



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SMALL BUSINESS ADVOCATE

January 2, 2013

E-FILED, E-MAIL, AND FIRST-CLASS MAIL

Hon. Christopher P. Pell
Administrative Law Judge
Pa. Public Utility Commission
801 Market Street - #4063
Philadelphia, PA 19107

**Re: Philadelphia Gas Works Supplement No. 55 to Gas Service Tariff Pa P.U.C. No. 2
Docket No. R-2012-2333993**

Dear Judge Pell:

Enclosed are two copies of the Prehearing Memorandum, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Rose Triscari".

Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

Enclosures

cc: Parties of Record
Robert D. Knecht

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Philadelphia Gas Works Supplement No. 55 to :
Gas Service Tariff Pa P.U.C. No. 2 : Docket No. R-2012-2333993**

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Prehearing Memorandum, on behalf of the Office of Small Business Advocate, by e-filing, e-mail, and/or first-class mail (unless otherwise noted) upon the persons addressed below:

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Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

Date: January 2, 2013

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PHILADELPHIA GAS WORKS Supplement : Docket No. R-2012-2333993
No- 55 to Gas Service Tariff PA PUC No. 2 :

**OFFICE OF SMALL BUSINESS ADVOCATE
PREHEARING MEMORANDUM**

I. INTRODUCTION

The Office of Small Business Advocate (“OSBA”) is authorized to represent the interests of small business consumers of utility services before the Pennsylvania Public Utility Commission (the “Commission”) pursuant to the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§399.41 – 399.50 (“the Act”). In order to discharge this statutory duty, the Office of Small Business Advocate deems it necessary to participate as a party to this proceeding. Please address all correspondence as follows:

Sharon E. Webb
Assistant Small Business Advocates
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101
(717) 783-2525
(717) 783-2831 (fax)
swebb@pa.gov

II. PROCEDURAL BACKGROUND

On November 13, 2012, Philadelphia Gas Works (“PGW” or “Company”) filed Supplement No. 55 to Tariff Gas Service – Pa. P.U.C. No. 2 (“Supplement No. 55”) pursuant to Pa. C.S. §1308(a) and the Commission’s Revised Final Rulemaking Order and accompanying regulations at Docket No. L-2008-2069114 (“Order”). In accordance with the Commission’s Order, the purpose of PGW’s filing is to unbundle natural gas procurement costs and gas supply related uncollectibles from distribution rates and recover them through a gas procurement charge (“GPC”) and merchant function charge (“MFC”).

On December 3, 2012, the OSBA filed a Complaint and Public Statement with regard to Supplement 55. A formal complaint was also filed by the Office of Consumer Advocate (“OCA”). The Philadelphia Industrial and Commercial Gas Users Group (“PICGUG”) has filed a Petition to Intervene.

Administrative Law Judge (“ALJ”) Christopher P. Pell was assigned to this proceeding and issued a Prehearing Order on December 21, 2012, informing the parties that the initial Prehearing Conference on this case will be held on January 4, 2012. The OSBA submits this prehearing memorandum in accordance with that Order.

III. WITNESS

Assisting in the development and presentation of the OSBA’s position in this proceeding will be:

Mr. Robert D. Knecht
Industrial Economics Incorporated
2607 Massachusetts Avenue
Cambridge, MA 02140
(617) 354-0074
(617) 354-0463 (fax)
rdk@indecon.com

The OSBA requests that all parties serve copies of all documents, including discovery, testimony and briefs, upon Mr. Knecht, simultaneously with service upon the OSBA.

IV. IDENTIFICATION OF ISSUES

The OSBA is participating in this case to ensure that the interests of small business customers of the Company are adequately represented and protected. As appropriate and necessary, the OSBA will investigate and analyze the claims and proposals of the Company and other parties, primarily through discovery, cross-examination of witnesses appearing for those parties, filing of testimony, and briefing of the issues that arise in this proceeding.

The OSBA will particularly focus on issues where the impact upon the interests of the Company's small business customers would be unjustifiably different from or disproportionate to the impact on other classes of customers, or is otherwise lacking in reasonableness or basic fairness.

At this time, the OSBA is concentrating on the following issues:

1. Whether PGW has properly included only costs related to gas procurement in its GPC, and whether it has properly included all relevant costs related to gas procurement in its GPC;

2. Whether PGW's proposed exclusion of information systems costs related to gas procurement is reasonable and consistent with the Commission's intent in its rulemaking;
3. Whether PGW's proposed exclusion of storage gas working capital from the GPC is reasonable and consistent with the load balancing services provided to sales and shopping customers;
4. Whether PGW's proposed exclusion of cash working capital costs from the GPC is reasonable and competitively neutral;
5. Whether PGW's proposed base rate reduction reasonably reflects the allocation of gas procurement costs in the Company's last base rates proceeding;
6. Whether PGW's proposed GPC is revenue neutral;
7. Whether PGW's proposed MFC reasonably reflects uncollectibles costs in each rate class;
8. Whether PGW's proposed MFC is revenue neutral; and
9. Whether PGW's updated proposed treatment of CRP arrearage forgiveness costs is reasonable and competitively neutral.

The OSBA reserves the right to pursue additional issues as they may arise throughout the course of the proceeding.

V. DISCOVERY

Discovery has been ongoing for several weeks. The OSBA will cooperate with the ALJs and other parties to arrive at mutually agreeable discovery modifications.

VI. SERVICE OF DOCUMENTS

The OSBA agrees to accept electronic delivery of documents on the due date as satisfying the in-hand requirement, *provided that such documents are followed by hard copy delivery to OSBA by first class mail*. Service by electronic mail *only* is not

acceptable. The OSBA requests that such hard copies are also provide to its witness identified above.

In addition to hard copies of pleadings, briefs, and exceptions, the OSBA requests hard copies of responses to discovery propounded by the OSBA or any other party. The OSBA also requests that all parties serve an electronic copy of all interrogatory responses upon the OSBA and the OSBA witness identified above.

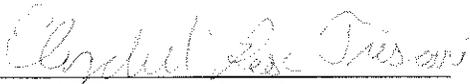
VII. SETTLEMENT

The OSBA is willing to enter into settlement discussions at the appropriate phase of this proceeding.

VIII. PROCEDURAL SCHEDULE

The OSBA will work with the ALJs and the parties to arrive at a mutually agreeable schedule.

Respectfully submitted,


Elizabeth Rose Triscari
Assistant Small Business Advocate
Attorney ID No. 306921

For:

Steven C. Gray
Acting Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Dated: January 2, 2013