered through the restructuring and consumer education surcharge or from NGSs and the consumer education spending will be capped at \$1,000,000 unless there is an agreement among the settling parties for the recovery of the costs exceeding \$1,000,000.
- (i) The NGSs will pay one-time costs equal to the lesser of \$500,000 or 50 percent of the consumer education expenses through a component of the POR administrative discount (“Administrative Discount”) on the accounts receivable purchased by PGW.
- (ii) One-time costs equal to the lesser of \$500,000 or 50 percent of the consumer education expenses will be recovered from customers through the restructuring and consumer education (“R&CE”) surcharge.<sup>9</sup>
- b) The incremental costs associated with the implementation of consolidated billing and a POR program (i.e. development of applications and systems) are currently estimated to be \$1,658,000.
- (i) The NGSs will pay one-time costs equal to the lesser of \$165,800 or 10 percent of the incremental costs which are associated with the implementation of a POR program – these costs will be recovered through a component of the Administrative Discount on the accounts receivable purchased by PGW.

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<sup>9</sup> Actual costs incurred for the consumer education program shall be subject to review in the Company’s annual GCR proceedings. The restructuring and consumer education surcharge is not applicable to Interruptible Transportation customers.

- (ii) PGW will recover from customers the lesser of \$1,492,000 or 90 percent of the incremental costs which are associated with the implementation of consolidated billing – these costs will be recovered through the R&CE surcharge.<sup>10</sup>
- (iii) Incremental costs associated with the implementation of consolidated billing and a POR program in excess of \$1,658,000 will not be recovered through the restructuring and consumer education surcharge or from NGSs. PGW will not make a claim for the incremental costs associated with implementation of consolidated billing in any future base rate case.
- c) The NGSs will pay one-time capital costs for EDI system upgrades (not to exceed \$35,000) and annual billing system O&M costs for the first three years of the POR program (not to exceed \$108,000 in total) through the Administrative Discount on the accounts receivable purchased by PGW. Any costs in excess of these amounts shall not be recovered through the restructuring and consumer education surcharge or from NGSs.
- d) The NGSs will pay the initial 3 years of annual EDI Transactional Fees through the Administrative Discount imposed on the accounts receivable purchased by PGW. The annual EDI Transactional fee recovered via the Administrative Discount shall not exceed \$65,000 if the average annual customer shopping level does not exceed 50,000 customers. If the annual customer shopping level exceeds 50,000 customers, the annual fee recovery via the Administrative Discount shall be \$65,000 plus an additional \$1.30 per customer for all shopping customers greater than 50,000 customers (“EDI Transactional Fees”). The EDI Transactional Fees in excess of

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<sup>10</sup> Actual costs incurred for the consolidated billing implementation shall be subject to review in the Company’s annual GCR proceedings.

those funded in the Administrative Discount shall not be recovered through the restructuring and consumer education surcharge.

- e) The Administrative Discount applied to the accounts receivable purchased by PGW to compensate PGW for costs identified in items a (i), b (i), c and d shall be 2.00%, which will remain in effect until the costs set forth in paragraphs a (i), b (i), c and d are fully recovered. If, at any time, a modified cost recovery mechanism is approved by the Commission (subsequent to the order entered addressing this Settlement) for the costs recovered via the Administrative Discount, that modified cost recovery mechanism shall be the means by which the costs in paragraphs a (i), b (i), c and d shall be recovered by PGW, unless the Commission should determine otherwise.
- f) PGW explicitly agrees that its recovery of consumer education costs, consolidated billing implementation, POR and EDI capital and annual operating costs will be capped at the maximum levels specified in paragraphs a, b, c and d above. No interest charges on these amounts will apply.
- g) The 2.00% Administrative Discount on accounts receivable purchased by PGW applies only to Rate GS Commercial and Industrial shopping customer accounts that are at or under 5,000 Mcf per year and all Rate GS Residential shopping customer accounts. It does not apply to any other customer accounts that are not eligible for POR.
- h) Actual amounts included in the R&CE surcharge related to paragraphs a (ii) and b (ii) above shall be subject to regulatory review in PGW's annual Section 1307(f) proceedings. Non-Company Parties retain their rights to challenge claimed costs in those proceedings, and PGW retains its right to defend its incurred costs.

- i) The Administrative Discount will be set at the level necessary to recover any continuing administrative costs related to the POR program not addressed in this Settlement subject to commission approval and consistent with 52 Pa.Code §62.224 and other continuing administrative costs such as EDI transactional fees incurred after the time period set forth in this Settlement. In order to request recovery of the continuing administrative costs not addressed in the Settlement or after the time period set forth in this Settlement, PGW shall provide notice to all Parties of any such request/filing if the request/filing is outside the context of a 1307(f) or 1308(d) proceeding.
  - j) PGW reserves the right to request modification of all cost recovery mechanisms set forth in this Settlement and/or file other customer choice cost recovery proposals and to provide notice to all Parties of any such request/filing if the request/filing is outside the context of a 1307(f) or 1308(d) proceeding.
  - k) An Uncollectible Discount will be charged to NGSs. The Uncollectible Discount is related to the uncollectible rate for supply service customers and will be calculated consistent with the Commission's regulation at 52 Pa. Code Section 62.224, including risk and cost differences among PGW's customer classes. Currently, the Uncollectible Discounts are 4.68% - residential, 0.28% - commercial and 0.30 % - industrial.
- 3) Consumer Education - PGW will provide consumer education about natural gas suppliers operating in its service territory. PGW has offered to provide this information by the

following means with the details to be determined by a smaller breakout group of the Collaborative Process participants:<sup>11</sup>

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

#### 4) EDI

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<sup>11</sup> The settlement provision includes a multipart effort (bill messages, PGW website, Good Gas News, call center scripts, hold recording) to better educate PGW customers about natural gas suppliers. This settlement intends for a smaller breakout group of interested stakeholders that are Parties to this Docket to finalize the details of these efforts ("Stakeholder Process"). Consistent with this approach, the details of what subject matter is contained in the two choice/supplier informational mailings sent to all customers will be determined at a point closer in time to when the mailings will be sent to customers. Each mailing will contain: 1) general information about customers' choice of a competitive supplier; and 2) supplier specific information. Each mailing will thus provide customers with all the information (process and information on supplier alternatives) that will position a customer to actually shop. This flexible and balanced approach is especially important to maintain because the mailings will occur at a point in the future that cannot be currently specified. The Stakeholder Process will ensure that the material included reflects this balance and is accurate.

The general information contained in each mailing will be provided in a PGW cover letter which will *inter alia*: i) Describe the competitive nature of gas supply in Pennsylvania; ii) Describe how PGW purchases and sells gas in its regulated role as supplier of last resort; iii) Explain how the price-to-compare is calculated and where it may be found on PGW's bills; iv) Explain how the migration rider works; v) List the then currently approved NGSs operating on PGW's system; vi) Encourage all customers to shop regularly for the best available alternatives; vii) Encourage customers to understand the terms and conditions of a natural gas supply offer before selecting the offer; and viii) Provide references to other sources for information on gas supply competition in Pennsylvania.

- a) PGW will provide natural gas suppliers with releasable customer contact information if a natural gas supplier customer moves within PGW's service territory (i.e. the customer terminates current gas service and applies for new gas service at a different service address).<sup>12 13</sup>
- b) PGW will inform natural gas suppliers via an EDI transaction when a customer drops a natural gas supplier in order to switch to PGW or another supplier.<sup>14</sup>

5) Consolidated Billing

- a) PGW will provide rate ready utility consolidated billing.
- b) In addition to traditional fixed and variable rates, PGW's utility consolidated billing system will also have the ability to administer a percentage discount off of PGW's Price to Compare, flat rates and multiple per mcf rates.<sup>15</sup>

- 6) PGW's utility consolidated billing system will be designed to provide, upon request, a percentage discount off of PGW's Price to Compare for a three month period but customers must affirmatively select this natural gas supplier offer and then affirmatively select the natural gas supplier again after the initial three month period.<sup>16</sup>

- 7) Annual Meeting – PGW agrees to meet and discuss issues with the Collaborative Process parties once a year<sup>17</sup> in order to assess the operation of PGW's Choice Program. The first

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<sup>12</sup> Unless the customer has opted out of releasing customer information.

<sup>13</sup> If the EDI transaction is available.

<sup>14</sup> If the EDI transaction is available.

<sup>15</sup> PGW's billing system will not administer block rates.

<sup>16</sup> The NGSs expressed an interest in a referral program but PGW expressed legal concerns as well as concerns about implementation and administration of a referral program. The Settling Parties agreed to this alternative. PGW will not implement a customer referral program at this time.

<sup>17</sup> PGW agrees to meet mid-year during any given year if requested by the other Settling Parties.

annual meeting will occur one year after the complete implementation of PGW's Purchase of Receivable's Program.

8) Capacity Collaborative

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

The Capacity Collaborative will initially convene within 30 days of the entry of an order by the Commission approving this Settlement. In the initial session, NGSs and any other Party who chooses to do so shall identify all of the specific concerns that they have with PGW's procedures, and make specific alternative proposals. A second session shall be held within 90 days of the approval of this Settlement, at which time PGW will respond to the concerns raised by the Parties and offer its own proposal to resolve any issues raised. Also at this second session, or at any time prior to this session, the NGSs or any other Party may make a formal proposal concerning modifications to the Company's processes and procedures regarding matters subject to this Settlement. The Parties will then endeavor to reach consensus regarding the proposals put forward. It is the intent of the Parties to conclude this Collaborative by December 31, 2013.<sup>18</sup> To the extent

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<sup>18</sup> Depending upon when the order is entered approving this Settlement, it may not be feasible to conclude this Collaborative by December 31, 2013. If it is not feasible, the parties may either: 1) make their best effort to reach a consensus in time to include tariff changes in the March 1, 2014 annual 1307(f) filing; or 2) conclude this Collaborative during 2014 and, to the extent consensus can be achieved, PGW will propose any necessary tariff changes in its March 1, 2015 annual 1307(f) filing.

consensus can be achieved, PGW will propose any necessary tariff changes in its March 1, 2014 annual 1307(f) filing.<sup>19</sup> If the Collaborative participants do not reach an agreement regarding tariff modifications, the participants retain any rights they otherwise might have to raise the aforementioned issues in that (or any other) proceeding.

9) Purchase of Receivables Program

- a) Natural gas suppliers (“NGS”) providing basic gas supply service to Rate GS Commercial and Industrial customers (using no more than 5,000 Mcf per year) and Rate GS Residential customers are eligible to participate in PGW’s POR Program. An all-in, all-out provision will apply.<sup>20</sup>
- b) PGW will net the purchased receivable payment of the following discounts:
  - (i) A 2% Administrative Discount; plus
  - (ii) An Uncollectible Discount, currently: Residential – 4.68%, Commercial – 0.28% and Industrial – 0.30%.
- c) Budget Billing will be offered to shopping customers.
- d) PGW’s POR program comports with 52 Pa.Code § 62.224(a) and § 62.224(b) with respect to program design and customer care.
- e) Title to the NGS accounts receivable passes to PGW at the time of billing; PGW will remit payment for the receivable on the 25<sup>th</sup> day of the month following the billing month.

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<sup>19</sup> *Id.*

<sup>20</sup> To be eligible for the Rate GS residential customer POR program, an NGS must choose consolidated NGS billing for all of their residential customer accounts and must sell all associated residential customer accounts receivable to PGW. To be eligible for the small business customer (i.e. Rate GS Commercial and Industrial customers using no more than 5,000 Mcf per year) POR program, an NGS must choose consolidated NGS billing for all of their small business customer accounts and must sell all associated small business customer accounts receivable to PGW.

10) Miscellaneous

- a) The Parties agree that with issuance of an order by the Commission accepting/approving of this Settlement, the SOLR docket currently before ALJ Pell should be closed. PGW will continue as the SOLR<sup>21</sup> and the proceeding the Commission has made available to explore this topic will be closed.
- b) The Parties agree that with issuance of an order by the Commission accepting/approving of this Settlement, the settlement conditions set forth in paragraph 32 of the May 19, 2010 Joint Petition for Settlement in docket No. R-2009-2139884 shall be deemed satisfied.

**III) THE SETTLEMENT IS IN THE PUBLIC INTEREST**

- 1) The Joint Petitioners will submit Statements in Support of this Settlement.
- 2) The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:
  - a) ***Substantial Litigation And Associated Costs Will Be Avoided.*** The Settlement amicably and expeditiously resolves a number of important and potentially contentious issues. The administrative burden and costs to litigate these matters to conclusion would be significant.
  - b) ***The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements.*** The Joint Petitioners arrived at the Settlement terms after preparing and submitting positions/legal questions and engaging in in-depth discussions. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the

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<sup>21</sup> This settlement provision shall be subject to any prospective modifications by regulation or statute.

Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, 69.401), and is supported by a substantial record.

- c) ***The Settlement Is A Reasonable Resolution.*** The Settlement represents a reasonable resolution of the Collaboratives regarding the implementation of a POR program, consolidated billing and an EDI and issues regarding cost recovery, consumer education, customer switching data, permissible rate offerings and capacity assignment/allocation.

#### **IV) ADDITIONAL TERMS AND CONDITIONS**

- 1) 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.
- 2) This Settlement is being presented only in the context of this proceeding in an effort to resolve the SOLR and POR Collaborative issues in a manner that is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this Settlement.
- 3) 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 Settling or Non-opposing Parties 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 Settling or Non-opposing Party elects to withdraw from the Settlement or to withdraw its non-opposition as provided above, the Settling or Non-opposing Parties reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

- 4) If the OALJ, in its Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions with respect to any issues addressed by the Settlement. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the OALJ in its Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.<sup>22</sup>
- 5) 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.

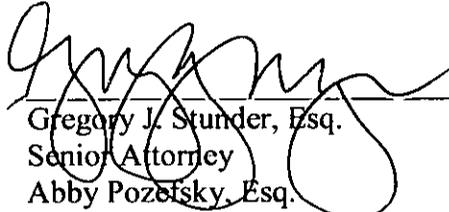
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

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<sup>22</sup> The Commission may approve this Joint Petition for Settlement via issuance of a Tentative Order. However, the Joint Petitioners have referenced an OALJ Recommended Decision and the Exception process in the event the Commission decides to evaluate the Joint Petition through OALJ.

- 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;
- 3) That the settlement conditions set forth in paragraph 32 of the May 19, 2010 Joint Petition for Settlement in docket No. R-2009-2139884 are deemed satisfied; and
- 4) That the Commission enter an Order, following a Commission decision evidencing its approval of the Settlement and terminating the proceeding.

Respectfully submitted,



\_\_\_\_\_  
Gregory J. Stunder, Esq.  
Senior Attorney  
Abby Pozefsky, Esq.  
Chief Administrative Officer and General  
Counsel

Of Counsel:  
Daniel Clearfield, Esq.  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101  
717.237.6000

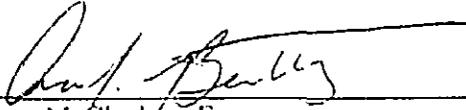
Philadelphia Gas Works  
800 W. Montgomery Avenue, 4<sup>th</sup> Floor  
Philadelphia, PA 19122

*Attorneys for Philadelphia Gas Works*

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**



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Tanya McCloskey, Esq.  
Aron Beatty, Esq.  
Office of Consumer Advocate  
5th Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

*Counsel for OCA*

---

Sharon Webb, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2nd Street  
Harrisburg, PA 17101

*Counsel for OSBA*

---

John F. Povilaitis, Esq.  
Buchanan Ingersoll & Rooney  
17 North Second Street  
Harrisburg, PA 17101-1503

*Counsel for Hess Corporation*

---

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

*Counsel for Interstate Gas Supply, Inc. and  
Dominion Retail, Inc.*

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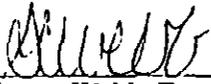
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Tanya McCloskey, Esq.  
Aron Beatty, Esq.  
Office of Consumer Advocate  
5th Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

*Counsel for OCA*



---

Sharon Webb, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2nd Street  
Harrisburg, PA 17101

*Counsel for OSBA*

---

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*Counsel for Hess Corporation*

---

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Hawke McKeon & Sniscak LLP  
100 North 10th Street  
Harrisburg, PA 17101

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Tanya McCloskey, Esq.  
Aron Beatty, Esq.  
Office of Consumer Advocate  
5th Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

*Counsel for OCA*

---

Sharon Webb, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2nd Street  
Harrisburg, PA 17101

*Counsel for OSBA.*



---

John F. Povilaitis, Esq.  
Buchanan Ingersoll & Rooney  
17 North Second Street  
Harrisburg, PA 17101-1503

*Counsel for Hess Corporation*

---

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

*Counsel for Interstate Gas Supply, Inc. and  
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---

Tanya McCloskey, Esq.  
Aron Beatty, Esq.  
Office of Consumer Advocate  
5th Floor, Forum Place Bldg.  
555 Walnut Street  
Harrisburg, PA 17101-1921

*Counsel for OCA*

---

Sharon Webb, Esq.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North 2nd Street  
Harrisburg, PA 17101

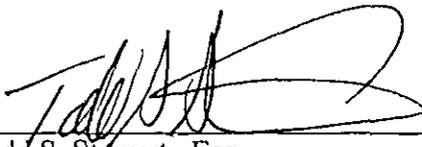
*Counsel for OSBA*

---

John F. Povilaitis, Esq.  
Buchanan Ingersoll & Rooney  
17 North Second Street  
Harrisburg, PA 17101-1503

*Counsel for Hess Corporation*

---



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

*Counsel for Interstate Gas Supply, Inc. and  
Dominion Retail, Inc.*

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SECRETARY'S BUREAU

## **Statements in Support**

- Statement A Statement in Support Joint Petition for Settlement of PGW
- Statement B Statement in Support Joint Petition for Settlement of the Office of the Consumer Advocate
- Statement C Statement in Support Joint Petition for Settlement of the Office of the Small Business Advocate
- Statement D Statement in Support Joint Petition for Settlement of Hess Corporation
- Statement E Statement in Support Joint Petition for Settlement of Interstate Gas Supply, Inc. and Dominion Retail, Inc.

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**PA PUBLIC UTILITY COMMISSION  
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# Statement A

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION :  
v. : Docket No. R-2008-2073938  
PHILADELPHIA GAS WORKS :

PENNSYLVANIA PUBLIC UTILITY COMMISSION :  
v. : Docket No. R-2009-2139884  
PHILADELPHIA GAS WORKS :

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

Philadelphia Gas Works ("PGW" or "Company") submits this Statement in Support of the Joint Petition for Settlement ("Settlement") filed in the above captioned proceeding. The Settlement was joined by Office of the Consumer Advocate ("OCA"), Office of the Small Business Advocate ("OSBA"), Interstate Gas Supply, Inc. ("IGS"), Dominion Retail, Inc. ("Dominion Retail") and Hess Corporation ("Hess") (collectively, the "Joint Petitioners" or "Settling Parties").<sup>1</sup>

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<sup>1</sup> The Bureau of Investigation and Enforcement ("I&E"), Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("TURN, *et al.*"), Direct Energy Services, LLC ("Direct Energy") and the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

## I. BACKGROUND

The parties to the above captioned proceedings have reached a settlement of the issues presented in two collaborative processes: 1) the SOLR Collaborative; and 2) the POR Collaborative. The SOLR Collaborative was convened after the Pennsylvania Public Utility Commission (“Commission”) issued a December 19, 2008 Order granting PGW’s 2008 request for emergency rate relief which required PGW to convene a collaborative process to explore options for transitioning some or all of its customers to an alternative default service supplier.<sup>2</sup> The December 19, 2008 Order also required PGW to file a 1308(d) base rate case no later than December 31, 2009. PGW filed the 1308(d) base rate case on December 18, 2009 and the parties to that proceeding filed a Joint Petition for Settlement on May 19, 2010.<sup>3</sup> The May 19, 2010 Joint Petition for Settlement included a provision that PGW shall convene a collaborative with the purpose of identifying the systems (e.g., EDI) and billing improvements (e.g., utility consolidated billing) it needs to make in order to implement a Purchase of Receivables Program, as well as a time line for implementing the necessary systems and billing changes.

PGW convened both Collaboratives and the parties engaged in extensive discussions resulting in the Joint Petition for Settlement which settles all issues related to both the SOLR and POR Collaboratives. The Settling Parties find the terms and conditions of the Settlement to be in the public interest and support approval of the Settlement without modification.

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<sup>2</sup> *PaPUC v. PGW*, Docket No. R-2008-2073938.

<sup>3</sup> *PaPUC v. PGW*, Docket No. R-2009-2139884.

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

PGW submits that the Settlement is in the public interest because significant competition enhancing measures are included in the Settlement which will strongly support a competitive market in PGW's service territory. Additionally, PGW has agreed to commit substantial resources to consumer education in order for competition to take hold and then thrive. Further, the Company will continue to work with the parties and collaborative participants as part of its continuing efforts to support a competitive market.

PGW has agreed to implement a Purchase of Receivable Program and Consolidated Billing within 18 months after the approval of the Settlement.<sup>4</sup> PGW's implementation of a POR program is a vital commitment to a competitive marketplace because this Commission has recognized and believes "that POR programs offer the best means to increase supplier participation in the retail natural gas supply market, compensate NGDCs for their risks and costs, and are in the public interest."<sup>5</sup> This Commission has also set forth that "the use of POR programs can promote efficiencies, reduce costs to consumers and reduce barriers to market entry by alternative natural gas suppliers."<sup>6</sup> Additionally, the Commission has "determined that the existence or non-existence of a POR program is an extremely important factor that an NGS [Natural Gas Supplier] will consider in deciding whether to commit to offering service in an NGDC's [Natural Gas Distribution Company]

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<sup>4</sup> Settlement Paragraphs II.1., II.5. & II.9.

<sup>5</sup> *Natural Gas Distribution Companies and Promotion of Competitive Retail Markets*, Docket No. L-2008-2069114, Revised Final Rulemaking Order (June 23, 2011) at 40.

<sup>6</sup> *Id.* at 34.

service territory, especially with respect to the residential/small business customer market.”<sup>7</sup> The Commission has further “determined that the implementation of POR programs, which allow the unregulated NGSs’ accounts receivables for natural gas costs to be purchased and collected by the regulated NGDC and which allow NGDCs to be fully compensated for the risks and costs, is essential to facilitate effective competition in Pennsylvania’s retail natural gas supply services market consistent with our obligations under the Act.”<sup>8</sup>

The Settlement further supports a competitive market because PGW’s consolidated billing system will accommodate a wide range of supplier rate offerings.<sup>9</sup> Pursuant to discussions with the NGSs involved in this proceeding, it is PGW’s understanding that the Company is agreeing to a much wider array of rate offerings than other NGDCs. In addition to traditional fixed and variable rates, PGW has also agreed to accommodate the NGSs’ requests that PGW’s consolidated billing system be programmed to administer a percentage discount off of PGW’s Price to Compare, flat rates and multiple per mcf rates.<sup>10</sup> PGW will also accommodate a percentage discount off of PGW’s Price to Compare for a three month period.<sup>11</sup>

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<sup>7</sup> *Id.* at 34-35.

<sup>8</sup> *Id.* at 35.

<sup>9</sup> Settlement Paragraphs II.5.b. and II.6.

<sup>10</sup> Settlement Paragraph II.5.b.

<sup>11</sup> Settlement Paragraph II.6.

Additionally, PGW has agreed to enhance its current data exchange capabilities with natural gas suppliers by implementing Electronic Data Interchange (“EDI”).<sup>12</sup> PGW agreed to implement EDI because it will assist in facilitating the data exchange between PGW and NGSs for much higher levels of shopping customers.

PGW will also undertake and support substantial consumer education efforts. These efforts will include two choice-related mailings to all PGW customers (at a cost of \$1 million<sup>13</sup>) which will, among other things: 1) encourage customers to shop; 2) provide supplier specific information; and 3) provide customers with all of the information which will actually place them in a position to shop.<sup>14</sup>

PGW’s consumer education efforts will also include dedicating a webpage on the Company’s website which will provide extensive choice program information.<sup>15</sup> PGW’s choice education will also include choice-related messaging on its bills, setting aside space on its bill inserts for choice-related information, developing call center scripts which will provide choice program information when a customer applies for natural gas service and developing choice-related hold recordings.<sup>16</sup>

PGW has also agreed to continue its collaborative efforts in order to continue supporting customer choice. Interested parties (involved in this Settlement) are permitted

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<sup>12</sup> Settlement Paragraph II.1. & II.4.

<sup>13</sup> Settlement Paragraph II.2.a.

<sup>14</sup> Settlement Paragraph II.3. (see footnote).

<sup>15</sup> Settlement Paragraph II.3.

<sup>16</sup> Settlement Paragraph II.3.

to become involved in determining the details of PGW's consumer education efforts.<sup>17</sup> PGW will also meet with collaborative process participants at least once every year to assess the operation of PGW's choice program.<sup>18</sup> Further, PGW will convene a Capacity Collaborative after the approval of the Settlement.<sup>19</sup>

PGW also 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 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).
- 3) *The Settlement Is A Reasonable Resolution.* The Settlement represents a reasonable resolution of the Collaborative Process issues regarding the above mentioned competition enhancing measures which are included in the Settlement.

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<sup>17</sup> Settlement Paragraph II.3.

<sup>18</sup> Settlement Paragraph II.7.

<sup>19</sup> Settlement Paragraph II.8.

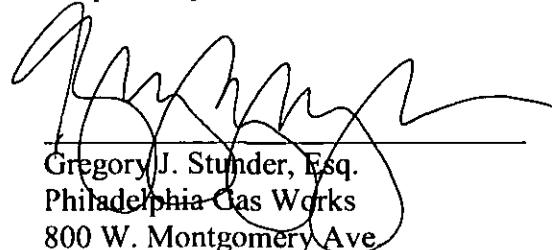
### III. CONCLUSION

For the reasons set forth in the above and in the Joint Petition for Settlement, 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;
- 3) That the settlement conditions set forth in paragraph 32 of the May 19, 2010 Joint Petition for Settlement in docket No. R-2009-2139884 are deemed satisfied; and
- 4) That the Commission enter an Order, following a Commission decision evidencing its approval of the Settlement and terminating the proceeding.

Respectfully submitted:



\_\_\_\_\_  
Gregory J. Stunder, Esq.  
Philadelphia Gas Works  
800 W. Montgomery Ave  
Philadelphia, PA 19122  
215-684-6878  
Counsel for Philadelphia Gas Works

# Statement B

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	Docket No. R-2008-2073938
v.	:	
PHILADELPHIA GAS WORKS	:	
	:	
	:	
	:	
PENNSYLVANIA PUBLIC UTILITY	:	
COMMISSION	:	Docket No. R-2009-2139884
v.	:	
PHILADELPHIA GAS WORKS	:	
	:	
	:	
	:	

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

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement) along with Philadelphia Gas Works (PGW or Company), the Office of Small Business Advocate (OSBA), Interstate Gas Supply, Inc. ("IGS"), Dominion Retail, Inc. ("Dominion Retail"), and Hess Corporation ("Hess") (collectively, the "Joint Petitioners" or "Settling Parties"),<sup>1</sup> finds the terms and conditions of the Settlement to be in the public interest and supports approval of the Settlement without modification. The instant Petition resolves all issues related to the Collaborative Process Exploring Options for Transitioning Some or All of Its Customers to an Alternative Default Service Supplier which was

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<sup>1</sup> The Bureau of Investigation and Enforcement ("I&E"), Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia ("FURN, *et al.*"), Direct Energy Services, LLC ("Direct Energy") and the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") do not join in this Settlement but have authorized the Settling Parties to state their non-opposition to the Settlement.

established in Docket No. R-2008-2073938, and the Collaborative Process Identifying the Systems, Billing Improvements and Timeline in Order to Implement a Purchase of Receivables Program which was established in Docket No. R-2009-2139884. The OCA submits that the proposed Settlement is in the public interest for the following reasons:

## **I. INTRODUCTION**

This Settlement resolves two separate but related issues derived from PGW's 2008 and 2009 base rate proceedings at Docket Nos. R-2008-2073938 and R-2009-2139884. As a result of the 2008 emergency rate relief proceeding, the Commission convened a collaborative to investigate the feasibility and benefits of removing PGW from the supplier of last resort (SOLR) obligation given PGW's financial situation. Pa. PUC v. PGW, R-2008-2073938 (Opinion and Order entered December 19, 2008). The OCA fully participated in this collaborative.

With regard to the 2009 proceeding, a settlement was reached that produced a collaborative for the purpose of identifying billing system improvements needed for the development of a Purchase of Receivables (POR) program that would facilitate retail shopping in PGW's service territory. Pa. PUC v. PGW, R-2009-2139884 (Opinion and Order entered July 29, 2010 at 14). The OCA fully participated in the POR collaborative as well. Section I of the Joint Petition provides a complete history of those proceedings as they relate to the instant Petition.

Settlement discussions have been ongoing and resulted in the proposed Settlement which resolves the issues raised by the Parties in these proceedings. For the reasons set forth below, the OCA submits that the Settlement is in the public interest and should be approved.

## II. TERMS OF SETTLEMENT

The OCA submits that the Settlement is in the public interest and should be approved as filed. Specifically, the Settlement provides for enhanced billing systems and customer education efforts that should improve choice options and increase the number of competitive suppliers available to PGW's customers. The Settlement reaches these goals through several key provisions and are identified in Paragraph II.1, which states:

PGW will provide Choice related customer education and will implement a POR program and utility consolidated billing. The POR/consolidated billing applications and systems will be developed within 18 months after the Commission approves the terms of this Settlement.

Settlement at ¶ II.1.

Under the Settlement, PGW will make significant improvements to its billing system. The purpose of these billing system upgrades is to provide the foundation upon which competitive suppliers can provide alternatives to PGW for commodity supply. The purpose of the alternative SOLR collaborative was to explore avenues by which PGW could reduce its gas supply costs, thus benefiting the Company and ultimately its customers. The improved billing applications and systems identified in the Settlement will further these goals by providing NGSs with the POR programs and consolidated billing needed for retail choice. To the extent customers choose to receive gas supply from an NGS, the costs borne by PGW at issue in the SOLR collaborative will be reduced.

The Settlement further requires that in addition to the billing system and POR programs that will be put in place, a comprehensive consumer education campaign will be conducted to maximize these systems and achieve benefits for ratepayers. Specifically, the Settlement provides:

- 3) Consumer Education - PGW will provide consumer education about natural gas suppliers operating in its service territory. PGW has offered to provide this information by the following means with the details to be determined by a smaller breakout group of the Collaborative Process participants:
- i. Bill messages.
  - ii. PGW website.
  - iii. Good Gas News (PGW's bill insert) and the e-bill equivalent of Good Gas News.
  - iv. Two choice/supplier informational mailings to all customers and mailings to new applicants.
  - v. Call center (and district office) script additions at time of application.
    1. Ask customers if they have selected a natural gas supplier.
    2. *Direct customers to the natural gas equivalent of papowerswitch.com.*
  3. Inform customers that a mailing will be sent discussing natural gas suppliers and natural gas supplier offers.
  - vi. Add a hold recording which discusses gas choice.

Settlement ¶ 3 (footnote omitted).

As this provision indicates, several avenues will be explored to deliver to consumers the information they will need to consider gas supply offers in the retail market. In particular, the OCA notes that the Settlement provides for two direct mailings that will provide supplier specific information. Settlement at ¶ 3, fn.14. The OCA submits that the Settlement's consumer education program is reasonable at this time given the investment being made to PGW's billing systems for retail choice.

To ensure that the costs of the consumer education program and the billing system upgrades that are contained in the Settlement are reasonable and in proportion to the expected benefits, the Settlement contains cost caps and spreads the risk of cost recovery among ratepayers, the Company, and competitive suppliers. Under Paragraph II(2)(a), total costs of the Consumer

Education program will not exceed \$1,000,000. Of those costs, half will be borne by residential customers, and half by competitive suppliers, as follows:

a). Consumer education expenses are currently estimated to be \$1,000,000 for the cost of two choice/supplier informational mailings to PGW Rate GS Residential, Commercial and Industrial customers who are eligible to participate in the POR program. Costs in excess of \$1,000,000 will not be recovered through the restructuring and consumer education surcharge or from NGSs and the consumer education spending will be capped at \$1,000,000 unless there is an agreement among the settling parties for the recovery of the costs exceeding \$1,000,000.

(i) The NGSs will pay one-time costs equal to the lesser of \$500,000 or 50 percent of the consumer education expenses through a component of the POR administrative discount ("Administrative Discount") on the accounts receivable purchased by PGW.

(ii) One-time costs equal to the lesser of \$500,000 or 50 percent of the consumer education expenses will be recovered from customers through the restructuring and consumer education ("R&CE") surcharge.

Settlement at ¶ 11.2.a.<sup>2</sup> As the Settlement clearly provides, residential customers expenses for the program will be capped at \$500,000.

In addition, the Settlement estimates the total billing system upgrade costs at \$1,658,000. Settlement at ¶11.2.b. Of this amount, natural gas suppliers will pay approximately 10% of that amount, with ratepayers covering the remainder. Importantly, because these cost estimates are subject to change, the Settlement limits the exposure of ratepayers as follows:

Incremental costs associated with the implementation of consolidated billing and a POR program in excess of \$1,658,000 will not be recovered through the restructuring and consumer education surcharge or from NGSs. PGW will not make a claim for the incremental costs associated with implementation of consolidated billing in any future base rate case.

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<sup>2</sup> The other consumer education initiatives such as the bill messages, PGW website, Good Gas News, call center scripts and hold recordings do not involve any additional costs.

Settlement at ¶ 11.2.b.iii. The Settlement further caps costs as follows:

*PGW explicitly agrees that its recovery of consumer education costs, consolidated billing implementation, POR and EDI capital and annual operating costs will be capped at the maximum levels specified in paragraphs a, b, c and d above. No interest charges on these amounts will apply.*

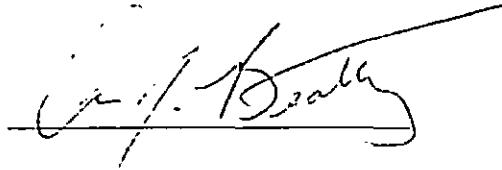
Settlement at ¶ 11.2.f.

The OCA submits that these expenses are justified at this time given the potential benefits that could accrue to customers through the retail market. The OCA submits that the Settlement provides additional benefits while protecting ratepayers from excessive costs through the cap on ratepayer cost responsibility.

### III. CONCLUSION

The OCA submits that the Settlement is a product of substantial compromise for the parties in this proceeding. As part of that compromise, all of the stakeholders will achieve benefits. The programs contained in the Settlement will provide customers with increased awareness of retail choice and greater opportunity to switch to a natural gas supplier. Notably the Company will see significant upgrades to its billing systems and potential reductions in gas supply costs, while suppliers will have greater access to customers through improved billing infrastructure and a new customer education initiative. For these reasons, the OCA submits that the Settlement is in the public interest and should be approved without modification.

Respectfully Submitted,



Aron J. Beatty  
Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
E-Mail: ABeatty@paoca.org  
Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

*Office of Consumer Advocate*  
555 Walnut Street 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

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# Statement C

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION :

v. :

PHILADELPHIA GAS WORKS :

Docket Nos. R-2008-2073938  
R-2009-2139884

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

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**I. Introduction**

The Office of Small Business Advocate ("OSBA") is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission ("Commission").

**II. Background**

On December 19, 2008, the Pennsylvania Public Utility Commission ("Commission") entered an order in PGW's Extraordinary Rate Relief proceeding which *inter alia*, directed the Philadelphia Gas Works ("PGW" or "Company") to convene a collaborative within 60 days of the entry of the Order. The stated purpose of the collaborative is to explore options for transitioning some or all of PGW's customers to an alternative default supplier.<sup>1</sup>

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<sup>1</sup> *Pennsylvania Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-2008-2073938 (Order entered December 19, 2008) at 40.

Specifically, the Commission stated that PGW should “explore any and all means of reducing the financial risks and costs of its utility business.”<sup>2</sup>

In response to the testimony of company witness Thomas Knudsen in support of PGW’s Extraordinary Rate Relief filing, Anthony Cusati, III (on behalf of Interstate Gas Supply, Inc. (“IGS”) and Dominion Retail, Inc. (“Dominion”)) testified about the magnitude of the cost (to PGW) of financing the annual purchases of the gas commodity for its customers.<sup>3</sup> Specifically, Mr. Cusati opined that PGW’s ability to borrow funds is hindered by its need to purchase natural gas supply for its customers at a cost of \$600 to \$700 million annually and suggested that a longer term solution for PGW would be to transition most (or all) of its load to competitive suppliers.<sup>4</sup> Mr. Cusati’s proposal, albeit brief, suggests that the cost burden (to PGW and ultimately its ratepayers) for financing the commodity purchases may be lessened by transitioning customers to an alternative supplier.

In the ensuing collaborative convened in response to the Commission’s directive, IGS and Dominion jointly submitted a two-page draft proposal entitled “Suppliers Recommended Plan” and Hess submitted a three-page memo. Both were circulated to the parties and considered in the March 5, 2009 collaborative meeting. The Office of Small Business Advocate (“OSBA”) subsequently provided a response to those proposals.

Subsequently, IGS and Dominion submitted a joint, revised proposal (“Supplier Proposal”) to PGW, which was circulated to the other participants in the collaborative on July 23, 2009, for comment. The Supplier Proposal consisted of three documents:

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<sup>2</sup> *Id.*

<sup>3</sup> Rebuttal testimony of Anthony Cusati, III on behalf of IGS and Dominion Retail (“Cusati Statement No. 1”) at 2.

<sup>4</sup> Cusati Statement No. 1 at 2.

- A two-page document entitled “Proposal to PGW to ‘Exit the Merchant Function’ Collaborative,” dated July 23, 2009;
- An eight-page document entitled “PGW-Exiting the Merchant Function Collaborative,” dated July 23, 2009; and
- A one-page undated document entitled “Proposed Revisions to PGW’s Daily Balancing Service (Rate DB).”

On October 21, 2009, the OSBA and the other parties submitted comments to the Commission regarding substantive and legal issues raised by the Supplier Proposal. In response to the comments submitted by other parties, the OSBA and others submitted reply comments on November 4, 2009.

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 including hearings and a recommended decision. Subsequently, PGW and the NGSs submitted a Joint Petition for Settlement on November 23, 2011 at Docket No. R-2008-2073938. The OSBA, the Office of Consumer Advocate (“OCA”) and the Bureau of Investigations and Enforcement (“I&E”) all filed answers in opposition to the Joint Petition for Settlement on November 23, 2011. The Philadelphia Industrial Commercial Gas Users Group (“PICGUG”) filed its opposition to the Joint Petition for Settlement on December 28, 2011.

On January 13, 2012, the NGSs filed a motion with the Commission requesting that the disposition of the Joint Petition for Settlement be held in abeyance pending the outcome of the Purchase of Receivables (“POR”) collaborative in part because there were overlapping issues in both proceedings. The ongoing POR collaborative was established as a result of the settlement

which was approved by the Commission at Docket No. R-2009-2139884 on July 29, 2010. The NGSs motion was granted on February 15, 2012.

Since that time interested parties have engaged in settlement discussions.

### **III. Summary of the OSBA's Principal Concerns**

The OSBA has actively participated in the negotiations which led to the filing of the Joint Petition for Settlement ("Settlement"). The Settlement is a compromise that does not meet all of the OSBA's objectives in this case. However, the OSBA is satisfied that the Settlement is a reasonable resolution of the foregoing concerns and produces an overall outcome that is in the public interest. Therefore, the OSBA is a signatory to the Settlement and urges the Commission's approval of the Settlement without modification.

### **IV. Settlement**

The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for joining the Settlement. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of small business customers:

1. PGW will continue as the SOLR and the proceeding and docket currently before ALJ Pell to explore alternatives will be closed. (Item II.10(a)) Despite an interminable collaborative process, no party ever advanced a credible proposal for alternative SOLR responsibility. The "proposals" advanced by the NGS participants were little beyond vague outlines of ideas, none of which contained any detailed proposals for alternative SOLR supply, the legal basis for such alternative supply, the specific responsibilities for the new SOLR, or any reasonable protections for ratepayers. Moreover, PGW's financial difficulties have been substantially reduced (albeit

through massive rate increases), and its short-term financing costs are substantially lower than when the collaborative was initiated. For example, in its compliance filing in the Gas Procurement Charge (“GPC”) matter at Docket No. R-2012-2333993, PGW reports that its financing costs for seasonal storage gas working capital are now 0.14 percent. The OSBA concludes that while the effort to reduce PGW’s financing costs was well-intended, the time for the NGSs and/or PGW to put a credible proposal on the table in this respect has come and gone. Judicial economy and regulatory efficiency considerations demand that this discussion be put to rest.

2. PGW will establish a POR program and rate ready consolidated billing within 18 months of the Commission’s approval of the Joint Petition for Settlement. (Items II.1 and II.9) The POR program will apply to Residential customers, and GS Commercial and Industrial Customers with annual load up to 5,000 mcf per year. (Item II.2(g)) These programs are substantially consistent with the Commission’s regulations and the practices of other Pennsylvania NGDCs. The OSBA submits that POR programs and rate ready consolidated billing make it much simpler for NGSs to serve retail customers, and are therefore an important component of providing a framework within which retail competition can reasonably take place. To OSBA’s knowledge, all other major Pennsylvania NGDCs already have such programs in place. Implementing these programs should represent a substantial step forward in opening PGW’s customers to retail competition. The OSBA notes further that the discounts in the POR program properly reflect the different uncollectible rates for the various rate classes, consistent with the method used to establish PGW’s GPCs. (Item II.9(b)(ii))

3. Incremental costs up to an estimated \$1,658,000 cost for the implementation of the POR program and consolidated billing will be recovered on a non-bypassable basis through PGW's restructuring and consumer education charges ("R&CE"). (Item II.2(b)) Of this amount, 10 percent will be paid by the NGSs through purchase discounts. The Settlement contains some ratepayer protection, in that costs above that level cannot be included in the R&CE. Moreover, parties, including the OSBA, retain the right to review and potentially challenge actual costs incurred for consolidated billings in PGW's annual GCR proceedings. As part of the collaborative process, PGW indicated that other Pennsylvania NGDCs have recovered some incremental POR and consolidated billing costs in charges that apply to all customers, and OSBA relied on those assertions in agreeing to this aspect of the Settlement.

4. PGW will expend an estimated \$1,000,000 for customer information mailings, of which 50 percent will be paid by NGSs through purchase discounts and 50 percent will be recovered through the R&CE surcharge. (Item II.2(a)) The specific content for these mailings will be developed by a "breakout group" when the time for the mailing is nearer. (See footnote 11) Additional consumer education efforts are detailed in Item II.3.

Regarding the customer mailings, throughout the collaborative process, the OSBA expressed a concern that the mailings as originally envisioned by the NGSs would be little more than a ratepayer-subsidized effort to disseminate NGS marketing materials. However, footnote 11 to the Settlement establishes that the mailings must have some useful educational information, in addition to supplier-specific detail. The

OSBA therefore considers the cost sharing established in the Settlement to be reasonable.

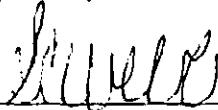
Regarding the other customer education efforts, the OSBA notes that these approaches appear to be consistent with normal NGDC practice in Pennsylvania. In addition, PGW has asserted that the incremental costs would be minimal. Based on this representation from the Company, the OSBA deems the Settlement's customer education program to be generally reasonable, subject to further review of the details in the "breakout group" envisioned by the Settlement.

In addition, the Settlement contains ratepayer protections in that Consumer education expenses for those customers eligible to participate in the POR program, in excess of the currently estimated at \$1,000,000, will not be recovered through the R&CE surcharge. The estimated \$1,000,000 cost is a cap and may not be increased without agreement between the settling parties for the recovery of additional costs. Further, Actual costs incurred for the consumer education program will be subject to review in PGW's annual GCR proceedings.

5. The Settlement establishes a Capacity Collaborative for interested parties to review and evaluate PGW's policies regarding the assignment of upstream capacity to NGSs, and the load balancing services provided by PGW to NGSs. (Item II.8) In recent PGW Section 1307(f) proceedings, the OSBA has voiced concerns that these processes may not be competitively neutral. To the extent the NGSs have an active interest in serving PGW retail customers, this forum should allow for a reasonable review of the issues to ensure that PGW's processes are competitively neutral. The OSBA hopes to be able to participate effectively in this particular collaborative.

WHEREFORE, for the foregoing reasons, the OSBA respectfully requests that the Commission approve the Joint Petition for Settlement.

Respectfully submitted,



Sharon E. Webb  
Assistant Small Business Advocate  
Attorney ID #73995

For:

John R. Evans  
Small Business Advocate

Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101  
(717) 783-2525  
(717) 783-2831 (fax)

Dated: August 30, 2013

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**Statement D**

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
 :  
v. : **Docket No. R-2008-2073938**  
 :  
PHILADELPHIA GAS WORKS :

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
 :  
v. : **Docket No. R-2009-2139884**  
 :  
PHILADELPHIA GAS WORKS :

**STATEMENT IN SUPPORT OF JOINT PETITION FOR SETTLEMENT**

TO ADMINISTRATIVE LAW JUDGE PELL AND THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Hess Corporation ("Hess")<sup>1</sup> hereby files this Statement in Support of the Joint Petition for Settlement ("Joint Petition" or "Settlement") entered into by Philadelphia Gas Works ("PGW" or the "Company"), Office of the Consumer Advocate ("OCA"), Office of the Small Business Advocate ("OSBA"), Interstate Gas Supply, Inc. ("IGS") and Dominion Retail, Inc. ("Dominion Retail") (collectively, the "Joint Petitioners" or "Settling Parties"). Hess submits that the Settlement is a fair resolution of the interests represented by the Parties to this proceeding and its terms are consistent with the public interest the Pennsylvania Public Utility Commission ("Commission") is obligated to uphold. The Settlement avoids further delay in the resolution of these dockets and avoids the expense of further unnecessary litigation. The Settlement is fair,

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<sup>1</sup> Direct Energy Services, LLC does not join in this Settlement, but authorizes the Settling Parties to state their non-opposition to the Settlement.

just and reasonable, is in the public interest and meets all legal requirements. Therefore it should be approved by the Commission without modification.

## **I. BACKGROUND**

1. *The procedural background of these proceedings is set forth in Paragraphs 1-15 of the Joint Petition and is incorporated by reference herein.*

2. The Settlement resolves two dockets that are important to competitive natural gas suppliers (“NGSs”) and PGW’s customers. The proceeding at R-2008-2073938 is intended to address the issue of whether it is appropriate to transition PGW’s customers to some alternative default service supply arrangement. At the core of this issue is the withdrawal of PGW from the role of gas supplier for at least some of its customers. The Settlement addresses this issue through a series of provisions dealing with consolidated billing applications and systems, customer education, billing system flexibility, annual meeting on PGW’s Choice Program issues, Capacity Collaborative etc. These terms make it more feasible than it is at present for NGSs to serve customers in the PGW service territory, and thus relieve PGW of the supply obligation for these customers. Key to the ability of NGSs to operate on the PGW system is a purchase of receivables (“POR”) program. POR implicates the second docket addressed in this settlement, Docket No. R-2009-2139884, which was the governing proceeding for a collaborative intended to address the implementation of a POR program on the PGW system.

3. By resolving both of these dockets simultaneously, the Settlement comprehensively addresses issues relating to the provision of gas supply to customers on the PGW system. The Settlement positions PGW to join its fellow Pennsylvania natural gas distribution companies in making gas supply competition more feasible than it is at present on this system.

## II. PUBLIC INTEREST ANALYSIS

4. *It is well-established that Commission policy promotes settlements.<sup>2</sup> The public benefits from settlements in that settlements reduce the time and expense the parties must expend in litigating a case while simultaneously conserving important administrative resources. Also, settlement results are preferable because they are more predictable than those achieved in full litigation. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest.<sup>3</sup>*

5. The Settlement is supported, or not opposed, by a wide variety of entities that in the aggregate represent a broad spectrum of interests. No Party opposes the settlement. *This balance supports the proposition that the Settlement is in the public interest.*

6. In addition, the Settlement leaves intact the regulatory mandates of the Commission. No waivers of the Commission's existing regulations are required for implementation of the settlement's provisions.

7. The terms of the Settlement make it clear that the costs that must be incurred to transition PGW to a company capable of flexible, consolidated billing, with a functioning POR program and customers educated so that they can participate in a competitive supply market, are shared among PGW, its customers and NGSs. *Caps on the costs to be incurred for consolidated billing provide both customers and NGSs with financial protection. The POR program is available under the Settlement to suppliers serving customers using no more than 5,000 Mcf of gas per year. By broadening the availability of the POR program, this provision improves residential and small commercial/industrial customers' access to competitive suppliers.*

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<sup>2</sup> See 52 Pa. Code § 5.231.

<sup>3</sup> *Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.*, Docket No. C-2010-2071433, 2012 Pa. PUC LEXIS 1377 at \*6.

8. An Annual Meeting, and an optional mid-year meeting, to assess the operation of PGW's Choice Program will continue the work of the Parties in this case, and ensure an ongoing dialogue continues on competitive gas issues in the PGW service territory. In addition, a Capacity Collaborative will convene shortly after Commission approval of the Settlement to address specific concerns with PGW procedures.

9. This Settlement provides a vehicle for the Commission to conclude these important dockets and moves PGW and its customers forward to an environment that includes consolidated billing, customer education and a POR program. It will be necessary to continue to work on challenges that must be met for this service territory to fully realize the benefits of gas competition, but this Settlement is an important step in a positive direction.

### III. CONCLUSION

Hess and the other Parties have worked to draft a fair, balanced and comprehensive settlement of the issues raised in these dockets with terms that are in the public interest. Hess fully supports the Settlement and respectfully requests that the Commission approve it in its entirety without modification.

Respectfully submitted,

Dated: August 30, 2013

  
\_\_\_\_\_  
John F. Povilaitis  
BUCHANAN INGERSOLL & ROONEY PC  
409 North Second Street, Suite 500  
Harrisburg, PA 17101  
(717) 237-4825

Attorneys for Hess Corporation and Direct  
Energy Services, LLC

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# Statement E

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SECRETARY'S BUREAU**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
	:	
<b>v.</b>	:	<b>Docket No. R-2008-2073938</b>
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	
	:	
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
	:	
<b>v.</b>	:	<b>Docket No. R-2009-2139884</b>
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	

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**STATEMENT IN SUPPORT OF SETTLEMENT  
OF INTERSTATE GAS SUPPLY, INC.  
AND DOMINION RETAIL, INC.**

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**AND NOW**, come Interstate Gas Supply, Inc. (“IGS”) and Dominion Retail, Inc. (“DR”)(collectively “IGS/DR”), by and through their counsel, Hawke, McKeon & Sniscak, LLP, and hereby submit their Statement in Support of the Joint Petition for Settlement (“Settlement”) filed simultaneously herewith in the above-captioned matters. This Settlement resolves the outstanding issues in two separate dockets currently before the Pennsylvania Public Utility Commission (“Commission”). The first, a collaborative process to explore the transition of some or all of PGW’s customers to an alternative default service supplier (“SOLR Collaborative”) at Docket No. R-2008-2073938. The SOLR Collaborative was an outgrowth of PGW’s 2008 request for Emergency Rate Relief at the same docket. The second, is a collaborative intent on

identifying the systems and billing improvements necessary for implementing a purchase of receivables program (“POR Collaborative”) at Docket No. R-2009-2139884. These matters have been consolidated for resolution due to the overlapping nature of the subject matter.

The Joint Petition for Settlement requests that the Presiding Administrative Law Judge and the Commission approve the Settlement without modification. In support of the Settlement, IGS/DR state and aver as follows:

1. The NGS Parties have actively participated in these matters. In particular, Anthony Cusati presented testimony in PGW’s 2008 emergency rate relief proceeding suggesting that it may be beneficial for PGW, and for its customers, for PGW to seek another means of providing default service. While the Commission rejected that approach for the immediate future, the Commission did require that PGW engage in a collaborative process to explore alternatives for doing so. The resulting SOLR Collaborative process produced much of the substance of the settlement attached hereto, which the NGS Parties believe is in the public interest and ask the Commission to approve.

2. The POR Collaborative began later, as an outgrowth of PGW’s 2009 rate case, and that collaborative process proceeded in parallel with the SOLR Collaborative and eventually was consolidated with it before Presiding Administrative Law Judge Pell.

3. The Settlement resolves both matters and addresses a series of enhancements to PGW’s current natural gas Choice program, and significant improvements in PGW’s billing systems, which IGS/DR believe will allow for participation by Natural Gas Suppliers (“NGS” or “Suppliers”) in the PGW market. In particular, the Settlement provides for:

(a) PGW to implement a substantial consumer education effort as well as a cost recovery mechanism that includes substantial contributions from Suppliers;

(b) PGW to implement EDI for interaction with NGSs that should greatly enhance all aspects of interaction between PGW and Suppliers, including enrollment and billing;

(c) PGW to finally implement consolidated billing;

(d) a POR program; and,

(e) a capacity collaborative through which interested NGSs and other parties, along with the Company, will discuss the means of implementing improvements to better manage capacity for the Company and NGSs.

4. IGS/DR believe and therefore aver that the Settlement is in the Public Interest and ask that it be approved as submitted. While the Settlement does not provide for PGW to exit the default supplier role, it does require PGW to provide the infrastructure and support on which a successful market should be capable of being built.

5. Perhaps the most significant consumer education initiative incorporated within the Settlement is for a series of two mailings that will be sent to all PGW customers, which will include materials explaining Choice to customers, encouraging customers to participate in Choice, and will allow participating Suppliers to include offers to customers. The estimated cost for these two mailings will be \$1 million. The suppliers have agreed to pay half of that cost.

6. PGW will also provide additional messaging in the written literature it provides to customers, in bill stuffers, and on its website. PGW will also include Choice messaging as part of the messages played if customers are placed on hold when attempting to reach PGW by telephone.

7. It is a necessary precursor for robust Choice for the Utility to provide consolidated billing, because it allows the utility to bill for suppliers' charges on the utility bill and it allows new market entrants to avoid the risk of an investment in a billing system as the

cost of “testing the waters”. PGW has agreed to implement such a system as part of the Settlement. The estimated cost of implementing consolidated billing is \$1,658,000.00 and the suppliers have agreed to pay ten percent of that cost. The Suppliers also have agreed to pay a substantial portion of the one-time capital cost for the system will make it possible for PGW to provide EDI and have agreed to pay the first three years of transaction fees for EDI.

8. In addition to providing substantial cost recovery, the benefits of the settlement include the implementation of a POR program with the administrative discount at set of a level to recover all the costs described in the settlement (2%), and an uncollectable discount based upon the actual experienced uncollectables of PGW. POR programs have long been identified by the Commission as one of the necessary elements for competition to take hold. POR allows the billing entity to purchase the receivables of suppliers that are generated during the consolidated billing process at a fair discount representing the actual experienced uncollectible rate of the utility. Suppliers win because their collection risk is known and the costs associated with uncollectibles are recovered from all customers at the same level, thus creating no competitive harm. Non-shopping customers benefit because they are not saddled with ever-increasing uncollectibles accounts as more customers shop and the increasing uncollectible rate is spread over fewer customers. Finally, PGW benefits because it gains a more regular mechanism for adjusting its uncollectibles rate on a forward-looking basis, to keep the rate in line with experience.

9. PGW has agreed to conduct a capacity collaborative with interested parties that will discuss the PGW processes for transportation capacity assignment and storage capacity allocation, and will seek ways to modify daily delivery quantities and daily contract quantity calculations to make the assignment process more transparent, equitable and efficient. Several

NGSs have identified PGW's current capacity assignment processes as a barrier to market entry. PGW has agreed to re-examine those processes with an eye toward making them more market friendly while not sacrificing reliability or harming default customers.

10. All of the benefits discussed above should permit suppliers, particularly those who serve residential and small commercial customers, to enter the PGW market. It is far too risky otherwise for suppliers to make the investments necessary to engage in a new service territory as complex as PGW. The provision of POR and consolidated billing will allow suppliers a reasonable opportunity to compete on an equal footing in the PGW marketplace. While the capacity collaborative will allow suppliers to have a voice in seeking to ensure that the rules for assignment of capacity are fair and equitable to all parties concerned, and that those mechanisms will be optimized for permitting competitors to serve customers on the PGW system.

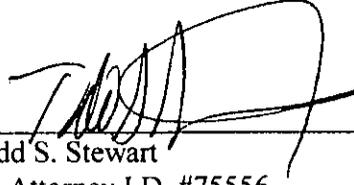
11. These changes coupled with the significant consumer education proposed to be undertaken by PGW will provide the best chance that Choice will take hold and thrive in the PGW service territory.

12. IGS/DR believe that this Settlement is the best opportunity for Choice for the PGW at present. The Settlement will provide the first realistic opportunity for suppliers to enter the market for small customers, through such vital precursor programs such as POR and consolidated billing. At the same time PGW will dedicate resources to educating customers about choice and has committed to examine its processes to look for ways to make Choice work better on its system, from a supply perspective. These are all positive results. From a public interest perspective, the Suppliers have also agreed to commit substantial resources, in the form of substantial contributions for these programs to be paid-for via the POR discount. While this is

not the optimal result from the supplier perspective, it is a compromise worth making if choice is ever to gain a foothold in the PGW market.

WHEREFORE, because the NGSs believe that the Settlement is in the best public interest, the urge the Commission to approve it without modification.

Respectfully submitted,



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Todd S. Stewart  
PA Attorney I.D. #75556  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778  
E-mail: [tstewart@hmslegal.com](mailto:tstewart@hmslegal.com)  
Telephone: (717) 236-1300  
Facsimile: (717) 236-4841

*Counsel for Interstate Gas Supply, Inc.  
and Dominion Retail, Inc.*

DATED: August 30, 2013

**CERTIFICATE OF SERVICE**

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

**VIA EMAIL AND REGULAR MAIL**

Richard Kanaskie, Esquire  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Todd S. Stewart, Esquire  
Hawke McKeon Sniscak & Kennard  
100 North Tenth Street  
Harrisburg, PA 17105-1778

Aron Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1921

Philip Bertocci, Esquire  
Robert Balenger, Esquire  
Thu B. Tran, Esquire  
Community Legal Services  
1424 Chestnut Street  
Philadelphia, PA 19102

Sharon E. Webb, Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

Daniel Clearfield, Esquire  
Eckert Seamans Cherin & Mellot, LLC  
213 Market Street - 9th Floor  
Harrisburg, PA 17101

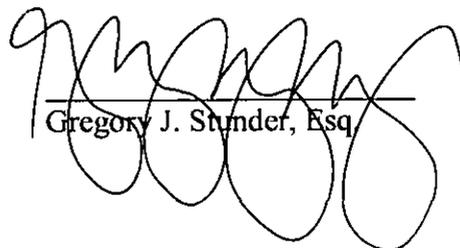
Adeolu Bakare, Esquire  
Charis Mincavage, Esquire  
McNees Wallace Nurick  
100 Pine Street  
Harrisburg, PA 17108-1166

John F. Povilaitis, Esq.  
Ryan, Russell, Ogden & Seltzer P.C.  
800 North Third Street, Suite 101  
Harrisburg, PA 17102-2025

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Gregory J. Stunder, Esq.

Date: August 30, 2013

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