

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

March 10, 2011.

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 1307(f)
Docket No. R-2011-2224739

Secretary Chiavetta:

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

Copies have been served as shown on the Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Aron J. Beatty".

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

cc: Hon. Christopher Pell
Certificate of Service

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SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Philadelphia Gas Works
2011 Purchased Gas Cost Proceeding

Docket No. R-2011-2224739

PREHEARING MEMORANDUM OF THE
OFFICE OF CONSUMER ADVOCATE

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RECEIVED

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. §333, and in response to the Prehearing Conference Order issued in the above-captioned matter by Administrative Law Judge Christopher P. Pell on March 1, 2011, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On February 28, 2011, Philadelphia Gas Works (PGW or Company) submitted its purchased gas cost (PGC) filing pursuant to Section 1307(f) of the Public Utility Code. PGW's filing indicates a proposed decrease in purchased gas cost rates for retail sales service from the current rate of \$6.5400/Mcf to a proposed rate of \$6.3077/Mcf effective September 1, 2011, a decrease of \$0.2323/Mcf.

The Public Utility Code provides that no rates of a natural gas distribution utility shall be deemed just and reasonable unless the Commission finds that the utility is pursuing a least cost fuel procurement policy, consistent with the utility's obligation to provide safe, adequate and reliable service to customers. 66 Pa. C.S. § 1318. The Commission must find, among other things, that the utility has (1) fully and vigorously represented ratepayer interests before the Federal Energy Regulatory Commission, (2) taken all prudent steps to negotiate favorable gas supply contracts and to relieve its obligations under contracts that may be adverse to ratepayer interests, (3) taken all reasonable steps to obtain lower cost gas supplies, and (4) not withheld or caused to be withheld gas supplies that should have been utilized as part of a least cost fuel procurement policy.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of PGW's purchased gas cost pre-filing of January 31, 2011 and its definitive filing of February 28, 2011, the OCA has compiled a list of issues and sub-issues which it anticipates will be included in its investigation of the Company's proposed rate changes. It is anticipated that other issues may arise and may be pursued once the OCA has completed discovery and all of the answers to OCA's interrogatories have been received and analyzed.

The OCA anticipates that it will serve an initial set of discovery on the Company shortly. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues to be addressed in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following list sets forth issues the OCA anticipates it may raise in this proceeding:

- (1) Reasonableness and prudence of historic period purchased gas costs, and assessment of compliance with Commission Orders in previous 1307(f) cases;

(2) Reasonableness and accuracy of estimating gas costs during the interim and prospective periods;

(3) Reasonableness and prudence of the Company's gas supply mix, including purchases of local gas supplies and the use of LNG;

(4) Reasonableness and prudence of the Company's mix of demand entitlements, storage, and local production, to include an assessment of the reasonableness of the Company's estimate of design day requirements;

(5) Reasonableness and prudence of contracts with pipelines and suppliers and, in particular, long-term contracts that provide for special reservation charges, minimum take commitments, or other fixed contract requirements;

(6) Reasonableness of the Company's allocation of purchased gas costs between customer classes and assessment of any other subsidies or unreasonable discrimination between customer classes;

(7) Reasonableness and prudence of the Company's use of capacity release, off-system sales, and interruptible sales and the crediting of such revenues to PGC ratepayers and PGW;

(8) Reasonableness of sales volumes projections;

(9) Technical issues pertaining to the gas cost recovery mechanism, including computation of quarterly adjustments to purchased gas costs, treatment of supplier refunds, provision of carrying costs associated with gas in storage, interest on gas cost overcollections, and proper computation of the E-Factor and migration riders;

(10) Reasonableness of hedging transactions and strategies entered into under the terms of previous PGC settlements; and

The OCA reserves the right to raise additional issues as discovery proceeds.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Richard LeLash in this proceeding. The OCA anticipates that Mr. LeLash will present testimony in written form and will also attach various exhibits, documents, and explanatory information which will assist in the presentation of OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed directly to Mr. LeLash, as well as mailing a copy to counsel for the OCA.

Richard LeLash
18 Seventy Acre Road
Redding, CT 06896
Telephone: 203-438-4659
Fax: 203-431-9625
Email: lplash@snet.net

The OCA specifically reserves the right to call additional witnesses, as necessary. If the OCA determines that an additional witness will be necessary for any portion of its case, all parties of record will be notified at that time.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Assistant Consumer Advocates Aron J. Beatty and James A. Mullins. Two copies of all documents should be served on the OCA as follows:

Aron J. Beatty
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
Email: abeatty@paoca.org

V. PROPOSED SCHEDULE

The OCA is working with the other parties on a mutually acceptable schedule that will be presented at the Prehearing Conference.

VI. PUBLIC INPUT HEARINGS

At present, there is not sufficient public interest to establish that a public input hearing in this proceeding is necessary. If sufficient consumer interest arises, the OCA will make prompt notification to the ALJ and the parties and request that public input hearings be scheduled.

VII. DISCOVERY

Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding, consistent with past 1307(f) discovery modifications. The OCA, therefore, requests the following modifications to the discovery regulations:

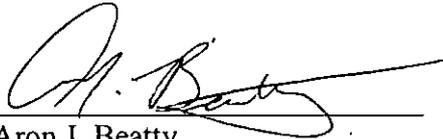
- A. Answers to written interrogatories be served in-hand within ten (10) calendar days of service.
- B. Objections to interrogatories be communicated orally within three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.
- C. Motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories be filed within three (3) days of service of such motions.
- E. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.

- F. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service
- G. Answers to on-the-record data requests be served in-hand within seven (7) calendar days of the request.

VIII. SETTLEMENT DISCUSSIONS

At present, settlement discussions have not been scheduled. The OCA will fully participate in any proposed settlement discussions throughout the course of this proceeding.

Respectfully Submitted,



Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org
James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066
E-Mail: JMullins@paoca.org

Counsel for:
Irwin A. Popowsky
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

Dated: March 10, 2011

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2011-2224739
 :
 Philadelphia Gas Works 1307(f) :
 :

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

Dated this 10th day of March 2011.

SERVICE E-MAIL and INTEROFFICE MAIL

Adeolu Bakare, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

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SERVICE BY E-MAIL and FIRST CLASS MAIL

Gregory J. Stunder, Esquire
Philadelphia Gas Works
800 West Montgomery Avenue
Philadelphia, PA 19122

Sharon Webb, Esquire
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Charis Mincavage, Esq.
Carl J. Zwick, Esq.
Patrick L. Gregory, Esq.
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166

Richard LeLash
Financial and Regulatory Consultant
18 Seventy Acre Road
Redding, CT 06896

Philip Bertocci, Esq.
Community Legal Services
1424 Chestnut Street
Philadelphia, PA 19102



Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625
E-Mail: ABeatty@paoca.org
James A. Mullins
Assistant Consumer Advocate
PA Attorney I.D. # 77066
E-Mail: JMullins@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
140327