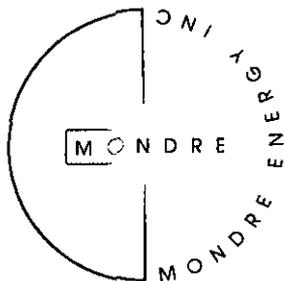


ORIGINAL



1880 John F. Kennedy Blvd.

Suite 1705

Philadelphia, PA 19103

T 215.988.0577

F 215.988.0579

W www.mondreenergy.com

RECEIVED

MAR 19 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

DOCUMENT

VIA FAX (717)783-9526  
CONFIRMATION VIA FED-X

March 19, 2004

James McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building (2d Flr.)  
400 North St.  
Harrisburg, PA 17120

DOCKETED  
APR 15 2004

Re: Rate Application and Petition of Philadelphia Gas Works  
PUC Docket Nos. R-0049157 and P-00042090

Dear Mr. McNulty:

Please add Mondre Energy, Inc. to the service list for each of the above-identified matters, which we understand have been consolidated and are currently pending before Administrative Law Judge Rainey.

Please feel free to contact us with any questions your staff or you may have, and thank you for your assistance.

Respectfully yours,

Helen H. Richardson  
General Counsel



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

ORIGINAL

IN REPLY PLEASE  
REFER TO OUR FILE

March 22, 2003  
2004

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, Pa. 17105

RECEIVED  
2004 MAR 22 PM 2:02  
SECRETARY'S BUREAU

Re: Pennsylvania Public Utility Commission v. Philadelphia Gas  
Works - R-00049157; Petition of Philadelphia Gas Works to  
Establish a Cash Receipts Reconciliation Clause - P-00042090

Dear Secretary McNulty:

On March 1, 2004, Philadelphia Gas Works ("PGW" or "Company") submitted its annual Purchased Gas Cost ("PGC") in accordance with Section 1307 (f) of the Public Utility Code, 66 Pa. C.S. Section 1307(f), and the regulations of the Public Utility Commission ("Commission") at 52 Pa. Code Section 53.64 et.seq. Additionally, on March 1, 2004, PGW filed a Petition to Establish a Cash Receipts Reconciliation Clause ("CRRC Petition"). By way of background, in its CRRC Petition PGW is seeking to establish a mechanism to reconcile actual uncollectible expense to the allowance for the uncollectible expense that the Company is allowed to recover through base rates.

On the same date that PGW filed the above described documents, PGW also filed a Motion for Consolidation. Answers opposing the Motion for Consolidation were filed by the Office of Trial Staff ("OTS"), the Office of Consumer Advocate, the Office of Small Business Advocate and the Action Alliance et al. On March 15, 2004, a prehearing conference was held before Administrative Law Judge Charles E. Rainey, Jr. in the above-captioned proceeding. Along with discussing other matters, Administrative Law Judge Rainey informed the parties that after considering the Motion for Consolidation and the answers, he would be granting the motion to consolidate and codified the granting of the motion in a Prehearing Order dated March 17, 2004.

DOCUMENT  
FOLDER

DOCKETED

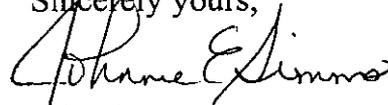
APR 20 2004

105

Since the motion to consolidate has been granted by Administrative Law Judge Rainey and the CRRC petition will proceed to evidentiary hearings, in lieu of filing an enumerated answer, OTS is informing the parties that OTS opposes the establishment of a reconciliation mechanism, and will be presenting testimony on April 13, 2004 to support our opposition to the mechanism proposed by PGW.

If you have any questions, please do not hesitate to contact me at (717) 787-1976.

Sincerely yours,



Johnnie E. Simms  
Senior Prosecutor  
Office of Trial Staff  
Pa. Public Utility Commission

JES:pae  
c: Parties of Record

2004 MAR 22 PM 2:02  
SECRETARY'S BUREAU

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2004 MAR 22 PM 2:02  
SECRETARY'S OFFICE

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Pennsylvania Public Utility Commission :  
v. : Docket No. R-00042157  
Philadelphia Gas Works - 1307(f) :  
Petition of Philadelphia Gas Works to :  
Establish a Cash Receipts Reconciliation : Docket No. P-00042090  
Clause :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Letter** of the Office of Trial Staff, dated March 22, 2004, either personally, by first class mail, electronic mail, express mail, or by fax upon the persons listed below:

Daniel Clearfield, Esquire  
Alan C. Kohler, Esquire  
Mark S. Stewart, Esquire  
Wolf Block Schorr & Solis-Cohen LLP  
212 Locust Street – Suite 300  
Harrisburg, PA 17101

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

Stephen J. Keene, Esquire  
Aron J. Beatty, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place - 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923

Mr. Richard LeLash  
18 Seventy Acre Road  
Redding, CT 06896

Steven C. Gray, Esquire  
Small Business Advocate  
Suite 1102, Commerce Bldg.  
300 North Second Street  
Harrisburg, PA 17101

Mr. Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140

David M. Kleppinger, Esquire  
Charis Mincavage, Esquire  
McNees Wallace & Nurick, LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

Philip A. Bertocci, Esquire  
Laura Moskowitz, Esquire  
Community Legal Services, Inc.  
1424 Chestnut Street, 4<sup>th</sup> Floor  
Philadelphia, PA 19102-2505

Wendy Beetlestone, Esquire  
School District of Philadelphia  
Office of General Counsel  
2130 Arch Street, 5<sup>th</sup> Floor  
Philadelphia, PA 19103

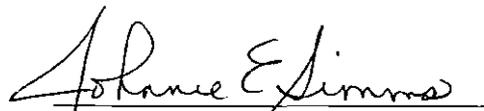
Janet Parrish, Esquire  
Philadelphia Gas Commission  
1515 Arch Street, 9<sup>th</sup> Floor  
Philadelphia, PA 19102

Honorable Charles E. Rainey, Jr.  
Administrative Law Judge  
Pa. Public Utility Commission  
1302 State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130

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2004 MAR 22 PM 2:02

SECRETARY'S BUREAU



Johnnie E. Simms  
Senior Prosecutor  
Office of Trial Staff

Dated: March 22, 2004  
Docket Nos. R-00049157; P-00042090



ORIGINAL

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 22, 2004

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
P.O. Box 3265  
Harrisburg, PA 17120

DOCUMENT  
FOLDER

RECEIVED  
2004 MAR 22 PM 3:58  
SECRETARY'S BUREAU

Re: Pa. Public Utility Commission  
v. Philadelphia Gas Works  
Docket No. R-00049157  
Petition of Philadelphia Gas Works Regarding  
Cash Receipts Reconciliation Clause  
Docket No. P-00042090

Dear Secretary McNulty:

Enclosed for filing please find an original and three (3) copies of the Office of Consumer Advocate's Answer to the Petition of Philadelphia Gas Works' to Establish a Cash Receipts Reconciliation Clause in the above-referenced proceeding.

Copies have been served on all parties as per the attached Certificate of Service.

Sincerely yours,

Stephen J. Keene  
Senior Assistant Consumer Advocate

Enclosures  
cc: All parties of record  
78017

ORIGINAL

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	Docket No. R-00049157
v.	:	
	:	Docket No. P-00042090
Philadelphia Gas Works	:	

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OFFICE OF CONSUMER ADVOCATE'S ANSWER TO  
THE PETITION OF PHILADELPHIA GAS WORKS' TO  
ESTABLISH A CASH RECEIPTS RECONCILIATION CLAUSE

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**DOCKETED**  
APR 27 2004

**I. INTRODUCTION**

On March 1, 2004, Philadelphia Gas Works ("PGW" or "Company") submitted its annual Purchased Gas Cost ("PGC") in accordance with Section 1307(f) of the Public Utility Code, 66 Pa.C.S. §1307(f), and the regulations of the Public Utility Commission ("Commission" or "PUC") at 52 Pa.Code. §53.64 *et.seq.* Concurrently, PGW filed a *Petition to Establish a Cash Receipts Reconciliation Clause* ("CRRC Petition"). In its CRRC Petition, the Company seeks to establish a mechanism to reconcile actual uncollectible expense to the allowance for uncollectible expense that the Company claims that it recovers through base rates. Initially, PGW proposes that the CRRC recover \$47 million in additional revenues. Petition ¶22. The \$47 million dollars is made up of two components: (1) \$35.2 million for a projected shortfall in cash receipts for FY2005 and (2) \$11.4 million representing a three-year amortization of a \$34.3 million claimed shortfall in cash receipts for FY2004. The total of these two components equals an intitial proposed CRRC of \$46.7 million. PGW St. CRRC-1 at '11-12.

**DOCUMENT  
FOLDER**

On the same date that it filed the CRRC Petition, the Company also filed a *Motion for Consolidation* (“Motion”), seeking to consolidate the CRRC Petition proceeding with this year’s 1307(f) proceeding. The OCA filed an Answer to the Motion opposing consolidation of the Petition proceeding. At the Prehearing Conference on March 16, 2004, the Motion for Consolidation was granted by Administrative Law Judge Charles E. Rainey, Jr. (“ALJ”). The OCA herein files its Answer to the CRRC Petition. The OCA opposes establishment of such a reconciliation mechanism and, for the reasons set forth below, the OCA submits that PGW’s CRRC Petition should be denied.

## II. ANSWER

Through its CRRC Petition, PGW seeks to implement a first of its kind mechanism in Pennsylvania to reconcile uncollectible expense. The OCA submits that this proposal is unjust and unreasonable in that it seeks to change the way that uncollectible expense has been traditionally treated by the Commission and by the Philadelphia Gas Commission. The proposed CRRC represents a material deviation from the long established precedent for PGW and all Pennsylvania utilities of recovering bad debt expense through base rates.<sup>1</sup> The establishment of a CRRC would constitute impermissible, single-issue ratemaking. Automatic base rate expense adjustments should not be allowed since they fail to recognize the myriad of other expense decreases or revenue increases that may also occur in between base rate cases.

---

<sup>1</sup> Despite the Petition’s statement in Paragraph 31 that “several states have already established uncollectible adjustment trackers for utilities to adjust their uncollectible or bad debt expense allowance” the Petition cites but one jurisdiction – a recent order from the Ohio Public Utilities Commission. However, the long established precedent for the Philadelphia Gas Commission, the Pennsylvania Public Utility Commission and other state regulatory commissions is to set uncollectible and bad debt levels within the context of a base rate proceeding.

Moreover, such an automatic adjustment clause removes incentives for the Company to limit its level of bad debt expense or pursue proper credit and collection activities. Better uncollectible recovery procedures, more effective gas price hedging strategies, and greater education and enrollment for budget billing plans can all effectively reduce bad debt expense as they do for other gas distribution companies. The OCA does not dispute that PGW faces challenges in its service territory as gas prices rise and PGW's rates become less affordable for the citizens of Philadelphia. But, imposition of this clause does nothing to incentivize the Company to manage other aspects of its costs and collections. It simply compounds the unaffordability of PGW's rates.

The OCA also submits that a CRRC such as proposed by the Company is speculative and subject to manipulation. For instance, in developing a claim for uncollectible expense in a base rate case, PGW sets an allowance for uncollectibles based on a collectibility study. Thus, bad debt expense is a forward-looking estimate determined by the collectibility study. Since it is an estimate, bad debt expense is not a reconcilable amount. Reconciliation mechanisms do not lend themselves to reconciling an estimate with a later estimate. Generally, reconciliation mechanisms reconcile estimated costs with actual, experienced costs. The OCA submits that it would be improper to reconcile one estimate with another estimate. Furthermore, the baseline uncollectible expense allowance that PGW proposes using for calculating its CRRC is from PGW's 2001 base rate proceeding at Docket No. R-00006042. Petition ¶¶6, 22. However, since that case, PGW has been in for another base rate proceeding – done in conjunction with its filing for Extraordinary Rate Relief – in which it was authorized to increase its base rate revenues by \$36 million and was granted a Weather Normalization Adjustment (“WNA”). The Settlement in that 2002 base rate proceeding specifically stated that:

The \$36 million settlement award is the result of a compromise and does not reflect or constitute the recovery of any individual expense claim or revenue assumption contained in PGW's pro forma test year filing.

Joint Petition for Settlement of Philadelphia Gas Works' Base Rate Proceeding §III.1, Docket No. R-00017034 (Order entered August 8, 2002). Therefore, it is impossible to determine exactly what the rate allowance is for uncollectible expense in PGW's current rates. To use the uncollectible allowance from the 2001 base rate proceeding to form the baseline, as PGW does in its CRRC filing, assumes that none of the rate increase authorized in the 2002 base rate case was attributed to increased uncollectible expense. The OCA submits that this is unreasonable.

In addition, the Company attributes its uncollectibles problem to increased gas costs, yet its proposal reconciles all of the Company's uncollectible expense – not just that portion of uncollectibles associated with gas costs. Furthermore, the Company's proposal is inequitable in that the mechanism will allow the Company to recover uncollectible expenses that are purportedly greater than the uncollectible allowance in current rates; however, if experienced uncollectible expenses fall below the rate allowance amount, there would be no refund of excess uncollectible expense to ratepayers.

PGW's attempt to recover \$34.3 million in uncollectible expense for FY2004 through a three-year amortization would constitute impermissible retroactive ratemaking. *It is nothing more than an attempt by the Company to reach back in time to recover accounts receivables that it did not collect in the past.*

PGW also claims in its Petition that the proposed CRRC mechanism "is justified and critically needed to provide sufficient cash working capital to the Company in order to stabilize

PGW's financial position." Petition ¶31. PGW's insufficient capital position has been a long standing problem, and while wholesale gas prices have increased, other budget actions could have been initiated to forestall yet another claimed "capital crisis."

The current high wholesale gas prices and the overall gas price volatility are not unprecedented. During the winter of 2000/2001 wholesale gas prices (as measured by Henry Hub monthly closing levels) were as high as \$9.79 per Dth. However, by October of 2001, wholesale prices were back down to \$1.89 per Dth and they averaged \$2.53 per Dth for the November 2001 to March 2002 period. Similarly, wholesale prices that reached \$9.28 per Dth in March of 2003 fell back to \$4.49 by November 2003. The better solution is for PGW to recognize this volatility in the gas markets and take aggressive steps to hedge its exposure to such volatility, stabilize rates and thereby reduce its uncollectibles problems.

The OCA submits that PGW's rates for gas service are already too high as evidenced by its historical 92% collections percentage which is dramatically lower than the collection percentages for other gas distribution utilities. Adding yet another charge to the Company's distribution rate is only going to exacerbate the situation. If PGW's drop off in collections is associated with high natural gas rates, as the Company claims, then it is highly unlikely that the addition of a CRRC will improve the collection problem. Indeed, increased charges, such as the CRRC, will only lead to a commensurate further drop off in collections.

While the demographics of PGW's customer base may show a disproportionate number of lower income households and struggling small businesses, the OCA submits that another rate increase through the proposed CRRC is clearly not the answer. The Company should be required to file with the Commission a comprehensive evaluation of other alternative ways to address

its working capital problems. In recent proceedings, downgrading of the Company's bond rating was averted by provisions for the reduction in short-term borrowing; collection rates, uncollectibles and bad-debt expenses were reviewed in detail; and a weather normalization clause was implemented to reduce or eliminate weather related revenue risk. Despite these actions, the Company still claims that its financial position is in peril. Alternative actions must be evaluated before the Commission considers implementing something as drastic as an uncollectible expense reconciliation mechanism.

The OCA submits that the Company's rates have reached a level at which a large number of its customers cannot pay them, even with the availability of various low-income assistance programs. Rather than compound the problem by increasing rates further, a better solution would be to address PGW's gas cost volatility through a practical hedging program and more effective utilization of gas supplies and interstate pipeline resources. The OCA submits that to address PGW's current financial situation by simply increasing rates by \$47 million through the proposed CRRC will solve nothing. Only a comprehensive plan to address PGW's ongoing working capital problems and gas cost volatility can put PGW back on solid footing without inflicting great harm upon its ratepayers.

### III. CONCLUSION

For the reasons set forth above, the OCA respectfully requests that the *Petition of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause* be denied.

Respectfully submitted,



Stephen J. Keene  
Senior Assistant Consumer Advocate  
Aron J. Beatty  
Assistant Consumer Advocate

Counsel for:  
Irwin A. Popowsky  
Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048

DATED: March 22, 2004

\*78514

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission  
v.  
Philadelphia Gas Works  
Docket No. R-00049157

Petition of Philadelphia Gas Works Regarding  
Cash Receipts Reconciliation Clause  
Docket No. P-00042090

I hereby certify that I have this day served a true copy of the foregoing document,  
Office of Consumer Advocate's Answer to the Petition of Philadelphia Gas Works  
to Establish a Cash Receipts Reconciliation Clause, 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 22<sup>nd</sup> day of March, 2004.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Johnnie E. Simms, Esquire  
Pennsylvania Public Utility Commission  
Office of Trial Staff  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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SERVICE BY E-MAIL and FIRST CLASS MAIL, POSTAGE PREPAID

Daniel Clearfield, Esquire  
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Wolf, Block, Schorr and Solis-Cohen LLP  
212 Locust Street, Suite 300  
Harrisburg, PA 17101

David M. Kleppinger, Esquire  
Charis Mincavage, Esquire  
McNees, Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166

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

Steven Gray, Esquire  
Office of Small Business Advocate  
Suite 1102 Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Brian Kalcic  
Excel Consulting  
225 S. Meramec Avenue, Suite 720-T  
St. Louis, MO 63105

Philip A. Bertocci, Esq.  
1424 Chestnut Street  
3<sup>rd</sup> Floor  
Philadelphia, PA 19102

Wendy Beetlestone, Esq.  
School District of Philadelphia  
Office of General Counsel  
2130 Arch Street, 5<sup>th</sup> Floor  
Philadelphia, PA 19103



---

Stephen J. Keene  
Senior Assistant Consumer Advocate  
Aron J. Beatty  
Assistant Consumer Advocate

Counsel for  
Office of Consumer Advocate  
555 Walnut Street 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048  
78018

**DOCKETED**

MAR 31 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission

v.

Philadelphia Gas Works

Petition of Philadelphia Gas Works to  
Establish a Cash Receipts Reconciliation  
Clause

Docket Nos. R-00049157

SECRETARY'S BUREAU  
P-00042090

2004 MAR 22 PM 5:00

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**DOCUMENT**

PREHEARING MEMORANDUM OF THE  
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. §333, and in response to Administrative Law Judge Charles E. Rainey, Jr.'s Prehearing Conference Order issued in the above-captioned matter on March 3, 2004, the Office of Consumer Advocate ("OCA") provides the following information:

**I. INTRODUCTION**

On March 1, 2004, 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 effective March 1, 2004 of \$7.9254/Mcf to a rate of \$7.4216/Mcf, a reduction of \$0.5038/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.

On March 1, 2004, PGW also filed a Petition to Establish a Cash Receipts Reconciliation Clause("CRRC Surcharge"). The Company claims that the level of collected customer receipts is down from the level accounted for in base rates. The CRRC Surcharge would be included in the *distribution rates* of PGW customers in an effort to bring uncollectible expenses fixed at the level established in PGW's last base rate proceeding. In the event that the Company's uncollectible levels drop below the level set in base rates, the CRRC Surcharge would be set at zero. Initially, the Company proposes that the CRRC Surcharge be established at \$47 million. The Company has also filed a Motion to Consolidate the CRRC Surcharge Petition proceeding with this year's 1307(f) proceeding. The OCA is opposed to the proposed CRRC Surcharge, and to the consolidation of the Petition proceeding with the Company's 1307(f) proceeding and will be filing Answers to the Petition and Motion for Consolidation in a timely manner.

## II ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of PGW's purchased gas cost pre-filing of February 1, 2004 and its definitive filing of March 1, 2004, 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 and CRRC Surcharge. 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 has served two sets of interrogatories to date and will be serving additional discovery as soon as it has completed its evaluation of the Company's filings and discovery responses. 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 the 1307(f) 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, especially in light of the potentially changing regulatory framework;

(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;

(8) Assessment of the value of any purchased gas cost incentive mechanisms as components of a least cost fuel procurement policy. These may include incentive mechanisms for things such as off-system sales, spot market purchases, and hedging;

(9) Reasonableness of sales volumes projections; and

(10) 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.

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

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

CRRC Surcharge proceeding:

- (1) The legal implications of using a surcharge to determine a single element that has traditionally been included in base rates.
- (2) The speculative and subjective nature of the CRRC Surcharge and the implementation of its terms
- (3) The negative effect that the CRRC Surcharge will have on the Company's incentives to reduce bad debt expense.

The OCA reserves the right to raise additional issues as discovery proceeds and its investigation of the proposed CRRC Surcharge takes place.

### **III. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Richard LeLash in this proceeding. He 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: [lelash@sprintmail.com](mailto:lelash@sprintmail.com)

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, all parties of record will be notified.

#### **IV. SERVICE ON THE OCA**

The OCA will be represented in this case by Senior Assistant Consumer Advocate Stephen J. Keene and Assistant Consumer Advocate Aron J. Beatty. Two copies of all documents should be served on the OCA as follows:

Stephen J. Keene  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Telephone: (717) 783-5048  
Telecopier: (717) 783-7152  
e-mail: skeene@paoca.org

#### **V. PROPOSED SCHEDULE**

At this time, the OCA proposes the following schedule:

Prehearing Conference	March 15, 2004
Direct Testimony (excluding PGW)	April 13, 2004
Rebuttal Testimony	April 29, 2004
Surrebuttal Testimony (in writing)	May 6, 2004
Hearings	May 11 & 12, 2004
Close of Record	May 12, 2004
Main Briefs	May 24, 2004
Reply Briefs	June 1, 2004
Suspension Ends	September 1, 2004

#### **VI. PUBLIC INPUT HEARINGS**

At present, it is not certain whether there is 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

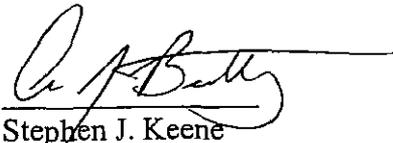
Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the discovery regulations:

- 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. Rulings over such motions be issued, if possible, within seven (7) days of filing of the motion.
- F. Responses to requests for document production, entry for inspection, or other purposes be served in-hand within ten (10) calendar days.
- G. Requests for admission be deemed admitted unless answered within ten (10) days or objected to within five (5) days of service
- H. 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,



Stephen J. Keene  
Senior Assistant Consumer Advocate  
Aron J. Beatty  
Assistant Consumer Advocate

Counsel for:  
Irwin A. Popowsky  
Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street, 5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
(717) 783-5048

DATED: March 11, 2004

00078348.WPD

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission

v.

Philadelphia Gas Works  
Docket No. R-00049157

Petition of Philadelphia Gas Works Regarding  
Cash Receipts Reconciliation Clause  
Docket No. P-00042090

I hereby certify that I have this day served a true copy of the foregoing document, 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 11<sup>th</sup> day of March, 2004.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Johnnie E. Simms, Esquire  
Pennsylvania Public Utility Commission  
Office of Trial Staff  
P.O. Box 3265  
Harrisburg, PA 17105-3265

SERVICE BY E-MAIL and FIRST CLASS MAIL, POSTAGE PREPAID

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Alan C. Kohler, Esquire  
Wolf, Block, Schorr and Solis-Cohen LLP  
212 Locust Street, Suite 300  
Harrisburg, PA 17101

Gregory J. Stunder, Esquire  
Philadelphia Gas Works  
800 West Montgomery Avenue  
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Suite 1102 Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Philip A. Bertocci, Esq.  
1424 Chestnut Street  
3<sup>rd</sup> Floor  
Philadelphia, PA 19102



---

Stephen J. Keene  
Senior Assistant Consumer Advocate  
Aron J. Beatty  
Assistant Consumer Advocate

Counsel for  
Office of Consumer Advocate  
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78018



ORIGINAL

OFFICE OF SMALL BUSINESS ADVOCATE  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.  
Small Business Advocate

(717) 783-2525  
(717) 783-2831 (FAX)

March 22, 2004

HAND DELIVERED

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P. O. Box 3265  
Harrisburg, PA 17105-3265

DOCUMENT  
FOLDER

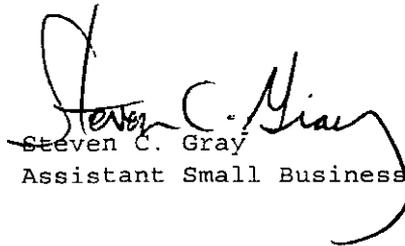
Re: Pennsylvania Public Utility Commission v.  
Philadelphia Gas Works (GCR Proceeding)  
Petition to Establish a Cash Receipts Reconciliation Clause  
Docket Nos. R-00049157 and P-00042090

Dear Secretary McNulty:

I am delivering for filing today the original plus three copies of the Answer on behalf of the Office of Small Business Advocate to Philadelphia Gas Works' Petition to Establish a Cash Receipts Reconciliation Clause in the above captioned matter.

A copy has been served today on all known parties in this proceeding. A Certificate of Service to that effect is enclosed.

Sincerely,

  
Steven C. Gray  
Assistant Small Business Advocate

Enclosures

cc: Hon. Charles E. Rainey, Jr.  
Administrative Law Judge

Parties of Record

Robert D. Knecht

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SECRETARY'S BUREAU

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :

v. :

PHILADELPHIA GAS WORKS :

DOCKET NO. R-0004915

PETITION TO ESTABLISH A CASH :  
RECEIPTS RECONCILIATION CLAUSE :

DOCKET NO. P-00042090

SECRETARY'S BUREAU

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APR 01 2004

**OFFICE OF SMALL BUSINESS ADVOCATE  
ANSWER TO PHILADELPHIA GAS WORKS'  
PETITION TO ESTABLISH A  
CASH RECEIPTS RECONCILIATION CLAUSE**

**DOCUMENT  
FOLDER**

Pursuant to 52 Pa. Code § 5.61, the Office of Small Business Advocate ("OSBA") answers the Philadelphia Gas Works' ("PGW" or the "Company") Petition ("Petition") of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause ("CRRC") that was filed on March 1, 2004.

**Responses to the Petition's Introductory Unnumbered Paragraphs**

**One** The averments of Unnumbered Paragraph One are admitted in part and denied in part. It is admitted that PGW, through its counsel, filed the instant Petition. The remaining averments of Unnumbered Paragraph One are denied. Specifically, the OSBA denies that the proposed CRRC mechanism is a companion to the GCR; the "costs" in question are base rates costs. The OSBA also denies that the mechanism as proposed by PGW will reconcile anything, since PGW proposes that improvements in collection rates above extremely poor historical levels will be retained by PGW and not refunded to ratepayers. The OSBA denies that PGW is facing a huge increase in the amount and percentage of non-payment by its customers. PGW's assertion is rebutted by

PGW's Exhibit "JBR-4," which shows that the 2004 undercollection is expected to be lower than that of 2000 and similar to that of 1994. The OSBA further denies that the undercollection rate that it currently experiences is directly related to higher natural gas costs. While higher gas prices and collection rates may be statistically correlated, PGW's failure to achieve reasonable collection rates is the result of management decisions and collections policies, not high gas prices. The OSBA denies that the impact of higher gas prices is more severe for PGW customers. PGW's customers face by far the highest distribution rates in the Commonwealth, which causes gas cost increases to have proportionately a much smaller effect than for other natural gas distribution companies ("NGDC"). Finally, the OSBA denies that the proposed mechanism (which is merely another in a series of attempts by PGW to correct its financial woes by increasing rates without the bother of a base rates case) will solve PGW's financial problem; to the contrary, the proposed mechanism may even further harm the financial position of the Company.

**Two** The averments of Unnumbered Paragraph Two are denied. By way of further response, since 1999 PGW has not only implemented a Weather Normalization Clause ("WNC"), but has received a series of revenue increases from the Public Utility Commission ("Commission"), all with the stated objective of improving PGW's dire financial position. The OSBA demands strict proof why that WNC mechanism has failed to function as promised, and why the millions of dollars in additional revenue awarded to PGW since 2000 have not significantly improved the financial situation of the Company. The OSBA also demands strict proof of why the proposed mechanism will not be just as unsuccessful in achieving these aims as all previous efforts.

**Three** The averment of Unnumbered Paragraph Three that PGW is a cash flow regulated utility is admitted. The remaining averments of Unnumbered Paragraph Three are denied.

**Four** The averments of Unnumbered Paragraph Four are denied. By way of further response, the OSBA observes that PGW could have availed itself of another Extraordinary Rate Relief proceeding under 66 Pa.C.S. § 1308(e) if PGW needed additional cash flow in “a timely fashion.” The OSBA suggests that PGW could also have responded to its need with a base rates proceeding. Moreover, the OSBA suggests that PGW and its owner, the City of Philadelphia, may more effectively have responded to PGW’s cash needs by taking other measures, such as, *inter alia*, putting teeth into PGW’s collection process, providing benefits to senior citizen customers from fund sources other than utility rates, providing benefits to customer responsibility program (“CRP”) customers from fund sources other than utility rates, foregoing payments to the equity holder, and selling PGW to another utility. Strict proof of why these and other cash conserving measures are not proposed is demanded.

**Five** The averments of Unnumbered Paragraph Five are denied. By way of further response, the OSBA specifically denies that PGW is “taking all reasonable measures to maximize the level of payment[s] by its customers.”

**Six** The averments of Unnumbered Paragraph Six are denied, and the OSBA demands strict proof thereof.

**Seven** The averments of Unnumbered Paragraph Seven are denied. In addition, the averments of Unnumbered Paragraph Seven contain conclusions of law to which no response is required.

**Responses to the Petition's Numbered Paragraphs**

1. The averments of Paragraph 1 are admitted, except for the averments of Paragraph 1 that contain conclusions of law to which no response is required.

2. The averments of Paragraph 2 are admitted except for the reference to recovery on a "real-time" basis, and except for the averments of Paragraph 2 that contain conclusions of law to which no response is required.

3. The averments of Paragraph 3 are admitted, except for the averment that "natural gas prices largely cannot be controlled by NGDCs" and the averments of Paragraph 3 that contain conclusions of law to which no response is required.

4. The averments of Paragraph 4 are admitted.

5. The averments of Paragraph 5 are admitted in part and denied in part. The OSBA admits that PGW does not collect 100 percent of its billed revenues. The other averments are denied, and the OSBA demands strict proof thereof. By way of further response, OSBA denies that "PGW makes every effort to collect 100% of its billings."

6. The averments of Paragraph 6 are admitted in part and denied in part. The OSBA denies that changes in billed revenue and PGW's uncollectibles expense is "directly related" and demands strict proof thereof.

7. The averments of Paragraph 7 are denied, except for the averments of Paragraph 7 that contain conclusions of law to which no response is required. By way of further response, the OSBA denies that PGW's "current cash receipts" justify any additional "automatic adjustment clause."

8. The averments of Paragraph 8 are admitted in part and denied in part. The OSBA has no basis upon which to confirm PGW's averments regarding customer bills and demands strict proof thereof.

9. The averments of Paragraph 9 are denied. The OSBA has no basis upon which to confirm PGW's averments regarding either the Company's revenues or the alleged relationship between revenues and undercollections and demands strict proof thereof. Furthermore, the OSBA is not familiar with the term "non-paid receipts," which is inherently contradictory.

10. The averments of Paragraph 10 are denied. The OSBA has no basis upon which to confirm PGW's averments regarding billed revenues and uncollected receipts and demands strict proof thereof.

11. The averments of Paragraph 11 are denied. The OSBA has no basis upon which to confirm PGW's averments regarding the Company's financial condition and demands strict proof thereof.

12. The averments of Paragraph 12 are denied as stated.

13. The averments of Paragraph 13 are denied. The OSBA has no basis upon which to confirm PGW's averments regarding the Company's paying customers and demands strict proof thereof.

14. The averments of Paragraph 14 are admitted in part and denied in part. The OSBA admits that PGW became subject to the authority of the Commission in 2000. In addition, the OSBA admits that PGW is a "cash flow utility." The remaining averments of Paragraph 14 are denied.

15. The averments of Paragraph 15 are denied. The OSBA has no basis upon which to confirm PGW's averments of Paragraph 15 and demands strict proof thereof.

16. The averments of Paragraph 16 are denied. The OSBA has no basis upon which to confirm PGW's averments of Paragraph 16 and demands strict proof thereof.

17. The averments of Paragraph 17 are denied. The OSBA has no basis upon which to confirm PGW's averments of Paragraph 17 and demands strict proof thereof. By way of further response, the OSBA denies that PGW "has no choice but to request additional dollars from remaining ratepayers."

18. The averments of Paragraph 18 are denied. By way of further response, the OSBA specifically denies that "PGW has taken comprehensive steps in order to attempt to improve collections." If PGW's uncollectibles are up 40% as alleged by the Company, then PGW has apparently taken no effective action whatsoever on its uncollectibles costs, and such lack of diligence should not now be encouraged by providing PGW with an automatic surcharge mechanism.

19. The averments of Paragraph 19 are denied, except for the averments of Paragraph 19 that contain conclusions of law to which no response is required. By way of further response, the OSBA notes that PGW had "other means by which PGW could obtain the additional needed revenues." PGW had the option of filing an Extraordinary Rate Relief Petition under 66 Pa.C.S. § 1308(e), a course of action that the Company has undertaken in the past. The OSBA further notes that if a base rates filing for a cash flow regulated utility would entail a request that far exceeds the amounts requested from the proposed surcharge mechanism, then the CRRC will, by definition, not provide sufficient funds to remedy PGW's dire financial position.

20. The averments of Paragraph 20 are summaries of PGW's request for relief, to which no response is required.

21. The averments of Paragraph 21 are summaries of PGW's request for relief, to which no response is required.

22. The averments of Paragraph 22 are summaries of PGW's request for relief, to which no response is required. By way of further response, the OSBA denies that the expression "make-whole" is representative of any aspect of PGW's proposal.

23. The averments of Paragraph 23 are summaries of PGW's request for relief, to which no response is required.

24. The averments of Paragraph 24 are summaries of PGW's request for relief, to which no response is required.

25. The averments of Paragraph 25 are summaries of PGW's request for relief, to which no response is required. By way of further response, the OSBA denies that the proposed CRRC mechanism will provide any "benefit to natural gas suppliers" and that any such alleged "benefit" is in any way relevant to the implementation of such mechanism.

26. The averments of Paragraph 26 are summaries of PGW's request for relief, to which no response is required. By way of further response, the OSBA denies that the proposed CRRC mechanism will provide any "incentive to NGSs to offer to serve residential and small business customers." The OSBA further denies that any such alleged "incentive" is in any way relevant to the implementation of such mechanism.

27. The averments of Paragraph 27 are summaries of PGW's request for relief, to which no response is required.

28. The averments of Paragraph 28 are denied.

29. The averments of Paragraph 29 are conclusions of law to which no response is required.

30. The averments of Paragraph 30 contain conclusions of law to which no response is required. By way of further response, the OSBA denies that PGW's proposed CRRC mechanism is "justified and critically needed" and denies that the proposed mechanism will be any more successful than other PGW rate-raising efforts at providing the needed cash working capital.

31. The averments of Paragraph 31 are denied.

32. The averments of Paragraph 32 are admitted in part and denied in part. It is admitted that PGW has filed the instant Petition, as well as a Motion for Consolidation. The remaining averments of Paragraph 32 are denied.

33. The averment of Paragraph 33 that PGW has filed testimony in this proceeding is admitted. The OSBA denies that PGW's testimony supports the creation of the CRRC mechanism.

34. The averment of Paragraph 34 that PGW has filed the testimony of Joseph Bogdonavage in this proceeding is admitted. The OSBA denies that this testimony supports the creation of the CRRC mechanism.

35. The averment of Paragraph 35 that PGW has filed the testimony of Douglas Moser in this proceeding is admitted. The OSBA denies that this testimony supports the creation of the CRRC mechanism.

36. The averment of Paragraph 36 that PGW has filed the testimony of Randy Gyory in this proceeding is admitted. The OSBA denies that this testimony supports the creation of the CRRC mechanism.

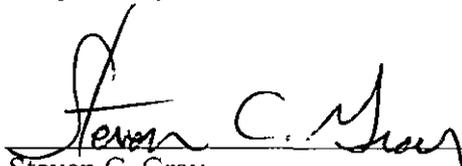
37. The averment of Paragraph 37 that PGW has filed the testimony of H. Gilbert Peach in this proceeding is admitted. The OSBA denies that this testimony supports the creation of the CRRC mechanism.

38. The averments of Paragraph 38 are summaries of PGW's request for relief, to which no response is required.

**Conclusion**

Therefore, the Office of Small Business Advocate requests that the Petition of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause be denied.

Respectfully submitted,

  
Steven C. Gray  
Assistant Small Business Advocate

For:

William R. Lloyd, Jr.  
Small Business Advocate

Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101  
(717) 783-2525  
(717) 783-2831

Dated: March 22, 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
v. : DOCKET NO. R-00049157  
PHILADELPHIA GAS WORKS :  
PETITION TO ESTABLISH A CASH : DOCKET NO. P-00042090  
RECEIPTS RECONCILIATION CLAUSE :

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SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the Answer on behalf of the Office of Small Business Advocate to Philadelphia Gas Works' Petition to Establish a Cash Receipts Reconciliation Clause, by FAX and first class mail upon the persons addressed below:

Hon. Charles E. Rainey, Jr.  
Administrative Law Judge  
Pa. Public Utility Commission  
1302 Philadelphia State Office Bldg.  
Broad and Spring Garden Streets  
Philadelphia, PA 19130  
(215) 560-2105  
(215) 560-3133 - Fax

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(717) 783-7152

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Laura Moskowitz, Esquire  
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(215) 981-0435 (fax)

Wendy Beetlestone, Esquire  
School District of Philadelphia  
Office of General Counsel  
2130 Arch Street 5<sup>th</sup> Floor  
Philadelphia, PA 19103

  
\_\_\_\_\_  
Steven C. Gray  
Assistant Small Business Advocate

Date: March 22, 2004

**DOCKETED**

MAR 31 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

v.

DOCKET NO. R-00049157

PHILADELPHIA GAS WORKS

---

OFFICE OF SMALL BUSINESS ADVOCATE  
PREHEARING MEMORANDUM

---

**DOCUMENT**

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 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 Small Business Advocate deems it necessary to participate as a party to this proceeding. Representing the OSBA in this matter is Assistant Small Business Advocate Steven C. Gray. Please address all correspondence as follows:

Steven C. Gray, Esquire  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, Pennsylvania 17101  
(717) 783-2525  
(717) 783-2831 (fax)  
E-mail: [sgray@state.pa.us](mailto:sgray@state.pa.us)

SECRETARY'S BUREAU

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II. FILING BACKGROUND

Pursuant to Section 1307(f) of the Public Utility Code (66 Pa.C.S. Section 1307(f)), Philadelphia Gas Works ("PGW" or "Company") filed its tariff supplement relating to its annual 1307(f) proceeding. Modifications in this tariff reflect PGW's proposed purchased gas costs. The OSBA filed a Notice of Intervention on March 11, 2004.

III. IDENTIFICATION OF WITNESSES AND TENTATIVE ISSUES

Assisting in the development and presentation of the OSBA's case in this proceeding will be:

Mr. Robert D. Knecht  
Industrial Economics Incorporated  
2067 Massachusetts Avenue  
Cambridge, MA 02140  
(617) 354-0074  
(617) 354-0463 - Fax  
E-mail: [rdk@indecon.com](mailto:rdk@indecon.com)

After an initial review of the materials submitted by PGW, OSBA has identified the following issues:

1. Whether the costs incurred by PGW in the past and proposed by PGW for the future year associated with the "Universal Service and Energy Conservation Surcharge" properly meet the Commission's definition of such costs, whether such costs were prudently incurred, and whether such costs were effective in meeting the objectives of the universal service programs;

2. Whether the costs incurred by PGW in the past and proposed by PGW for the future year associated with the "Restructuring and Consumer Education Surcharge" properly meet the Commission's definition of such costs, whether such costs were prudently incurred, and whether such costs were effective in meeting the objectives of these programs;

3. Whether the proposed increase to the "Load Balancing Charge" in the supplier tariff is consistent with PGW's costs;

4. Whether PGW's hedging program for gas commodity purchases is reasonable and prudent for both the historic and future periods;

5. Whether PGW's mix of pipeline and storage assets is reasonable, prudent, and consistent with a least cost procurement policy;

6. Whether PGW has appropriately included only those costs in the GCR that the Commission has approved for inclusion in the GCR;

7. Whether the proposed level of 3.9 percent for unaccounted for gas is reasonable and prudent; and

8. Whether PGW's actual and forecast off-system sales margin and capacity release revenues are reasonable.

The OSBA will participate in the case to assure that the interests of small business customers of PGW 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 through the cross-examination of witnesses appearing for those parties and through briefing. The OSBA will particularly focus on any issue where the impact on the interests of PGW's small business consumers would be unjustifiably different than or disproportionate to the impact on another class of customers, or otherwise lacking in reasonableness or basic fairness. The OSBA reserves the right to pursue additional issues as they arise throughout the proceeding.

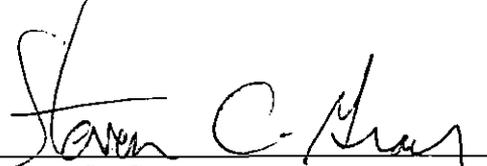
#### IV. SETTLEMENT

The OSBA notes its willingness to enter into settlement discussions at the appropriate phase of this proceeding.

V. HEARING AND BRIEFING SCHEDULE

The OSBA will cooperate with the other parties to develop a procedural schedule.

Respectfully submitted,



---

Steven C. Gray  
Assistant Small Business Advocate

For:

William R. Lloyd, Jr.  
Small Business Advocate

Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101  
(717) 783-2525  
(717) 783-2831

Dated: March 11, 2004

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY :  
COMMISSION :  
v. : DOCKET NO. R-00049157  
PHILADELPHIA GAS WORKS :

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the Prehearing Memorandum on behalf of the Office of Small Business Advocate by FAX and first class mail upon the persons addressed below:

Hon. Charles E. Rainey, Jr.  
Administrative Law Judge  
Pa. Public Utility Commission  
1302 Philadelphia State Office Bldg.  
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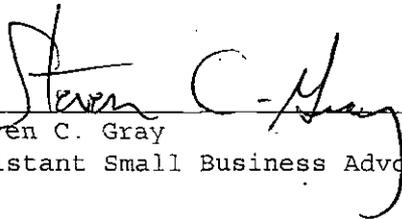
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Janet Parrish, Esquire  
Philadelphia Gas Commission  
1515 Arch Street, 9<sup>th</sup> Floor  
Philadelphia, PA 19102

  
\_\_\_\_\_  
Steven C. Gray  
Assistant Small Business Advocate

Date: March 11, 2004

1424 Chestnut Street, Philadelphia, PA 19102-2505  
Phone: 215.981.3700, Fax: 215.981.0434  
Web Address: www.clsphila.org

DOCUMENT  
FOLDER

March 23, 2004

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building, 2<sup>nd</sup> Floor, 7 North  
400 North Street  
Harrisburg, PA 17120

Filed by Federal Express

Re: Pennsylvania Public Utility Commission, et al. v. PGW  
Docket Nos. R-00049157; P-00042090

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MAR 23 2004  
PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Secretary McNulty:

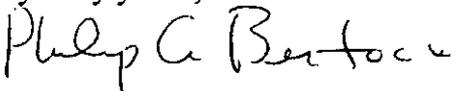
I represent Action Alliance of Senior Citizens of Greater Philadelphia, the Association of Community Organizations for Reform Now (ACORN), and the Tenants' Action Group (TAG) (collectively "Action Alliance et al.") in the above-captioned matter.

Enclosed please find for filing an original and three (3) copies of the Answer of Action Alliance et al. to Petition of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause.

This filing is made pursuant to 52 Pa.Code §§1.11(a)(2) and 1.56(b).

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with copies of these documents.

Very truly yours,

  
PHILIP A. BERTOCCI

Attorney for Action Alliance et al.

cc: Certificate of Service  
Administrative Law Judge Charles E. Rainey, Jr.

Enclosures

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

MAR 23 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Pennsylvania Public Utility  
Commission, et al. :

Complainants :

v. :

R-00049157

P-00042090

Philadelphia Gas Works  
Respondent :

DOCKETED  
APR 27 2004

ANSWER OF ACTION ALLIANCE et al. TO  
PETITION OF PHILADELPHIA GAS WORKS TO ESTABLISH  
A CASH RECEIPTS RECONCILIATION CLAUSE

Three Philadelphia based consumer advocacy organizations, Action Alliance of Senior Citizens of Greater Philadelphia ("Action Alliance"), the Association of Community Organizations for Reform Now ("ACORN") and the Tenants' Action Group ("TAG")(hereinafter collectively "Action Alliance et al."), through counsel Community Legal Services, Inc., hereby submit this Answer in opposition to the Petition of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause (hereinafter "CRRC") as follows:

A. BACKGROUND

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1-4. Admitted. PGW is a municipally owned natural gas distribution operation

which “within its municipal limits shall be subject to regulation and control by the commission with the same force as if the service were rendered by a public utility.” 66 Pa.C.S. §§2212(a); 2212(b). By way of further answer, although Section 1307(f) provides for an “automatic adjustment mechanism” for recovery of natural gas costs, no utility is automatically guaranteed full recovery of its costs, only the opportunity to fully recover its costs, always subject to the condition that the rate to be charged, including any rate charged in connection with an automatic adjustment, be “just and reasonable,” under Sections 1301 and 1307(a) of the Public Utility Code and the Constitutions of the Commonwealth of Pennsylvania and of the United States of America. 66 Pa.C.S. §§1301, 1307.

5. Admitted in part; denied in part. It is admitted that PGW does not collect 100% of billed revenues and that a “certain amount of billed revenues are not collected when due.” It is denied that PGW makes “every effort to collect 100% of its billings”; to the contrary, as the Philadelphia Gas Commission determined in its Order approving PGW’s FY2004 Operating Budget, PGW’s collection practices can be significantly improved, as reflected in its Order approving a bad debt expense of \$53.4 million, well below the \$57.3 million proposed by the Company, and less than the \$55.7 million which the Commission had specifically allowed PGW in base rates.<sup>1</sup> It is denied that PGW has “regularly

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<sup>1</sup> In the Matter of the Fiscal Year 2004 Consolidated Budget/Oversight Review of PGW’s Proposed FY 2004 Operating and Capital Budgets and Forecasts for FY 2005 through FY 2009, Philadelphia Gas Commission Order and Resolution, at 3-5 (December 18, 2003). In making this determination, the Commission accepted the recommendations of the Hearing

realized a cash receipts collections percentage of approximately 92% of billed gas revenues”; to the contrary, especially in recent years, PGW’s uncollectibles have fluctuated significantly, from 86.6% of current billings in FY2003 to 97.6% of current billings in FY2002. FY2001 (88.1%) and FY2000 (92.9%) were in between these levels.

6. Admitted in part; denied in part. It is denied that PGW’s uncollectible expense allowance and the level of billed revenues are “directly related” in any particular year; to the contrary, the uncollectible expense allowance is based on a Commission determination of what is a reasonable expense over a number of years making allowance for yearly variations, with no expectation that uncollectible expense will necessarily track the levels of billings in each year.

**B. JUSTIFICATION FOR AUTOMATIC ADJUSTMENT TYPE  
MECHANISM APPLIED TO CASH RECEIPTS**

7. Denied. It is denied that Section 1307(a) of the Public Utility Code authorizes the Commission *generally* to “establish a ‘sliding scale of rates or other method for the automatic adjustment of the rates of the public utility...’”; to the contrary, the Commission’s authority to establish such a sliding scale is limited by the requirement that any rate resulting from such scale be “just and reasonable,” a requirement which would exclude a sliding scale for recovery of uncollectible expenses. Whether the PUC has used

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Examiner, who stated in her Recommended Decision that “PGW’s lackluster collection results for the past several fiscal years have been a major concern of this Commission” (Recommended Decision. FY 2004 Operating Budget, Outyears Forecast and Related Issues, October 30, 2003, at 22-26).

this section to establish automatic adjustment mechanisms “for expense items over which the utility has limited control ...or which are experiencing volatility such that maintaining a permanent base rate allowance would not be reasonable,” Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment. By way of further answer, the Commission has never established either for an individual utility or for a class of public utilities a Cash Receipt Reconciliation Clause or other automatic mechanism to recover Bad Debt “over runs,” or to ensure that a utility recover for every year an amount equal to 100% of its billings.

8. Admitted in part; denied in part. It is admitted that natural gas prices have more than doubled since the late 90's. It is denied that gas prices alone are the source of the increase in the average residential heating bill; to the contrary, a \$70 million base rate increase since the late 90's has accounted for approximately 3/8 of the increase in residential bills.

9. Admitted in part; denied in part. It is denied that the current level of non-paid receipts directly “corresponds,” as PGW claims, to the increase in PGW’s total billed revenues; to the contrary, the level of non-paid receipts arises from a multitude of factors, including the historical collection inefficiencies existing at PGW, the melt down of PGW’s billing system in mid-1999 and the slow pace of recovery, and the on-going failure to develop a state of the art collection plan.

10. Admitted in part; denied in part. It is denied that the current level of non-paid receipts directly “corresponds,” as PGW claims, to the increase in PGW’s total billed revenues; to the contrary, the level of non-paid receipts arises from a multitude of factors, including the historical collection inefficiencies existing at PGW, the melt down of PGW’s billing system in mid-1999 and the slow pace of recovery, and the on-going failure to develop a state of the art collection plan. It is further denied that the so-called 92% average is the appropriate standard against which to judge PGW collections in any particular year; to the contrary, the appropriate standard would be an allowed bad debt expense adjudicated in PGW’s most recent base rate case. As to what is a reasonable projection of PGW billings for FY2004, Action Alliance et al. are without sufficient knowledge or information to form a belief as to the truth of the averment that PGW will collect 89% of current billings in FY2004.

11. Admitted in part; denied in part. It is specifically denied that the “spiraling level of gas costs” has directly caused the increase in “non-received revenues as a percentage of billed revenues”; to the contrary, increases in gas costs are only one part of the increase in customers’ overall bills, and the increase in “non-received revenues” should be attributed to multiple factors, most of which, like collection activities, are within PGW’s control. As to the level of booked Bad Debt Expense which PGW is projecting for FY 2004, Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment.

12. Admitted in part; denied in part. As to whether natural gas prices are projected to “stay at or near these unprecedented levels for the next few years at least,” Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment.

13. Admitted in part; denied in part. It is denied that “persistently high gas costs” have caused PGW customers to pay less relative to the total amounts they are being billed than in the past; to the contrary, high gas costs are but one factor among many, including PGW’s base rate increases and subpar collection performance. As to whether traditionally “good pay” residential customers and small business customers have not been paying their bills in the past two heating seasons as alleged by PGW, Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment.

14. Denied. It is specifically denied that “volatile natural gas costs” will have a “unique and especially severe” effect on PGW “because of the nature of its customer base”; to the contrary, PGW has extensive low income programs (Customer Responsibility Program, Senior Citizen Discount Program) which cushion the effect of volatile natural gas costs on over one quarter of its residential customers. It is specifically denied that “volatile natural gas costs” will have a “unique and especially severe” effect on PGW because it is a Cash Flow company; to the contrary, PGW has mechanisms available to it such as its Commercial Paper Program, based on the City of Philadelphia

Municipal Utility Inventory and Receivables Financing Act, 53 P.S. §§1699.2 et seq., the Weather Normalization Adjustment and the capacity to make quarterly GCR adjustments, to shield it from volatility and assure that it will have necessary cash working capital.

15. Admitted in part; denied in part. It is admitted that Philadelphia has a larger number of lower income customers than any other area in the Commonwealth. As to whether the economic factors described in PGW St. CRRC-4 result directly in “residential and small business customers paying a smaller portion of their gas bills,” Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment. Similarly, as to whether such economic factors “will continue to take their toll on PGW’s collections despite PGW’s best efforts,” Action Alliance et al. are without sufficient knowledge or information to form a belief as to the truth of the averment.

16. After reasonable investigation, Action Alliance et al. are without sufficient knowledge or information to form a belief as to whether the FY2003 86.57 % collection level has an “immediate and substantial impact on the financial status of the Company and its ability to pay its bills when due.” Similarly, Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief concerning whether PGW will be unable to pay all of its obligations when they become due in the Fall of 2004.

17. Denied. It is denied that PGW has no “‘cushion’ on which to rely to replace

these uncollected receipts.” To the contrary, as the Commission has stated, rates have been set to provide PGW’s owner the City of Philadelphia with the opportunity, but not a guarantee, that it will receive \$18 million per year from PGW for its General Fund. Although the City has stated that it does not expect to receive the \$18 million this year, the cash flow data provided by PGW is based upon the assumption that the \$18 million will be paid. In the event that the \$18 million City payment is not made, the Company would end FY2004 with a positive cash and liquidity balance of \$13 million.<sup>2</sup> It is denied that PGW has “no choice but to request additional dollars from remaining ratepayers in order to make up” its cash receipts shortfall; to the contrary, PGW has several choices which do not involve implementation of a CRRC, including but not limited to obtaining a waiver or grant back of all or part of the \$18 million City payment, entering gas and/or storage management agreements, increasing its collections efficiency, reducing its operating costs, or any combination of the above.

18. Denied. It is denied that PGW has a “cash receipts collections crisis”; to the contrary, as set forth in Paragraph 17 supra, there are numerous alternatives available to PGW to assure that it has adequate cash flow. It is denied that in the face of its lower than expected collections, “PGW has taken comprehensive steps in order to attempt to improve collections”; to the contrary, notwithstanding the high level of gas billings extending back to FY2001, and notwithstanding the Philadelphia Gas Commission’s

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<sup>2</sup> PGW St. CRRC-1, Exh. JRB-5, p. 2.

repeated warnings that PGW should develop a comprehensive collections plan, PGW did not begin to even formulate such a plan until the fall, 2003. If to “institute” means to “implement,” PGW has not “instituted a host of reforms and new programs designed to improve collections”; to the contrary, as PGW testimony demonstrates, the Collections Renewal Initiative only began in early calendar 2004. PGW St. CRRC-3, Exhibit RG-3. It is denied that there is a “need” for the CRRC as alleged by PGW; to the contrary, PGW has only to develop appropriate collection programs consistent with the shortened collections cycle authorized by Chapter 56, rather than transfer the risk of collections failure to customers before the Company has even brought order to its own collections house.

19. It is denied that the “only other means by which PGW could obtain the additional needed revenues would be to file for a general rate increase”; to the contrary, as set forth in this Answer, there are other alternatives open to PGW and its owner to ameliorate the alleged difficulties which PGW references. It is denied that the CRRC, an automatic adjustment clause-type mechanism, is the “most suitable and fair mechanism for both customers and the Company”; to the contrary, such a mechanism shifts the business risks associated with PGW’s high base and gas cost rates to customers and removes the incentive for PGW and its owner to manage the utility more effectively. By way of further answer, this so-called “laser focused” solution is self contradictory, since it appears to attempt to address the supposed fact that PGW’s rates are so high that even

customers who do not qualify for PGW's low income programs can not pay their gas bills, by simply increasing the amount of those bills higher still!

It is denied that it is appropriate to create a CRRC mechanism which places the risks of collections contingencies (like the amount of available LIHEAP funds, the distribution of LIHEAP funds among Philadelphia utilities and other heat related energy providers, the level of gas costs, allegedly emerging Philadelphia social/economic trends) all on customers; to the contrary, one of the fundamental principles of establishing just and reasonable rates is **not** to ensure that a utility will recover its costs regardless of how ineffectively it manages the resources available to it, but rather to give the utility the opportunity to recover those costs, particularly costs which are associated with payments to the utility's legal owner.

It is denied that customers benefit from the CRRC as compared to the rate which might result from a base rate filing; to the contrary, the CRRC is a mechanism which transfers risk from the utility and its owner to customers without compensating benefits, and is even retroactive in effect. It is further denied that customers are likely to pay less through a CRRC than they would if PGW sought a base rate increase; to the contrary, in a base rate case, the Commission would be in a position to weigh potential cost savings against potential cost increases, in determining a just and reasonable rate.

### **C. SPECIFICS OF THE PROPOSED CASH RECEIPTS CLAUSE**

20-21. The averments constitute a description of PGW's CRRC proposal, as set

forth in the Petition and in its proposed Gas Service Tariff, to which no response is required. By way of further answer, to the extent that PGW proposes to “collect an under collection realized in FY 2004 (12 months ended August 31, 2004),” the proposal would constitute illegal retroactive ratemaking; as of September 1, 2004, or the date when the CRRC will take effect, a “good paying” customer who has already paid for gas consumed in FY2004 would be required to pay an additional amount for that same natural gas service.

22. The averment constitutes a description of PGW’s CRRC proposal, as set forth in the Petition and in its proposed Gas Service Tariff, to which no response is required. By way of further answer, when the Company states that if in any year, “it was able to collect so much that its uncollectible level would be less than \$55.7 million, **PGW would set the projected clause at zero,**” it means that the CRRC works for the benefit of PGW but not for the benefit of the customer. The CRRC ensures that PGW may recover through the CRRC the difference between the Bad Debt expense allowed in base rates and the total shortfall between gas billings and gas receipts when there is a shortfall; but when there is no shortfall, and the difference between gas billings and gas receipts is less than \$55.7 million, customers are not entitled to an E factor refund.

23. The averment constitutes a description of PGW’s CRRC proposal, as set forth in the Petition and in its proposed Gas Service Tariff, to which no response is required. By way of further answer, PGW proposes that as part of the 1307(f) process of annual

review of the CRRC filing, PGW would submit for prudency review a summary of the “results” of its collection enhancement efforts and its collection enhancement plans for the future computation year. PGW’s proposed Tariff language does not contain this provision. Moreover, such a narrow review is unworkable and not comparable to a base rate inquiry into a just and reasonable bad debt expense.

24. The averment constitutes a description of PGW’s CRRC proposal, as set forth in the Petition and in its proposed Gas Service Tariff, to which no response is required. By way of further answer, PGW suggests that the duration of the CRRC at a minimum would be for two years. However, since the E Factor Year Recovery Amount from FY2004 would be recovered over three years, the time frame within which customers would be paying charges arising from the CRRC would be at least three years.

25. The averment constitutes a description of PGW’s CRRC proposal, as set forth in the Petition and in its proposed Gas Service Tariff, to which no response is required

26. The averment constitutes a description of PGW’s CRRC proposal, as set forth in the Petition and in its proposed Gas Service Tariff, to which no response is required

27. Denied. As to whether the specific conditions of PGW’s CRRC are “crucially important” to potential bond underwriters and insurers, Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment.

28. Denied. It is denied that the CRRC is an appropriately focused step to provide

PGW with necessary levels of working capital and/or to serve customers economically; to the contrary, as set forth in this Answer, the effect of the CRRC is to diminish PGW's accountability for its collections processes and other management functions, and to shift financial risks associated with PGW operations from the City and PGW to customers. As to whether the CRRC is necessary for the Company to be in the position to issue an additional bond in the Fall of 2004, Action Alliance et al. are, after reasonable investigation, without sufficient knowledge or information to form a belief as to the truth of the averment.

#### **D. LACK OF LEGAL JUSTIFICATION FOR THE CRRC**

29-30. To the extent that these paragraphs do not contain factual allegations, opinions and intentions for which responses have already been made in this Answer, they represent conclusions of law to which no response is required.

By way of further answer, PGW's proposal would apply a sliding scale of rates to collect a type of cost (Bad Debt Expense) which by its nature, is not susceptible to being known and measured on a yearly basis in the same way as gas costs, taxes, DSIC costs or CSIC costs. At the core of PGW's CRRC is the \$55.7 million, an estimated level of previously allowed bad debt expense. At the end of any fiscal year, there is no way determining the precise level of bad debt expense incurred in that year, because bills not collected in that fiscal year may still be collected not only in the next year, but for several

years thereafter. Moreover, receipts in any fiscal year do not arise only from billings during that fiscal year, but from billings in the previous year, and from several years previously. As a result, cash receipts reconciliation only means that PGW would be allowed to “reconcile” its cash receipts shortfall arising from billings from the Computation Year and all prior receivables (that had not been written off) against an estimated, outdated allowed Bad Debt expense. Such a determination of allowable Bad Debt recovery does not have the same prudence safeguards as determinations made in the context of a base rate case, where the Bad Debt expense involves both a computation and a balancing of the interests of the utility against those of customers, in the creation of a “just and reasonable” rate.

31. Denied. It is denied that the CRRC is “not at all unprecedented”; to the contrary, the CRRC is unprecedented in Pennsylvania, and virtually unprecedented nationwide.

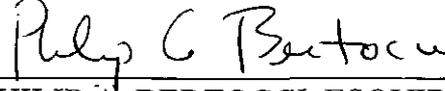
#### **E. PROCEDURE AND ROADMAP OF TESTIMONY**

32. Denied. It is denied that the CRRC is logically the “companion” of the GCR. To the contrary, there is no element in the CRRC which is dependent on a determination that must be made in the course of a GCR filing.

33-38. Admitted in part; denied in part. It is denied that the testimony of the several witnesses constitute substantial evidence in support of the a CRRC.

WHEREFORE, Action Alliance et al. respectfully request that the Commission deny the Petition of Philadelphia Gas Works to Establish a Cash Receipts Reconciliation Clause.

Respectfully submitted,



PHILIP A. BERTOCCHI, ESQUIRE  
LAURA MOSKOWITZ, ESQUIRE

Attorneys for Action Alliance of Senior  
Citizens, ACORN and Tenants' Action Group

COMMUNITY LEGAL SERVICES, INC.  
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March 23, 2004

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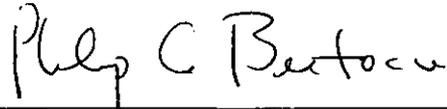
MAR 23 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

## VERIFICATION

I, Philip A. Bertocci, Esquire hereby state that the facts contained in the foregoing Answer are true and correct to the best of my knowledge, information and belief, that I am authorized to make this verification, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

Date: March 23, 2004



PHILIP A. BERTOCCI

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MAR 23 2004

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the foregoing Answer in the matters docketed at R-00049157 and P-00042090 upon the following parties by First Class U.S. Mail, postage prepaid as follows:

Dated: March 23, 2004

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MAR 28 2004

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March 25, 2004

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Re: Philadelphia Gas Works Cash Receipts Reconciliation  
Clause, Docket No. R-00049157  
Petition of Philadelphia Gas Works to Establish a Cash  
Receipts Reconciliation Clause, Docket No. P-00042090

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Dear Steve:

On behalf of Philadelphia Gas Works, enclosed please find its responses to Office of Small Business Advocate's Interrogatories, Set II, Nos. 1-4, 5(a), 6(a), (b), 7-11, 12(a), (b), (d), (e), 13, 14, 15 & 17. If you have any questions, please do not hesitate to contact me.

Very truly yours,

  
Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww

cc: Parties of Record w/enc  
James McNulty w/ Certificate of Service only

DSH:40304.1/PHI211-217982

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document of Philadelphia Gas Works' upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

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Dated: March 25, 2004

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March 25, 2004

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Tanya McCloskey, Esq.  
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Re: Philadelphia Gas Works Annual GCR Filing 1307(f)  
Docket No. R-00049157

DOCUMENT  
FOLDER

Dear Tanya:

On behalf of Philadelphia Gas Works, enclosed please find their responses to OCA Set III, Nos. 1, 4 - 8, & 13 which completes that response. If you have any questions, please do not hesitate to contact me.

Sincerely,

Daniel Clearfield  
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww

Enclosure

cc: Attached Certificate of Service w/enc.  
James McNulty, w/ Cert. of Service only

DSH:40112.4/PHI211-217982

Cherry Hill, NJ ■ Harrisburg, PA ■ New York, NY ■ Norristown, PA ■ Philadelphia, PA ■ Roseland, NJ ■ Wilmington, DE

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Wolf, Block, Schorr and Solis-Cohen LLP, a Pennsylvania Limited Liability Partnership

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document of Philadelphia Gas Works' upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

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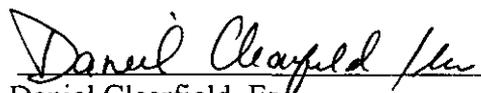
Dated: March 25, 2004

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March 26, 2004

SECRETARY'S BUREAU  
MAR 29 AM 9:44

Steven Gray  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Re: Philadelphia Gas Works Cash Receipts Reconciliation  
Clause, Docket No. R-00049157  
Petition of Philadelphia Gas Works to Establish a Cash  
Receipts Reconciliation Clause, Docket No. P-00042090

DOCUMENT  
FOLDER

Dear Steve:

On behalf of Philadelphia Gas Works, enclosed please find its responses to Office of Small Business Advocate's Interrogatories, Set I, Nos. 3, 4, 5 and Set III Nos. 1, 11, 12, 18 and 19. If you have any questions, please do not hesitate to contact me.

Very truly yours,



Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww

cc: Parties of Record w/enc  
James McNulty w/ Certificate of Service only

DSH:40304.2/PHI211-217982

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document on Philadelphia Gas Works' upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

04 MAR 29 AM 9:44  
SECRETARY'S BUREAU

**VIA EMAIL AND FIRST CLASS MAIL**

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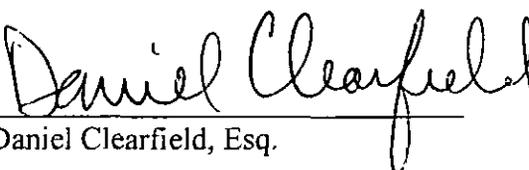
Tanya McCloskey, Esq.  
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Dated: March 26, 2004

  
Daniel Clearfield, Esq.

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March 26, 2004

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Harrisburg, PA 17105-3265

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Receipts Reconciliation Clause, Docket No. P-00042090

Dear Johnnie:

On behalf of Philadelphia Gas Works, enclosed please find its responses to Office of Trial Staff's Interrogatories, Set I, Nos. 13 and 37. Responses to outstanding interrogatories will be provided to you as soon as possible.

If you have any questions, please do not hesitate to contact me.

Very truly yours,



Daniel Clearfield  
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

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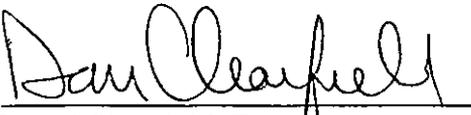
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800 W. Montgomery Avenue  
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2004 MAR 30 AM 12:31

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March 29, 2004

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Dear Johnnie:

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Daniel Clearfield, Esq.



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PLEASE DOCKET

Office Of Administrative Law Judge  
P.O. Box 3265, Harrisburg, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

March 30, 2004

In Re: R-00049157 & P-00042090

(TO ALL PARTIES)

FILE  
AT ↑

Pennsylvania Public Utility Commission  
v.  
Philadelphia Gas Works

R-00049157

Annual 1307(f) filing.

DOCUMENT  
FOLDER

P-00042090

Petition to establish a cash receipts reconciliation clause.

Public Input Hearing Notice

This is to inform you that a Public Input Hearing on the above-captioned case will be held as follows:

Type: Public Input Hearing

Date: Wednesday, May 5, 2004.

Time: 7:00 PM

Location: Double Tree Hotel, Philadelphia Northeast  
Pennsylvania Room  
9461 Roosevelt Boulevard  
Philadelphia, PA 19114

Presiding: Administrative Law Judge Charles E. Rainey, Jr.  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130  
Telephone: (215) 560-2105  
Fax: (215) 560-3133

DOCKETED  
APR 09 2004

Also, this is to further inform you that a Public Input Hearing on the above-captioned case will be held as follows:

Type: Public Input Hearing

Date: Thursday, May 6, 2004

Time: 1:00 PM & 6:00 PM

Location: Community College of Philadelphia  
Winnet Student Life Building  
The Lecture Hall s2.3  
17<sup>th</sup> Street (between Spring Garden & Callowhill Sts.)  
Philadelphia, PA 19130

Presiding: Administrative Law Judge Charles E. Rainey, Jr.  
1302 Philadelphia State Office Building  
1400 West Spring Garden Street  
Philadelphia, PA 19130  
Telephone: (215) 560-2105  
Fax: (215) 560-3133

DOCUMENT  
FOLDER

If you are a person with a disability, and you wish to attend the hearing(s), we may be able to make arrangements for your special needs. Please call the scheduling office at the Public Utility Commission:

- Scheduling Office: (717) 787-1399.
- AT&T Relay Service number for persons who are deaf or hearing-impaired: 1-800-654-5988.

pc: Chairman Fitzpatrick  
Vice Chairman Bloom  
Commissioner Holland  
Commissioner Pizzingrilli  
Commissioner Thomas  
Judge Rainey  
June Perry (Arlene MacMillan)  
Eric Levis-BPL, Keystone 3NE  
Sharon Wilmarth-BPL, Keystone 3NE  
Office of Trial Staff (2)  
Consumer Advocate  
Small Business Advocate  
Elizabeth L. Plantz, Scheduling Officer  
Beth Plantz  
Docket Section  
Calendar File

DOCKETED  
APR 07 2004

R-00049157 and P-00042090 PA PUC v. Philadelphia Gas Works - Annual 1307(F).  
Petition to establish a cash receipts reconciliation clause.

JOHNNIE SIMMS ESQUIRE  
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C-0005

C-0003

C-0004

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C-0007

C-0008

C-0006

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C-0009

C-0010

C-0011

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C-0012

C-0013

C-0014

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C-00015

C-0016

C-0017

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C-0018

C-0019

C-0020

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T ROACH  
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C-0021

C-0022

C-0023

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HARRY TANKER  
151 BENJAMIN COURT  
PHILADELPHIA PA 19114

PAULINE D. LAVERGHETTA  
2133 VISTA STEET  
PHILADELPHIA PA 19152

C-0024

C-0025

C-0026

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PHILADELPHIA PA 19154

HELEN H HENDERSON ESQUIRE  
MONDRE ENERGY INC  
1880 JOHN F KENNEDY BLVD  
SUITE 1705  
PHILADELPHIA PA 19103

C-0027

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APR - 1 AM 11: 05  
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Receipts Reconciliation Clause, Docket No. P-00042090

Dear Steve:

On behalf of Philadelphia Gas Works, enclosed please find its responses to Office of Small Business Advocate's Interrogatories, Set I, Nos. 2 and 4(b); Set II-14 (Revised); Set III, Nos. 12(d) and 19(c); and Set IV, No. 5. If you have any questions, please do not hesitate to contact me.

Very truly yours,

Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

DC/lww

cc: Parties of Record w/enc  
James McNulty w/ Certificate of Service only

DOCUMENT  
FOLDER

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Cherry Hill, NJ ■ Harrisburg, PA ■ New York, NY ■ Norristown, PA ■ Philadelphia, PA ■ Roseland, NJ ■ Wilmington, DE

WolfBlock Government Relations: Harrisburg, PA and Washington, DC  
Wolf, Block, Schorr and Solis-Cohen LLP, a Pennsylvania Limited Liability Partnership

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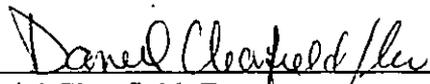
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Dated: March 31, 2004

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Dear Johnnie:

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If you have any questions, please do not hesitate to contact me.

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*Daniel Clearfield/llc*  
Daniel Clearfield

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DC/lww

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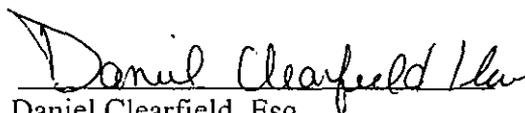
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