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December 31, 2010

Via Electronic FilingRosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265Re: Philadelphia Gas Works' Petition to Modify Its Universal Service and Energy
Conservation Plans With Respect to the Customer Responsibility Program
Docket No. P-2010-2178610

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works, enclosed for filing please find the original of its Prehearing Memorandum along with the electronic filing confirmation page with regard to the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Very truly yours,



Carl R. Shultz, Esq.

CRS/lww
Enclosurecc: Hon. Christopher P. Pell, w/enc.
Cert. of Service w/enc.

CERTIFICATE OF SERVICE

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

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Carl Shultz, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works to :
Modify its Universal Service and Energy : Docket No. P-2010-2178610
Conservation Plan with Respect to the :
Customer Responsibility Program :
:

**PREHEARING MEMORANDUM OF
PHILADELPHIA GAS WORKS**

Philadelphia Gas Works (“PGW”) hereby submits this Prehearing Memorandum pursuant to 66 Pa. C.S. § 333 and the Prehearing Conference Order (dated, November 30, 2010) of Administrative Law Judge (“ALJ”) Christopher P. Pell.

I. PROCEDURAL HISTORY

On October 23, 2009, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued an Order approving a Settlement Agreement that permitted PGW to amend its 2008-2010 Universal Service Plan to enable it to comply with a directive from the Pennsylvania Department of Public Welfare (“DPW”) concerning the application of Low Income Home Energy Assistance Program (“LIHEAP”) cash grants (“Cash Grants”) to PGW’s Customer Responsibility Program (“CRP”) participants’ PGW accounts. *See Philadelphia Gas Works Universal Service and Energy Conservation Plan, Docket No. M-00072021 (Order entered October 23, 2009).* Pursuant to the Settlement Agreement, PGW was authorized to comply with DPW directives and apply Cash Grants directly to the accounts of individual CRP customers. PGW also agreed to file a petition to propose any additional modifications to its CRP necessitated by this modification. Settlement Agreement at 6, ¶ 16.

On May 27, 2010, at Docket No. P-2010-2178610, PGW filed a petition for an extension of time to file its Universal Service Plan for 2011-2013, as well as a request to extend the time for filing an impact evaluation of its Plan. PGW served the Office of Consumer Advocate (“OCA”), the Office of Trial Staff (“OTS”), the Office of Small Business Advocate (“OSBA”) and Community Legal Services of Philadelphia (“CLS”) with its petition, and no party contested the extensions of time. In its petition, PGW stated it would be filing its petition to make modifications to its CRP. (Petition for Extension of Time at 2).

On June 4, 2010, at Docket No. P-2010-2178610, PGW filed its Petition to Modify its Universal Service and Energy Conservation Plans for 2011-2013 with Respect to the CRP. The Petition proposes to set the CRP support levels so that a CRP customer’s energy burden, will be more in line with PUC-recommended targets after of the application of a portion of a projected LIHEAP Cash Grant to the customer’s “asked to pay” bills.¹ This proposal is consistent with similar modifications made by several utilities to their Customer Assistance Plans (“CAP”). In making this change, PGW would create a positive incentive for CRP customers to apply for available LIHEAP grants. PGW also proposed to add a conservation incentive to the CRP plan, which is designed to provide a benefit to participating CRP customers who reduce natural gas use.

The Petition was served on the OCA, the OTS, the OSBA, CLS and the Philadelphia Industrial Commercial Gas Users Group (“PICGUG”). All parties filed answers to the petition and one party, the Tenant Union Representative Network (“TURN”), included new matter in its answer in opposition to the proposed modifications to PGW’s CRP. On July 12, 2010, PGW filed a reply to the new matter.

¹ As proposed, PGW’s modification would require CRP customers to pay an amount based upon the individual customer’s income (i.e., 8%, 9% or 10% of income) plus an amount representing a portion of a projected LIHEAP grant. See PGW’s Petition, at ¶¶ 10-19.

On November 23, 2010, the Commission issued an order granting PGW's Petition for Extension of Time and transferring the June 4th Petition to the Office of Administrative Law Judge for hearing and issuance of a Recommended Decision. In accordance with the Commission's order, the matter was assigned to ALJ Christopher P. Pell.

The Commission's Order of November 23rd encouraged DPW to consider participating in this proceeding so that the Commission might receive first-hand its views on this issue. The Commission directed that DPW be served a copy of that order. Notwithstanding the Commission's request, DPW has not yet sought to intervene in this proceeding. *See* 52 Pa. Code §§ 5.71 to 5.76.

The Order of November 23rd also extended the due date of PGW's Universal Service and Energy Conservation Plan. The Universal Service and Energy Conservation Plan shall be filed within thirty (30) days of a final Commission order approving or rejecting the petition that was filed on June 4, 2010 and the impact and process evaluations of PGW's Universal Service and Energy Conservation Plan shall be due on December 1, 2012.

The Initial Prehearing Conference is scheduled for January 6, 2011.

II. ISSUES AND WITNESSES

A. Issues

The CRP modification raises the issue of whether (or not) the proposed LIHEAP "Cash Grant" adjustment is consistent with PUC policy and the Public Utility Code (e.g., just and reasonable and in the public interest). Notably, the PUC has already approved a modification to Columbia Gas of Pennsylvania's ("Columbia") Customer Assistance Program ("CAP") to increase CAP participants "asked to pay" amount to reflect the fact that Columbia now applies

Cash Grants directly to customers accounts.² PGW's proposed revision is substantially similar to the "CAP-plus" methodology proposed by Columbia and approved by the PUC.³ Similarly, T.W. Phillips Gas and Oil Company⁴ and PPL Electric Utilities⁵ have also agreed to create and implement a "CAP-plus" methodology.⁶

A related issue is whether (or not) the CRP modification is, as a matter of law, governed by DPW's LIHEAP regulations. And, if it is governed by those regulations, whether (or not) PGW's proposed modification is inconsistent with those regulations.

B. Witnesses

The written statement by Ms. Christina Coltro, PGW Vice President- Customer Affairs was attached to the June 4th Petition. That statement included a report by Applied Public Policy Research Institute for Study and Evaluation ("APPRISE Report"), which analyzed CRP and recommended changes to the program to account for the new DPW directive regarding Cash Grant application. The filing also included a revised tariff supplement to implement PGW's revised Plan.

² *Petition of Columbia Gas of Pennsylvania, Inc. to modify its Universal Services and Energy Conservation Plan*, PUC Docket No. P-2010-2195759 (petition filed, August 25, 2010; order entered October 19, 2010).

³ *Id.*

⁴ The Commission approved the T.W. Phillips settlement on November 4, 2010 at Docket No. R-2010-2167797. In paragraph 24(l), T.W. Phillips agreed to file with the Commission a proposal for a CAP-plus program in time for the start of the 2011-2012 heating season.

⁵ The Commission approved the PPL settlement on December 21, 2010 at Docket No. R-2010-2161694. In paragraph 30, PPL agreed to adopt OCA's CAP-plus methodology and will implement the proposal no later than the 2011-2012 heating season.

⁶ *See also Statement of Commissioner John F. Coleman, Duquesne Light Company Universal Service and Energy Conservation Plan for 2011-2013 Submitted in Compliance with 52 Pa.Code § 54.74* (PUC Docket No. M-2010-2161220 (public meeting November 19, 2010). In his Statement, Commissioner Coleman also requested that interested parties address "whether the CAP-plus solution approved by the Commission for Columbia and T.W. Phillips is a mechanism that Duquesne Light should develop and implement as part of its CAP beginning with the 2011-2012 heating season . . ." *Id.* at 2. In response, Duquesne Light indicated that it has agreed to propose and file a CAP-plus program with the Commission by April 1, 2011, as part of its all-encompassing settlement at Docket No. R-2010-2179522. That settlement has not been approved by the Commission.

Ms. Coltro has left PGW. Elsa Leung is the Director of Regulatory Compliance for PGW. PGW will submit the Direct Testimony of Ms. Leung in accordance with the schedule for this proceeding. Ms. Leung's Direct Testimony will adopt the statement of Ms. Coltro. She may also provide updates concerning PGW's existing universal service programs and data on cost offsets related to CRP requested by the PUC.

PGW reserves the right to submit additional witnesses after the submission of the direct testimony of the other parties.

C. Admissions or Stipulations

There have been no admissions or stipulations finalized at this time.

III. PROPOSED SCHEDULE AND DISCOVERY

A. Proposed Schedule

1. Litigation Schedule

PGW's proposed litigation schedule is attached as Appendix A. PGW has shared this proposed schedule with the other parties and is working with them to arrive at a mutually agreeable schedule that will permit adequate time for discovery and litigation.

It is proposed that all dates are for service by in-hand delivery. Electronic mail for receipt and distribution will satisfy in-hand service dates, with follow-up hard copies provided by first class mail.

2. Public Input Hearings

At this time, PGW does not believe that public input hearings will be necessary or appropriate. The issues presented involve the interpretation and application of the Public Utility Code, the PUC's Universal Service Policies, and the applicability and possible interpretation of DPW's LIHEAP regulations.

B. Discovery

PGW has not received any formal discovery requests from the parties since the commencement of this proceeding on June 4, 2010. PGW is willing to work with the parties to provide information through informal discovery conferences. At this time, PGW does not believe that modifications to the Commission's discovery rules are necessary or appropriate.

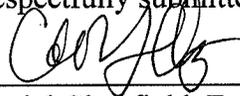
C. Protective Order

At this time, PGW is not requesting a Protective Order in this proceeding. If PGW believes that a Protective Order is necessary, PGW will file a Motion requesting such an order.

IV. SETTLEMENT

PGW is willing to discuss the settlement of its claims, and will be initiating such discussions as soon as the parties indicate that they have had sufficient time to review PGW's direct case.

Respectfully submitted,



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APPENDIX A

**PGW
PROPOSED PROCEDURAL SCHEDULE
P-2010-2178610**

Filed Date	June 4, 2010
Prehearing Conference	January 6, 2011
Supplemental Direct Testimony – PGW	January 14, 2011
Direct Testimony – Other Parties	March 15, 2011
Rebuttal Testimony – All Parties	March 29, 2011
Surrebuttal Testimony – All Parties	April 4, 2011
Hearings	April 7, 2011
Main/Initial Briefs - All Parties	May 7, 2011
Reply Briefs - All Parties	May 23, 2011