



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

IN REPLY PLEASE
REFER TO OUR FILE

March 27, 2017

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.
Philadelphia Gas Works – Base Rate
Docket No. R-2017-2586783

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement (I&E)
Prehearing Memorandum in this proceeding.

Copies are being served as evidenced in the attached Certificate of Service. If you
have any questions, please contact me at (717) 783-6156.

Sincerely,

Carrie B. Wright
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #208185

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #320526

CBW/ELM/snc
Enclosure

cc: ALJ Christopher P. Pell
ALJ Marta Guhl
Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. :
 : R-2017-2586783
 Philadelphia Gas Works :
 Base Rate Case :
 :

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

**TO ADMINISTRATIVE LAW JUDGES CHRISTOPHER P. PELL AND MARTA
GUHL:**

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement Prosecutors in this proceeding will be Carrie B. Wright and Erika McLain. Contact information is as follows:

By mail: Carrie B. Wright
Erika L. McLain
Pennsylvania Public Utility Commission
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Harrisburg, PA 17105-3265

By e-mail: carwright@pa.gov
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By telephone: (717) 783-6156
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I. INTRODUCTION

On February 28, 2017, Philadelphia Gas Works (“PGW” or “Company”) filed Supplement No. 100 to Tariff Gas Pa. P.U.C. No. 2 to become effective April 28, 2017. It contained proposed changes in rates, rules, and regulations calculated to produce \$70 million, or 11.6%, in additional annual revenues.

On March 16, 2017, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) entered an order suspending the implementation of Supplement No. 100 by operation of law until November 28, 2017, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Supplement No. 100. Further, the matter was assigned to the Office of Administrative Law Judge (“OALJ”) to schedule such hearings as necessary to develop a record in this proceeding.

A telephonic Prehearing Conference is scheduled for Wednesday, March 29, 2017, at 10:00 am, with Administrative Law Judges Christopher P. Pell and Marta Guhl presiding.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Evaluation of PGW's Use of 10-Year Weather Normal to Calculate Normal Degree Days to Project Proforma Revenues.

- Present Rate Revenue
 - Evaluation of Number of customers;
 - Evaluation of Usage per customer; and
 - Evaluation of City's Unaccounted-For-Gas (UFG) and its Potential Impact on Revenues;
 - Evaluation of PGW's Senior Citizen Discount Program and its Impact on Revenues;
 - Evaluation of PGW's Interruptible Gas Revenues;
 - Evaluation of PGW's Forfeited Discounts;
 - Evaluation of PGW's Miscellaneous Service Revenue;
 - Evaluation of PGW's Other Gas Revenue;
 - Evaluation of PGW's Bill Paid Turn-Ons & Dig Ups Revenues;
 - Evaluation of PGW's Revenues Related to Customer Installation Expenses;
 - Evaluation of PGW's Non-Operating Rental Income;
 - Evaluation of PGW's Interest and Dividend Income; and
 - Evaluation of PGW's Miscellaneous Non-Operating Income.

- Cost of Service Study
 - Evaluation of City's Cost of Service Methodology & Cost Allocations – Including, City's Allocation of 50% of Cost of Mains to the Demand Classification factor and the remaining 50% allocated to the Customer Classification Factor; and
 - Revenue Allocations.

- Tariff Structure
 - Evaluation of Proposed Tariffs and Changes
 - Evaluation of Proposed Rate Structure in General Including:
 - The City's Proposed Technology and Economic Development ("TED") Rider; and
 - The City's Proposed Pilot Micro-Combined Heat and Power ("Micro-CHP") Incentive Program for Small and Medium Sized Properties;
 - Evaluation of City's proposed 50% Increase to Customer Charges in General.

- Adjustments to Budgeted Revenues;
- Scale back of Rates.
- Operation and Maintenance Expense Including:
 - Gas Processing Expense
 - Field Services Expense
 - Distribution Expense
 - Collection Expense
 - Customer Service Expense
 - Account Management Expense
 - Bad Debt Expense
 - Marketing Expense
 - Administrative and General Expense
 - Health Insurance Expense
 - Environmental Remediation Expense
 - Capitalized Fringe Benefits
 - Capitalized Administrative Charges
 - Pension Expense
 - Taxes
 - OPEBs
 - Rate Case Expense
 - Salary Expense
 - Charitable Contributions
 - Lobbying Expense
 - Incentive Compensation
- Universal Services Including:
 - Micro-Combined Heat and Power (Micro-CHP) Incentive Program
 - Customer Responsibility Program (CRP)
 - LIURP
- Soft-Off Program
- Debt Service Coverage Ratio
- Debt-to-Equity Ratio

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

- Kokou Apetoh, Fixed Utility Valuation Engineer
- Rachel A. Maurer, Fixed Utility Financial Analyst
- Christopher Keller, Fixed Utility Financial Analyst
- Sunil Patel, Gas Safety Engineer
- Terri Cooper-Smith, Gas Safety Engineer

The I&E witnesses may be contacted through the information listed above for Prosecutors Wright and McLain. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above. In the event that I&E decides to call additional witnesses, I&E will notify the ALJs and the parties as soon as possible.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducting according to 52 Pa. Code §§5.321 et. seq. I&E is not requesting any modification to the rules of discovery at this time. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E will work with the parties to develop a mutually agreeable schedule in this proceeding.

VII. PUBLIC INPUT HEARINGS

To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of Smart Hearings where possible.

VII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VIII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Carrie B. Wright
Prosecutor
PA Attorney I.D. # 208185

Erika L. McLain
Prosecutor
PA Attorney I.D. # 320526

Bureau of Investigation and Enforcement
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(717) 787-1976

Dated: March 27, 2017

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2017-2586783
	:	
Philadelphia Gas Works – Base Rate	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated March 27, 2017, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First Class Mail

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