

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 27, 2017

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission  
v.  
Philadelphia Gas Works  
Docket No. R-2017-2586783

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's  
Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby  
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Attachment

cc: Honorable Christopher P. Pell, ALJ  
Honorable Judge Marta Guhl, ALJ  
Certificate of Service

\*231077

# CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2017-2586783
	:	
Philadelphian Gas Works	:	

I hereby certify that I have this day served a true copy of the foregoing documents, the Office of Consumer Advocate's Prehearing Memorandum upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 27<sup>th</sup> day of March 2017.

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2017-2586783
Office of Consumer Advocate	:	C-2017-2592092
Office of Small Business Advocate	:	C-2017-2593497
v.	:	
	:	
Philadelphia Gas Works	:	

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PREHEARING MEMORANDUM OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to the Prehearing Conference Order of Administrative Law Judges Christopher P. Pell and Marta Guhl issued on March 17, 2017, Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in anticipation of the Prehearing Conference scheduled for Wednesday, March 29, 2017, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION AND PROCEDURAL HISTORY**

Philadelphia Gas Works (PGW or the Company) is a municipal public utility company, owned by the City of Philadelphia and managed and operated by the Philadelphia Facilities Management Corporation. The Company is engaged in the business of furnishing natural gas to approximately 500,000 residential, commercial and industrial natural gas customers in Philadelphia, Pennsylvania. The natural gas service being furnished or rendered by PGW became subject to the regulation and control of the Pennsylvania Public Utility Commission on July 1, 2000, pursuant to the Natural Gas Choice and Competition Act, 66 Pa. C.S. Section 2212.

On February 27, 2017, PGW filed Supplement No. 100 to PGW's Gas Service Tariff- Pa. P.U.C. No. 2 (Supplement No. 100). In Supplement No. 100, the Company is seeking an

increase in annual distribution revenues of \$70 million, to become effective April 28, 2017. Specifically, the Company has proposed to increase the residential monthly customer charge from \$12.00 per month to \$18.00 per month, or by 50%. Additionally, for a residential customer, the delivery charge would increase from \$6.0067/Mcf to \$6.7275/Mcf, or by 12%. According to the Company's filing, the bill for a typical PGW residential heating customer who uses 76 Mcf per year will increase from \$94.06 to \$104.65 per month, or by 11.3%. Additionally, the Company proposes the following Tariff revisions: add a rate schedule for back-up service; add a Pilot Technology and Economic Development Rider for certain firm-service, non-residential customers; update its Interruptible Transmission rate; and eliminate existing rate schedules that are no longer necessary or appropriate.

The OCA filed a Formal Complaint in this proceeding on March 6, 2017 to protect the interests of the Company's customers and to ensure that the Company is permitted to implement only a level of rates that is fully justified and in accordance with sound ratemaking principles. This filing was assigned to Administrative Law Judges Christopher P. Pell and Marta Guhl (ALJs) for the scheduling of hearings and investigation into the lawfulness, justness, and reasonableness of the proposed rates.

## **II. DISCOVERY**

In order to effectively investigate and adequately develop a record in this proceeding, the OCA requests certain modifications to the Commission's discovery rules, as set forth below:

A. Prior to the filing of Rebuttal Testimony, answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.

B. Prior to the filing of Rebuttal Testimony, responses to requests for document production and entry for inspection or other purposes must be served in-hand within ten (10) calendar days.

C. Prior to the filing of Rebuttal Testimony, requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

D. After the filing of Rebuttal Testimony, the ten (10) calendar day requirements specified in (a) through (c), above, shall be modified to seven (7) calendar days.

E. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

F. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.

G. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

H. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

### **III. SETTLEMENT**

The OCA will participate fully in all settlement discussions.

### **IV. ISSUES**

Based upon a preliminary analysis of PGW's base rate increase filing, the OCA has compiled a list of issues, which it anticipates will be included in its investigation of the Company's proposed rate changes. The OCA anticipates that other issues may arise and may be pursued as responses to interrogatories are received and analyzed.

With regard to all issues, the OCA takes the position that the proposed increases or changes must be justified, reasonable, and in accordance with sound ratemaking principles in order to protect the interests of the Company's customers. Additionally, the OCA has identified several issues that may require further review as follows:

A. Revenues and Expenses: The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues. The OCA will seek to ascertain whether or not the Company's claimed expenses are supported, reasonable, and appropriate. Among others, the following issues will be addressed:

- The sales forecast utilized by the Company in order to project future test year sales and revenues;
- PGW's proposed depreciation expense;
- The Company's rate case expense, labor expense, uncollectible account expense, and advertising expense;
- Proposed treatment and recovery of OPEB

B. Claimed Cash Requirements: The OCA will examine the Company's claimed cash requirements to determine whether the Company's claims are reasonable and properly supported.

C. Rate Structure/Rate Design: The OCA will examine the Company's cost of service study, its proposed allocation of any rate increase to the customer classes, and its proposed design of the rates. The OCA will also examine other tariff issues raised by the filing.

D. Universal Services: The OCA will examine the Company's proposed universal service program costs and cost recovery mechanisms.

E. Other Issues: The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes and will investigate those proposals to ensure that the Company is complying with all prior orders.

The OCA reserves the right to raise additional issues.

## **V. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimonies, as may be necessary, of the below witnesses. Each witness will present testimony in written form and will attach various exhibits, documents, and explanatory information, as may be necessary. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed and/or emailed directly to the expert witness(es) responsible for the particular area of the case, as well as to counsel for the OCA.

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The OCA specifically reserves the right to call additional witnesses, as necessary. If the OCA determines that additional witnesses will be necessary for any portion of its case, it will notify all parties of record immediately.

#### **VI. PROPOSED SCHEDULE AND AMOUNT OF TIME NEEDED FOR HEARINGS**

The parties have reached an agreement to present the following litigation schedule to the ALJs for consideration:

Public Input Hearings	May 9-11, 2017
Non-Company Direct	May 16, 2017
Rebuttal	June 9, 2017
Surrebuttal	June 22, 2017
Evidentiary Hearings	June 28-30, 2017
Close of Record	July 5, 2017
Main Briefs	July 21, 2017

Reply Briefs	August 4, 2017
Public Meeting	November 8, 2017

In accordance with the above schedule, the parties propose to schedule three days for evidentiary hearings.

The OCA requests that the dates included in the schedule be considered “in-hand” dates and that electronic service or fax service on the due date will satisfy the “in-hand” requirement, where a hard copy is sent by first class mail.

## **VII. PUBLIC INPUT HEARINGS**

The OCA is aware of one consumer Formal Complaint filed at the Commission thus far. Given the magnitude of the requested rate increase, however, the OCA requests that public input hearings be held in the Company’s service territory. The OCA notes that public input hearings for prior PGW rate cases held in the Company’s service territory were well attended. The OCA also requests that the Company, at a minimum, place advertisements within its service territory and publications in the newspaper and on the Company’s website to make its consumers aware of these hearings.

## **VIII. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl Lawrence and Assistant Consumer Advocates Kristine E. Marsilio, Christy Appleby, and Harrison W. Breitman. Kristine Marsilio will act as the lead attorney for purposes of participating in the Prehearing Conference. Two copies of all documents should be served on the OCA as follows:

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Respectfully submitted,

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DATED: March 27, 2017  
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