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February 13, 2015

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

**VIA ELECTRONIC FILING**

**RE: Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan for FY 2016-2020, and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers; Docket No. P-2014-2459362**

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Prehearing Memorandum of the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to this proceeding are being duly served.

Sincerely,

McNEES WALLACE & NURICK LLC

By

  
Adeolu A. Bakare

Counsel to the Philadelphia Industrial and Commercial Gas Users Group

Enclosure

c: Administrative Law Judge Christopher P. Pell (via e-mail and First-Class Mail)  
Administrative Law Judge Marta Guhl (via e-mail and First-Class Mail)  
Certificate of Service

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## CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Adeolu A. Bakare  
Counsel to the Philadelphia Industrial and  
Commercial Gas Users Group

Dated this 13<sup>th</sup> day of February, 2015, at Harrisburg, Pennsylvania

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works for	:	
Approval of Demand-Side Management	:	
Plan for FY 2016-2020 and Philadelphia	:	Docket No. P-2014-2459362
Gas Works Universal Service and Energy	:	
Conservation Plan for 2014-2016, 52 Pa.	:	
Code § 62.4 – Request for Waivers	:	

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**PREHEARING MEMORANDUM OF THE PHILADELPHIA INDUSTRIAL  
AND COMMERCIAL GAS USERS GROUP**

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As requested by Administrative Law Judges ("ALJ") Christopher P. Pell and Marta Guhl in their February 5, 2015, Prehearing Conference Order, the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") hereby submits this Prehearing Memorandum in the above-captioned proceeding.

**I. HISTORY OF THE PROCEEDING**

On December 23, 2015, Philadelphia Gas Works ("PGW" or "Company") submitted a Petition for Approval of Demand-Side Management Plan for FY 2016-2020 ("2016 DSM Plan") with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). The Commission approved PGW's initial DSM Plan for FY 2011-2015 ("Initial DSM Plan") in July 2010, pursuant to the settlement of PGW's 2009 base rate filing at Docket Nos. P-2009-2097639 and R-2009-2139884. PGW has proposed the 2016 DSM Plan to continue certain programs from the Initial DSM Plan, and to add two new programs.

PGW's 2016 DSM Plan presents a proposed portfolio consisting of seven DSM programs, including the following five programs continued from the Initial DSM Plan:

- 1) CRP Home Comfort Program (formerly referred to as ELIRP), providing weatherization treatments to the highest usage customers in PGW's Customer Assistance Program ("CAP");
- 2) Residential Equipment Rebates Program, providing prescriptive Residential-sized heating equipment rebates targeting;
- 3) Commercial Equipment Rebates Program, providing prescriptive Commercial-sized heating and cooling equipment rebates targeting replacement at the end of its operational life;
- 4) Efficient Building Grants Program providing custom project grants for existing Commercial and multifamily buildings; and
- 5) Efficient Construction Grants Program, providing customer project grants for new and gut rehabilitated Commercial and multifamily buildings, and single-family homes.

PGW is also proposing to establish: (1) a Low-Income Multifamily Program to supplement the CRP Home Comfort program; and (2) an Efficient Fuel-Switching Program designed to promote cost-effective load management projects for Commercial and Industrial ("C&I") end-users currently utilizing other more expensive and less efficient fuels.

PGW anticipates total program expenditures of approximately \$25 million, including \$22.7 million for the conservation programs and \$2.3 million for the Efficient Fuel-Switching Program. PGW proposes to recover all 2016 DSM Plan costs through the Efficiency Cost Recovery Surcharge ("ECRS") mechanism and Universal Service Charge ("USC"), consistent with the Initial DSM Plan.

Although proposing to continue recovering costs through the ECRS and USC, PGW also proposes to increase its recoverable costs by implementing two new revenue adjustments. First, PGW proposes to modify the ECRS by employing a Conservation Adjustment Mechanism

("CAM") to recover lost margins due to sales reductions resulting from efficiency measures. Second, PGW proposes to establish performance incentives to incentivize efficient and cost effective results from the 2016 DSM Plan.

On January 13, 2015, PICGUG filed a Petition to Intervene in this proceeding. A description of PICGUG is set forth in Paragraph 8 of PICGUG's Petition to Intervene. PICGUG's Petition to Intervene awaits disposition by the ALJs.

A Prehearing Conference is scheduled in this proceeding for February 17, 2015.

## **II. ANTICIPATED ISSUES AND SUB-ISSUES**

PICGUG is monitoring PGW's cost recovery mechanisms and proposed revenue adjustments. PICGUG will address any rate design and cost allocation issues that may arise. PICGUG also reserves the right to raise further issues and to respond to issues raised by other parties.

## **III. PROPOSED WITNESSES**

PICGUG is still evaluating whether it will present any witnesses in this proceeding. If PICGUG determines that it will present such witnesses, PICGUG will inform the ALJs and the other parties as soon as possible. PICGUG intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

## **IV. PROPOSED SCHEDULE AND DISCOVERY RULES**

PICGUG will cooperate with the ALJs and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the

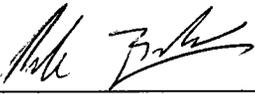
Commission's regulations and any directives issued by the ALJs. In addition, PICGUG will defer to the parties at the Prehearing Conference regarding the amount of hearing time needed.

**V. POSSIBILITY OF SETTLEMENT**

PICGUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By  \_\_\_\_\_

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Dated: February 13, 2015