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October 1, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Petition of Philadelphia Gas Works For Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge Cap and to Permit Levelization of DSIC Charges; Docket No. P-2015-2501500

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission the Prehearing Memorandum of the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to this proceeding are being duly served.

Sincerely,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', written over a horizontal line.

Adeolu A. Bakare

Counsel to the Philadelphia Industrial and Commercial Gas Users Group

Enclosure

c: Administrative Law Judge Christopher P. Pell (via E-mail and First-Class Mail)
Administrative Law Judge Marta Guhl (via E-Mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST-CLASS MAIL

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Adeolu A. Bakare
Counsel to the Philadelphia Industrial and
Commercial Gas Users Group

Dated this 1st day of October, 2015, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PHILADELPHIA GAS :
WORKS FOR WAIVER OF PROVISIONS : Docket No. P-2015-2501500
OF ACT 11 TO INCREASE THE :
DISTRIBUTION SYSTEM :
IMPROVEMENT CHARGE CAP AND TO :
PERMIT LEVELIZATION OF DSIC :
CHARGES :

**PREHEARING MEMORANDUM OF
THE PHILADELPHIA INDUSTRIAL AND COMMERCIAL GAS USERS GROUP**

Pursuant to the September 30, 2015, Prehearing Conference Order issued by Administrative Law Judges ("ALJs") Christopher P. Pell and Marta Guhl, the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") hereby submits this Prehearing Memorandum in the above-captioned proceeding.

I. HISTORY OF THE PROCEEDING

On September 1, 2015, Philadelphia Gas Works ("PGW") filed a Petition for Waiver of Provisions of Act 11 to Increase the Distribution System Improvement Charge ("DSIC") Cap and to Permit Levelization of DSIC Charges ("Petition"). The Petition reviews PGW's current and projected replacement rates for cast iron gas mains and certain findings from the Pennsylvania Public Utility Commission's ("PUC" or "Commission") April 21, 2015, *Inquiry into Philadelphia Gas Works' Pipeline Replacement Program* ("Staff Report").

In an attempt to accelerate its current pipeline replacement rate, as recommended by the Staff Report, PGW developed numerous DSIC modifications and outlined its proposals in the Petition. Specifically, the Petition requests: (1) a waiver of the current cap limiting DSIC collections to 5% of billed distribution revenues and approval of a new 7.5% cap; (2) further waiver of the cap limit as necessary to approve a separate 2.5% cap on reconciliation

adjustments, (3) waiver permitting PGW to use an annual, levelized charge as the basis for establishing a DSIC; (4) a waiver of the statutory requirement to pay interest on DSIC over-collections; and (5) a waiver of the PUC's Regulations as necessary to authorize the filing, on one day's notice, of a revised Long-Term Infrastructure Improvement Plan ("LTIIP").

PGW projected that approval of the Petition will result in a DSIC of 7.64% effective January 1, 2016. The higher DSIC charge is expected to increase PGW's current annual DSIC revenues by approximately \$11 million, from \$22 million to \$33 million.

On September 21, 2015, PICGUG filed an Answer in this proceeding. A description of PICGUG is set forth in PICGUG's Answer. PICGUG's Answer is pending and awaits disposition by the ALJs. A Prehearing Conference has been scheduled in this proceeding for October 2, 2015.

II. ANTICIPATED ISSUES AND SUB-ISSUES

PICGUG is concerned with the following issues:

- a) whether PGW's proposed DSIC would increase rates for all of the Company's firm rate classes, including the Company's largest customer classes;
- b) whether PGW fully considered the Commission's Staff Report in regard to funding distribution system improvements by increasing customer revenues rather than additionally seeking to increase available revenues through managerial and operational efficiencies; and
- c) whether PGW's requested waivers are just and reasonable, in the public interest, and consistent with Act 11.

PICGUG anticipates pursuing these issues during this proceeding and reserves the right to raise further issues and to respond to all issues raised by other parties.

III. PROPOSED WITNESSES

PICGUG is in the process of evaluating whether it will sponsor testimony in this proceeding. In the event that PICGUG decides to sponsor testimony, it will immediately inform

the parties and the ALJs of any intended witnesses and topics of testimony. PICGUG also intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions, and reply exceptions, if necessary.

IV. PROPOSED SCHEDULE AND DISCOVERY RULES

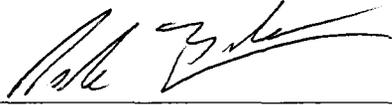
PICGUG does not oppose the partial procedural schedule set forth in the Prehearing Conference Order and will cooperate with other parties to develop a mutually acceptable schedule for discovery and testimony. To the extent necessary, PICGUG will also cooperate with the ALJs and the parties at the Prehearing Conference to address any requested modifications to the Commission's standard discovery rules in accordance with the Commission's Regulations and any directives issued by the ALJs.

V. POSSIBILITY OF SETTLEMENT

PICGUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: October 1, 2015