

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 14, 2016

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works
Docket No. R-2016-2526700

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Attachment

cc: Honorable Marta Guhl, ALJ
Certificate of Service
218364

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket No. R-2016-2526700
	:	
Philadelphia Gas Works	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333 and the Prehearing Conference Order issued by Administrative Law Judge Marta Guhl on March 7, 2016, the Office of Consumer Advocate (OCA) provides the following information:

I. Introduction

On January 29, 2016, Philadelphia Gas Works (PGW or the Company) filed its pre-filing information required for its annual Purchased Gas Cost (PGC) Rate filing pursuant to Sections 1307(f), 1317, 1318 and 2212 of the Public Utility Code, and Sections 53.64 and 53.65 of the Commission’s Rules and Regulations. 66 Pa. C.S. §§ 1307, 1318, 2212; 52 Pa. Code §§ 53.64, 53.65. On the same date, PGW filed a Petition for Special Permission to Depart from the Requirements of 52 Pa. Code §§ 53.45(b), 53.64(c), 53.64(i)(5)(i), and 53.68(a). Further, PGW requested to provide estimated data for January 2016 and February 2016 in the March 1, 2016 quarterly 1307(f) filing instead of actual data.

On March 1, 2016, PGW filed its definitive 1307(f) filing. Relative to the current rate of \$3.4946/Mcf, the Company's definitive filing anticipates an increase of \$0.2913/Mcf, to a rate of \$3.7859/Mcf to be effective September 1, 2016.

On March 7, 2016, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 11, 2016, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Petition to Intervene. On February 12, 2016, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On February 29, 2016, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance.

The OCA has filed two sets of discovery to date and anticipates additional discovery will be required. As soon as the OCA has completed its review of the Company's filing and interrogatory responses, it is expected that informal discovery meetings may be scheduled. At those meetings, the OCA will be able to narrow the scope of additional information requests. After the discovery process has completed, the OCA will file its 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 specific recommendations.

II. Issues and Sub-issues

Based upon a preliminary analysis of PGW's filing, the OCA has compiled a list of issues and sub-issues that it anticipates will be included in its investigation of the Company's proposed rate changes. It is anticipated that the OCA will identify additional issues upon further review of PGW's filing, and that other issues may arise and may be pursued after the answers to all of the OCA's interrogatories have been received and analyzed.

The following sets forth a more specific identification of the issues that the OCA will investigate and may raise, in addition to those discussed above:

(1) Reasonableness and prudence of historic purchased gas costs, and assessment of compliance with Commission Orders in prior 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, the use of Liquefied Natural Gas (LNG), and price volatility risk management programs and policies;

(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 any other subsidies or unreasonable discrimination between customer classes;

(6) 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 and PGW;

(7) Assessment of the value of the purchased gas cost incentive mechanisms as components of a least cost fuel procurement policy. These may include incentive mechanisms for off-system sales and capacity release;

(8) Reasonableness of sales volumes projections;

(9) 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 overcollections, and proper computation of the E-factor and migration riders; and

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

The OCA will examine each of these issues and all changes proposed in the Company's filing to ascertain if they comply with the Public Utility Code and sound ratemaking and cost allocation principles. The OCA will recommend any appropriate changes to ensure that customers pay only reasonable purchased gas costs and to address customers' reliability needs.

III. Witnesses

The OCA intends to present the direct, rebuttal, and Surrebuttal testimony, as may be necessary, of Jerome D. Mierzwa in this proceeding. Mr. Mierzwa will present testimony in written form and will also attach various exhibits, documents, and explanatory information that will assist in the presentation of the 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 its expert witness at the following address, as well as mailing a copy to counsel for the OCA:

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Columbia, MD 21044
Telephone: 410-992-7500
E-mail: jmierzwa@exeterassociates.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA had determined if 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 Assistant Consumer Advocate Christy M. Appleby and Senior Assistant Consumer Advocate Aron J. Beatty. Two copies of the documents should be served on the OCA as follows:

Christy M. Appleby
Assistant Consumer Advocate
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, Pa. 17101-1923
Telephone: (717) 783-5048
E-mail: cappleby@paoca.org
abeatty@paoca.org

The OCA requests that any documents served electronically also be directed to OCA's consultant, Mr. Mierzwa, and to our Legal Assistant, Rebecca Nace at RNace@paoca.org.

V. Proposed Revised Procedural Rules

In order to effectively investigate and adequately develop a record on these issues, the OCA requests modifications to the Commission's procedural rules on a going-forward basis, as set forth below:

(1) Answers to written interrogatories will be served in-hand within ten (10) calendar days of service of the interrogatories except that service of interrogatories on a Friday shall be deemed service on the following business day;

(2) Objections to interrogatories will be communicated orally within three (3) days of service; unresolved objections shall be served to the ALJs in writing within five (5) business days of service of the interrogatories;

(3) Motions to dismiss objections and/or direct the answering of interrogatories will be filed within three (3) business days of service of written objections;

(4) Answers to motions to dismiss objections and/or direct the answering of interrogatories will be filed within three (3) business days of service of such motions;

(5) Responses to requests for document production, entry for inspection, or other purposes will be served in-hand within ten (10) calendar days;

(6) Requests for admission will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) business days of service;

(7) Answers to on-the-record data requests will be served in-hand within seven (7) calendar days of the request;

(8) Rulings over motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion;

(9) Any discovery or discovery related pleadings such as objections, motions, answers to motions served on a Friday or on any business day preceding a state holiday shall be deemed to have been served on the following business day for purposes of tracking responsive due dates; and

(10) That due dates be “in-hand” and that electronic or fax service on the due date will satisfy the “in-hand” requirement, where such service is immediately followed by a hard copy sent by first class mail.

VI. Public Input Hearings

The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. If the OCA becomes aware of substantial consumer interest, however, the OCA will promptly notify the Administrative Law Judge and the parties to request a public input hearing.

VII. Schedule

The OCA respectfully proposes the following schedule:

Non-Company Direct Testimony	April 12, 2016
Rebuttal Testimony	April 25, 2016
Surrebuttal Testimony	May 2, 2016
Hearings	May 4-5, 2016
Main Brief	May 12, 2016
Reply Brief	May 18, 2016

VIII. Settlement

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,

/s/ Christy M. Appleby
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DATE: March 14, 2016
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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
v. : Docket Nos. R-2016-2526700
Philadelphia Gas Works :

I hereby certify that I have this day served a true copy of the foregoing documents, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 14th day of March 2016.

SERVICE BY HAND DELIVERY and FIRST CLASS MAIL

Gina L. Lauffer, Esquire
Bureau of Investigation & Enforcement
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

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213 Market St., 8th Floor
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Philadelphia Gas Works

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Office of Small Business Advocate
Commerce Building, Suite 1102
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PICGUG

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