



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

ORIGINAL

Bernard A. Ryan, Jr
Small Business Advocate

DOCUMENT
FOLDER

February 27, 2001

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

HAND DELIVERED

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

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works
Docket No. R-00006042

Dear Mr. McNulty:

Enclosed for filing are the original and two copies of the Prehearing Memorandum on behalf of the Office of Small Business Advocate in the above captioned matter.

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

Sincerely,

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

Enclosures

PA.P.U.C.
SECRETARY'S BUREAU

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
 :
 v. : DOCKET NO. R-00006042
 :
 PHILADELPHIA GAS WORKS :

OFFICE OF SMALL BUSINESS ADVOCATE
PREHEARING MEMORANDUM

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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 Steven C. Gray, Assistant Small Business Advocate. Please address all correspondence as follows:

**DOCUMENT
FOLDER**

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)

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II. FILING BACKGROUND

On January 5, 2001, Philadelphia Gas Works ("PGW" or "Company") filed with the Pennsylvania Public Utility Commission ("Commission") Supplement No. 7 to Tariff Gas - Pa. P.U.C. No. 1 requesting approval to increase its annual revenues by \$65,000,000. Pursuant to 66 Pa. C.S. §1308(d), the filing was suspended by operation of law on March 6, 2001, until October 6, 2001. The OSBA filed a Formal Complaint on February 6, 2001.

III. IDENTIFICATION OF WITNESSES AND TENTATIVE ISSUES

The OSBA may present direct, rebuttal, and surrebuttal testimony in this proceeding on the matters identified below, as well as any additional issues that arise or become apparent during the course of the proceeding. Assisting in the development and presentation of the OSBA's case in this proceeding will be:

Mr. Brian Kalcic
Excel Consulting
Suite 720-T
225 S. Meramec Avenue
St. Louis, MO 63105
(314) 725-2511
(314) 725-2022 - Fax

While the OSBA has not yet completed its analysis of the Company's filing, a preliminary review has identified the following issues that should be examined by the Commission during this proceeding:

1. Is PGW's cost-of-service methodology appropriate?
2. Has the Company proposed a class revenue distribution which is cost-based?
3. Is PGW's proposed Commercial customer charge increase reasonable?
4. Does the Company's demand forecasting model yield reasonable results?

5. Is it appropriate for the Company to continue to utilize the GCR to recover non-gas costs?
6. Has the Company provided an accurate proof of revenue?

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.

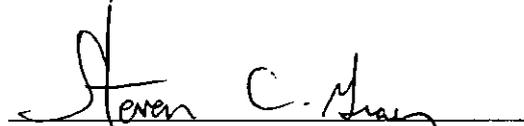
IV. SETTLEMENT

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

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

Dated: February 21, 2001

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

PHILADELPHIA GAS WORKS

:
:
:
:
:
:

Docket No. R-00006042

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PENNSYLVANIA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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. Cynthia W. Fordham
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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Obermayer Rebmann Maxwell & Hippel
One Penn Center - 19th Floor
1617 John F. Kennedy Boulevard
Philadelphia, PA 19103-1895
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(215) 665-3165 (fax)

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Alan Kohler, Esquire
Wolf, Block, Schorr & Solis-Cohen
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Harrisburg, PA 17101
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(717) 234-9730
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David M. Kleppinger, Esquire
McNees, Wallace & Nurick
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Community Legal Services, Inc.
1424 Chestnut Street 4th Floor
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(215) 981-0435 (fax)

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Bradford Stern, Esquire
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1601 Market Street, Suite 1750
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Office of Trial Staff
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Craig A. Doll, Esquire
25 North Front Street, 2nd Fl.
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Steven C. Gray
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Dated: February 21, 2001

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212 Locust Street
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DANIEL CLEARFIELD
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February 27, 2001

VIA HAND DELIVERY

Charis M. Burak, Esquire
McNees, Wallace, Nurick
100 Pine Street
P.O. Box 116
Harrisburg, PA 17108-1166

DOCUMENT
FOLDER

RE: Philadelphia Gas Works' Permanent Base Rate Filing,
Docket No. R-00006042

002855

Dear Ms. Burak:

Enclosed please find PGW's responses to the following PICGUG Interrogatories:

Set I - 4, 5(b)

Please be advised that PGW intends to submit the remainder OCA Set I responses by the end of this week.

Very truly yours,



Daniel Clearfield

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

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CERTIFICATE OF SERVICE

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

HAND DELIVERY OR FIRST CLASS MAIL

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MAR 01 2001

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Richard A. Baudino
J. Kennedy and Associates
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Larry Speilvogel
203 Hughes Road
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(PICGUG)

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Obermayer, Rebmann Maxwell
& Hippel LLP
One Penn Center, 19th Fl.
1617 John F. Kennedy Blvd.
Philadelphia, PA 19103-1895


Daniel Clearfield, Esquire

Dated: February 27, 2001

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MARK S. STEWART
DIRECT DIAL: (717) 237-7191
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February 28, 2001

VIA HAND DELIVERY

James J. McNulty, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street; 2nd Floor
Harrisburg, PA 17120

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01 FEB 28 PM 4:07

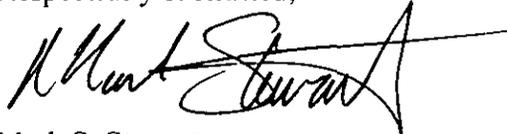
RE: Philadelphia Gas Works' Permanent Base Rate Filing,
Docket No. R-00006042

Dear Mr. McNulty:

On behalf of Philadelphia Gas Works, enclosed for filing please find an original and three copies of its Objections to Office of Trial Staff's, Set V, Nos. RE-117 and RE-118 with regard to the above-referenced matter. As indicated by the attached certificate of service, all parties of record have been served with a copy of this filing.

Please contact me if you have any questions with respect to the enclosed.

Respectfully submitted,



Mark S. Stewart
For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

cc: Parties of record (w/encl.)

cel

DSH:26230.1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ORIGINAL

In Re: Petition of Philadelphia Gas Works for :
Waiver of Certain Notification and Filing :
Requirements and Establishment of : Docket No. R-00006042
Expedited Hearing Schedule for Base :
Rate Proceeding :

OBJECTIONS OF PHILADELPHIA GAS WORKS
TO OFFICE OF TRIAL STAFF
INTERROGATORIES, SET V

Philadelphia Gas Works ("PGW"), pursuant to 52 Pa. Code §§ 5.342 and 5.349, objects to Office of Trial Staff ("OTS") Interrogatories, Set V, Nos. RE-117 and RE-118, as follows:

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OTS-RE-117 Please provide a schedule including contracted fees of all outside consultants who will be testifying in this proceeding.

OBJECTION:

PGW objects to this question because it seeks legally irrelevant information and cannot lead to the production of admissible information. PGW's costs for expert or consultant witnesses in this proceeding could not be more tangentially related to whether the Commission, following the same ratemaking methodology and requirements, should allow PGW's requested base rate increase.

This Interrogatory is clearly directed at the appropriateness of expenditures provided for in PGW's operating budget. According to 66 Pa. C.S. § 2212(s), the Commission shall not abrogate or limit the City of Philadelphia's ability to determine PGW's budgets. The Philadelphia Gas Commission ("PGC"), a commission of the City, retains the authority to approve PGW's annual operating budget. While OTS' Interrogatory may be relevant and appropriate in the budget proceedings before the PGC, it is beyond the scope of this proceeding.

Additionally, the Commission must, according to Section 2212(e) of the Public Utility Code, apply the same ratemaking methodology and requirements as were applicable to PGW prior to its assumption of jurisdiction and set rates so as to allow PGW to satisfy its bond covenants. Under that methodology and those requirements, once the PGC set PGW's budget, the Management Agreement Ordinance and the bond covenants required that rates be set so as to fund the operating budget. Thus, as the PGC continues to set PGW's budget, this proceeding is not to question the wisdom of PGW's allocations and expenditures on consultant witnesses for this proceeding. Instead, this proceeding is to ensure that the identified expense is included in PGW's operating budget and to set rates so as to cover the operating budget as approved.

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OTS-RE-118 Please provide a breakdown of all amounts included in this proceeding for promotional advertising and marketing done to enhance the Company's image.

OBJECTION:

PGW objects to this question because it seeks legally irrelevant information and cannot lead to the production of admissible information. This Interrogatory is clearly directed at the appropriateness of expenditures provided for in PGW's operating budget. According to 66 Pa. C.S. § 2212(s), the Commission shall not abrogate or limit the City of Philadelphia's ability to determine PGW's budgets. The Philadelphia Gas Commission ("PGC"), a commission of the City, retains the authority to approve PGW's annual operating budget. While OTS' Interrogatory may be relevant and appropriate in the budget proceedings before the PGC, it is beyond the scope of this proceeding.

Additionally, the Commission must, according to Section 2212(e) of the Public Utility Code, apply the same ratemaking methodology and requirements as were applicable to PGW prior to its assumption of jurisdiction and set rates so as to allow PGW to satisfy its bond covenants. Under that methodology and those requirements, once the PGC set PGW's budget, the Management Agreement Ordinance and the bond covenants required that rates be set so as to fund the operating budget. Thus, as the PGC continues to set PGW's budget, this proceeding is not to question the wisdom of PGW's allocations and expenditures on promotional advertising. Instead, this proceeding is to ensure that the identified expense is included in PGW's operating budget and to set rates so as to cover the operating budget as approved.

**DOCUMENT
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MAR 2 2001

Respectfully submitted,



Daniel Clearfield
Mark S. Stewart
Wolf, Block, Schorr and Solis-Cohen LLP
212 Locust Street, Suite 300
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(717) 237-7160

Dated: February 28, 2001

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

VIA FIRST CLASS MAIL

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PA PUBLIC UTILITY
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King of Prussia, PA 19406
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Philadelphia, PA 19103-1895

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Mark S. Stewart, Esquire

Dated: February 28, 2001