



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
COMMONWEALTH KEYSTONE BUILDING  
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF  
INVESTIGATION  
&  
ENFORCEMENT

April 30, 2020

**Via Electronic Filing**

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

Re: Pennsylvania Public Utility Commission v.  
Philadelphia Gas Works  
Docket No. R-2020-3017206  
**I&E Prehearing Memorandum**

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E)  
**Prehearing Memorandum** for the above-captioned proceeding.

Consistent with Paragraph 8 of the Commission's March 20, 2020 Emergency Order at Docket No. M-2020-3019262 (Re: Suspension of Regulatory and Statutory Deadlines; Modification to Filing and Service Requirements), electronic copies only are being served on all active parties of record as evidenced in the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Carrie B. Wright". The signature is written in a cursive, flowing style.

Carrie B. Wright  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 208185  
(717) 783-6156  
[carwright@pa.gov](mailto:carwright@pa.gov)

CBW/ac  
Enclosures

cc: Honorable Darlene Heep (*ALJ, PUC Philadelphia – via email only*)  
Honorable Marta Guhl (*ALJ, PUC Philadelphia – via email only*)  
Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
Philadelphia Gas Works	:	

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**PREHEARING MEMORANDUM  
OF THE  
BUREAU OF INVESTIGATION AND ENFORCEMENT**

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**TO ADMINISTRATIVE LAW JUDGES DARLENE HEEP AND MARTA GUHL:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement Prosecutor in this proceeding will be Carrie B. Wright. Contact information is as follows:

By mail:	Carrie B. Wright Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street Harrisburg, PA 17120
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By e-mail:	<a href="mailto:carwright@pa.gov">carwright@pa.gov</a>
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By telephone:	(717) 783-6156
By fax:	(717) 772-2677

## **I. INTRODUCTION**

On February 28, 2020, Philadelphia Gas Works (“PGW” or “Company”) filed Supplement No. 128 to Tariff Gas Pa. P.U.C. No. 2 to become effective April 28, 2020. It contained proposed changes in rates, rules, and regulations calculated to produce \$70 million, or 10.5%, in additional annual revenues.

The Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered an order suspending the implementation of Supplement No. 128 by operation of law until November 28, 2020, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 128. Further, the matter was assigned to the Office of Administrative Law Judge (“OALJ”) to schedule such hearings as necessary to develop a record in this proceeding.

A telephonic Prehearing Conference is scheduled for Tuesday, May 5, 2020, at 2:00 pm, with Administrative Law Judges Darlene Heep and Marta Guhl presiding.

## **II. ISSUES**

The following list represents I&E’s preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Evaluation of PGW’s Use of 10-Year Weather Normal to Calculate Normal Degree Days to Project Proforma Revenues.
- Present Rate Revenue
  - Evaluation of Number of customers;
  - Evaluation of Usage per customer; and

- Evaluation of City's Unaccounted-For-Gas (UFG) and its Potential Impact on Revenues;
  - Evaluation of PGW's Senior Citizen Discount Program and its Impact on Revenues;
  - Evaluation of PGW's Interruptible Gas Revenues;
  - Evaluation of PGW's Forfeited Discounts;
  - Evaluation of PGW's Miscellaneous Service Revenue;
  - Evaluation of PGW's Other Gas Revenue;
  - Evaluation of PGW's Bill Paid Turn-Ons & Dig Ups Revenues;
  - Evaluation of PGW's Revenues Related to Customer Installation Expenses;
  - Evaluation of PGW's Non-Operating Rental Income;
  - Evaluation of PGW's Interest and Dividend Income; and
  - Evaluation of PGW's Miscellaneous Non-Operating Income.
- Cost of Service Study
    - Evaluation of City's Cost of Service Methodology & Cost Allocations – Including, City's Allocation of 50% of Cost of Mains to the Demand Classification factor and the remaining 50% allocated to the Customer Classification Factor; and
    - Revenue Allocations.
- Tariff Structure
    - Evaluation of Proposed Tariffs and Changes
- Adjustments to Budgeted Revenues;
- Scale back of Rates.
- Operation and Maintenance Expense Including:
    - Gas Processing Expense
    - Field Services Expense
    - Distribution Expense
    - Collection Expense
    - Customer Service Expense
    - Account Management Expense
    - Bad Debt Expense
    - Marketing Expense
    - Administrative and General Expense
    - Health Insurance Expense
    - Environmental Remediation Expense
    - Capitalized Fringe Benefits
    - Capitalized Administrative Charges

- Pension Expense
- Taxes
- OPEBs
- Rate Case Expense
- Salary Expense
- Charitable Contributions
- Lobbying Expense
- Incentive Compensation
- Advertising Expense
- Universal Services Including:
  - Micro-Combined Heat and Power (Micro-CHP) Incentive Program
  - Customer Responsibility Program (CRP)
- Debt Service Coverage Ratio
- Debt-to-Equity Ratio
- Credit Rating
- Days Cash on Hand
- Gas Safety

### **III. WITNESSES**

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

- Ethan Cline, Fixed Utility Valuation Engineer
- Holly Gilliland, Fixed Utility Valuation Engineer
- Anthony Spadaccio, Fixed Utility Financial Analyst
- Brenton Grab, Fixed Utility Financial Analyst
- Scott Orr, Pipeline Safety Engineer

The I&E witnesses may be contacted through the information listed above for Prosecutor Wright. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of

the witnesses listed above. In the event that I&E decides to call additional witnesses, I&E will notify the ALJs and the parties as soon as possible.

#### **IV. EVIDENCE**

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

#### **V. DISCOVERY**

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. I&E requests the Commission's Rules of Practice and Procedure for the conduct of discovery be modified as follows:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
2. Objections to interrogatories shall be communicated orally within three (3) days of service; unresolved objections shall be served to the ALJs in writing within five (5) days of service of interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of written objections.

4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of such motions.
5. Discovery and discovery related pleadings served after 12:00 noon on a Friday or after 12:00 noon on any business day preceding a state holiday will be deemed to be served on the next business day.

## **VI. SCHEDULE**

The closure of Commission offices has impacted I&E's ability to review this filing. As a result, I&E is requesting more time than the statutory nine (9) month time frame indicated in the Public Utility Code. However, I&E will work with the parties to develop a mutually agreeable schedule in this proceeding.

## **VII. PUBLIC INPUT HEARINGS**

To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of telephonic public input hearings given the current social distancing protocols in place in the Commonwealth.

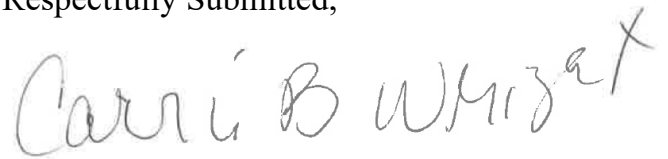
## **VIII. SERVICE OF DOCUMENTS**

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents. As of the time of the filing of this pre-hearing memo, I&E is still operating under the Commission's telework protocol and does not generally have the capability to either send out or receive hard copies in this proceeding. Should that change, I&E will notify the parties and the ALJs.

## **IX. SETTLEMENT**

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Carrie B. Wright".

Carrie B. Wright  
Prosecutor  
PA Attorney ID No. 208185

Bureau of Investigation and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120  
(717) 783-6156

Dated: April 30, 2020



**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3017206
	:	
Philadelphia Gas Works	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated April 30, 2020, in the manner and upon the persons listed below:

**Served via Electronic Mail Only**

Sarah C. Stoner, Esq.  
Daniel Clearfield, Esq.  
Eckert Seamans Cherin & Mellott, LLC  
[sstoner@eckertseamans.com](mailto:sstoner@eckertseamans.com)  
[dclearfield@eckertseamans.com](mailto:dclearfield@eckertseamans.com)

Sharon E. Webb, Esq.  
Daniel G. Asmus, Esq.  
Office of Small Business Advocate  
[swebb@pa.gov](mailto:swebb@pa.gov)  
[dasmus@pa.gov](mailto:dasmus@pa.gov)

Robert D. Knecht  
Industrial Economics Incorporated  
[rdk@indecon.com](mailto:rdk@indecon.com)

Christy M. Appleby, Esq.  
Darryl A. Lawrence, Esq.  
Santo G. Spataro, Esq.  
Laura J. Antinucci, Esq.  
Office of Consumer Advocate  
[OCAPGW2020@paoca.org](mailto:OCAPGW2020@paoca.org)

Todd S. Stewart, Esq.  
Hawke McKeon & Sniscak LLP  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)

Charis Mincavage, Esq.  
Adeolu A. Bakare, Esq.  
Jo-Anne Thompson, Esq.  
McNees Wallace & Nurick LLC  
[cmincavage@mcneeslaw.com](mailto:cmincavage@mcneeslaw.com)  
[abakare@mcneeslaw.com](mailto:abakare@mcneeslaw.com)  
[jthompson@mcneeslaw.com](mailto:jthompson@mcneeslaw.com)

Gregory J. Stunder, Esq.  
Graciela Christlieb, Esq.  
Philadelphia Gas Works  
[Gregory.Stunder@pgworks.com](mailto:Gregory.Stunder@pgworks.com)  
[Graciela.Christlieb@pgworks.com](mailto:Graciela.Christlieb@pgworks.com)

John W. Sweet, Esq.  
Elizabeth R. Marx, Esq.  
Ria M. Pereira, Esq.  
Pennsylvania Utility Law Project  
[pulp@palegalaid.net](mailto:pulp@palegalaid.net)



Carrie B. Wright  
Prosecutor  
Bureau of Investigation and Enforcement  
PA Attorney ID No. 208185