

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

|  |   |                              |
|--|---|------------------------------|
| Pennsylvania Public Utility Commission | : | Docket Number                |
|  | : |                              |
| v.                                     | : | R-00061931                   |
|  | : | R-00061931C0001 <u>et al</u> |
| Philadelphia Gas Works                 | : |                              |

**PREHEARING ORDER #4**

On December 22, 2006, the Philadelphia Gas Works ("PGW" or "Respondent") filed Supplement No. 16 to Tariff Gas – Pa. P.U.C. No. 2 to become effective February 20, 2007. In said tariff, PGW proposed changes in rules, regulations and rates calculated to produce \$107,000,000 (or 11%) in additional annual revenues.

By Order entered February 8, 2007, the Pennsylvania Public Utility Commission ("Commission") instituted an investigation into the lawfulness, justness and reasonableness of the proposed rate increase. Pursuant to section 1308(d) of the Public Utility Code, 66 Pa.C.S. §1308(d), Supplement No. 16 to Tariff Gas – Pa. P.U.C. No. 2 was suspended by operation of law on February 8, 2007, until September 20, 2007, unless otherwise directed by Order of the Commission. The Respondent requested the suspension period extend through September 28, 2007. In addition, the Commission ordered that the investigation include consideration of the lawfulness, justness and reasonableness of PGW's existing rates. The matter was assigned to the Office of Administrative Law Judge for resolution by hearings and for issuance of a Recommended Decision.

To date, there are sixty-seven (67) formal complaints filed. All complainants will be treated as inactive parties unless they have been acknowledged otherwise by the presiding officers.

On March 9, 2007, the Archdiocese of Philadelphia filed a Petition to Intervene requesting active status. No party objected to the Archdiocese's Petition.

A prehearing conference order #3 was issued on March 9, 2007. In that order, among other things, we set forth the procedural schedule. We also stated that briefing instructions would be issued to the active parties under separate cover. Attached to the active parties' order is a document entitled "Special Instructions for Briefs and Exceptions in Major General Rate Increase Proceedings". Please note that some items are not applicable since this is not an investor owned utility case involving rate base and rate of return. In the brief format (on page 4), please omit III. Rate Base; VI. Taxes and VII. Rate of Return.

Main briefs are due on or before Tuesday, June 12, 2007 and reply briefs are due on or before Thursday, June 21, 2007.

The briefs should be filed on the Secretary of the Commission and served on the presiding officers at the Philadelphia office and on the active participants. 52 Pa. Code §154(a) and (d).

#### ORDER

THEREFORE,

IT IS ORDERED:

1. That the Petition to Intervene filed by The Archdiocese of Philadelphia is granted. The Archdiocese is granted active status.

2. All parties shall file and serve main briefs on or before June 12, 2007. Reply briefs shall be filed and served on or before June 21, 2007. Briefs must be filed with the Secretary of the Commission and received in-hand by all parties no later than 4:30 p.m. on the

date listed. In addition, each party is directed to file a copy of the brief on CD or disk. The CD or disk should be in Word or a compatible format.

3. All briefs shall comply with the requirements set forth in 52 Pa. Code §§5.501 and 5.502 and, in addition, to the mandatory contents listed in 52 Pa. Code §5.501(a), all main briefs shall contain:

- a) A statement of the questions involved.
- b) Proposed ordering paragraphs specifically identifying the relief sought.

4. Main briefs shall not exceed 110 pages and reply briefs shall not exceed 95 pages as afforded by the presiding officer's discretion under 52 Pa. Code §5.501(e). These page limits do not include appendices.

5. An original and nine (9) copies of all briefs shall be filed with the Commission in accordance with 52 Pa. Code §5.502(a), one copy shall be served on each of the presiding Administrative Law Judges. Pursuant to 52 Pa. Code §1.59 the parties are permitted to serve one copy on each other if the method of service is mutually agreed via facsimile or electronic mail; otherwise, two hard copies are required.

6. The copy of the brief for each presiding officer shall be sent to:

1302 State Office Building  
Broad and Spring Garden Streets  
Philadelphia, PA 19130

7. A brief that is not filed and served within the allotted time will not be accepted for filing, except by special permission of a presiding Administrative Law Judge.

Date: March 22, 2007

*Cynthia Williams Fordham*  
CYNTHIA WILLIAMS FORDHAM  
ANGELA T. JONES  
Administrative Law Judges

Pennsylvania Public Utility Commission v. Philadelphia Gas Works  
Docket Nos. R-00061931, R-00061931C0001 et al.

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**The Archdiocese of Philadelphia**

Special Instructions for Briefs and Exceptions  
in Major General Rate Increase Proceedings

1. Each brief shall follow the general organization shown in the attached standardized format.
2. Each brief shall contain a table of contents with page references to a summary of argument and to each topic addressed in the argument.
3. Adjustments contained in each brief shall:
  - a. be based on a specific test year, to be selected before the close of the record;
  - b. be complete and self contained, include accurate reference to the appropriate record sources, be on a before-income-tax basis (never on a net income or revenue requirement basis) and be on a consistent jurisdictional basis (if record support cannot be located, the adjustment may/will be rejected);
  - c. be detailed to demonstrate the step-by-step calculation of that adjustment together with appropriate accurate record references (once again, if the record support cannot be located for the necessary steps, the adjustment may/will be rejected);
  - d. include concomitant rate base, revenue, expense, depreciation expense, and tax (i.e., taxes other, State Income, and Federal Income) adjustments set forth, together with the details of their calculation;
  - e. include within the brief calculations which are the basis for proposed adjustments, but which are incomplete in the record.
4. Tables showing all proposed rate base and income adjustments, organized as shown in the attached Table I and Table II, shall be submitted with each brief which includes such adjustments.

- a. The starting point of Table I "Income Summary" shall be the utility's final *pro forma* showing at present rates. The ALJ shall specify the starting point to be the most recent update admitted into evidence. The update, admission, and ALJ ruling shall be cited on the table.
  - b. The effect of deferred or accrued taxes on the various tax adjustments presented in Table II "Summary of Adjustments" shall be indicated by a footnote.
5. The following schedules shall be submitted with each brief:
- a. A schedule showing the precise derivation of any adjustment to proposed cash working capital allowance.
    - i. The schedule describing an adjustment to a Utility's claim for Cash Working Capital shall separately list (1) adjustments originating from Table II "Summary of Adjustments" and (2) adjustments resulting from the proposed revenue increase. Any effect on deferred and/or accrued taxes shall be shown in a separate column or footnote.
    - ii. Net Revenue and Expense Lag Days for all Cash Working Capital Adjustments shall be calculated to at least one decimal place.
  - b. A schedule showing all tax and jurisdictional allocation factors utilized (any deviations from standard or obvious factors should be explained on the schedule or in the brief);
  - c. A schedule listing, for the party or parties filing the brief, each exhibit or other document admitted into the record, along with the date the document was identified and the date the document was admitted.
6. Rate structure proposals shall be reasonably specific and explicit, shall, as appropriate, refer accurately to record support and shall be summarized at the end of the "Rate Structure" topic heading of each brief.

7. Parties shall, as feasible and appropriate, discuss alternative rate design proposals for overall rate increases at and below the requested increase.
8. The Commission requires, in all electric utility rate proceedings, subsequent to its Order at Docket No. I-900005, entered December 1, 1993, that issues of demand-side management and integrated resource planning be addressed.
9. Regarding the filing of exceptions, the following instructions are provided:
  - a. Each exception shall be separately identified and, as necessary, discussed.
  - b. Each exception shall include, before any discussion is provided, the following elements (see examples attached):
    - i. a reference to the relevant part of the Recommended Decision, at least to the relevant pages;
    - ii. a reference to related discussions in the excepting party's brief and, as appropriate, to other briefs; and
    - iii. a concise statement of the exception.
  - c. The exceptions shall follow the order of presentation provided in the table of contents to the Recommended Decision.
  - d. If a party takes exception concerning a topic not included within the Recommended Decision or the table of contents thereto, the appropriate exception shall be included at the end of the appropriate major topic heading (such as "Rate Base" or "Expenses").
  - e. If a party seeks to correct computations associated with the Recommended Decision, replacement computations, with source references to briefs or the record, shall be provided.

Standardized Brief Format for  
General Rate Increase Proceedings

- I. Introduction
- II. Summary of Argument
- III. Rate Base
  - A. Fair Value
  - B. Plant in Service
  - C. Depreciation Reserve
  - D. Additions to Rate Base
  - E. Deductions from Rate Base
  - F. Conclusion
- IV. Revenues
- V. Expenses
- VI. Taxes
- VII. Rate of Return
- VIII. Miscellaneous Issues
- IX. Rate Structure
  - A. Cost of Service
  - B. Revenue Allocation.
  - C. Tariff Structure
  - D. Summary and Alternatives
- X. Conclusion

Note: Appropriate modifications may be made. For instance, a party might add "Affiliated Interest Expenses" as a major topic heading or might brief only rate structure and not use other topic headings. A summary and alternatives should be provided under "Rate Structure" but the "Rate Base" and "Rate Structure" formats shown may be modified, as appropriate. Additional subheadings should be used, as appropriate.

TABLE I  
INCOME SUMMARY  
(\$000)

|  | Pro Forma<br>Present<br>Rates<br>\$ | Recommended<br>Adjustments<br>\$ | Adjusted<br>Present<br>Rates<br>\$ | Revenue<br>Adjustment<br>\$ | Total<br>Allowable<br>Revenues<br>\$ |
|--|-------------------------------------|----------------------------------|------------------------------------|-----------------------------|--------------------------------------|
| Operating Revenues   | _____                               | _____                            | _____                              | _____                       | _____                                |
| Deductions:<br>O&M Expenses<br>Depreciation<br>Taxes:<br>State<br>Federal<br>Other | _____                               | _____                            | _____                              | _____                       | _____                                |
| Total Deductions   | _____                               | _____                            | _____                              | _____                       | _____                                |
| Net Income Available for Return  | =====                               | =====                            | =====                              | =====                       | =====                                |
| Rate Base  |                                     |                                  |                                    |                             | =====                                |
| Recommended Rate of Return   |                                     |                                  |                                    |                             | =====                                |



## Examples of Specific Exceptions

1. Staff excepts to the ALJ's rejection of the Staff (and OCA.) rate case expense adjustment. See R.D., pp. 31-2; Staff brief, pp. 54-5; OCA brief, pp. 98-9. The \$128,000 adjustment, based on a filing once every four years and on disallowance of certain expenses, should be accepted.

2. The Company excepts to the adoption of the OCA revenue adjustment. See R.D., pp. 28-30; Company brief, pp. 56-9; Company reply brief, p. 12. This adjustment was based on unreasonable projections of industrial consumption (see OCA brief, p. 84). The Company projection, as modified at Company St. 14, pp. 11-12, should be used.

3. OCA excepts to the ALJ's failure to address, and accept, its weather adjustment to revenues. See OCA brief, pp. 21-4; OCA reply brief, p. 12.

4. Corrections to calculations underlying salary increases (R.D., p. 41), force reductions (R.D., pp. 48-9) and tax normalization (R.D., pp. 61-2) are offered and explained at Appendix B.