

COMMONWEALTH OF PENNSYLVANIA



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March 21, 2019

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

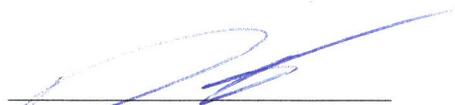
Re: Pa. Public Utility Commission
v.
Philadelphia Gas Works 1307(f)
Docket No. R-2019-3007636

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer to the Bureau of Investigation and Enforcement's Expedited Motion to Strike Certain Portions of Philadelphia Gas Works' Gas Cost Rate Filing in the above referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully Submitted,


Harrison W. Breitman
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Enclosures:

cc: Honorable Marta Guhl, ALJ
Certificate of Service

*268585

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2019-3007636
Philadelphia Gas Works 1307(f) :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer to the Bureau of Investigation and Enforcement's Expedited Motion to Strike Certain Portions of Philadelphia Gas Works' Gas Cost Rate Filing, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21st day of March 2019.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

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Dated: March 21, 2019
*268587

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2019-3007636
	:	
Philadelphia Gas Works 1307(f)	:	

**ANSWER OF THE OFFICE OF CONSUMER ADVOCATE
TO THE BUREAU OF INVESTIGATION AND ENFORCEMENT'S
EXPEDITED MOTION TO STRIKE CERTAIN PORTIONS
OF PHILADELPHIA GAS WORKS' GAS COST RATE FILING**

Pursuant to 52 Pa. Code Section 5.103, the Office of Consumer Advocate (OCA) hereby files this Answer to the Bureau of Investigation and Enforcement's (I&E) Expedited Motion to Strike Certain Portions of Philadelphia Gas Works' (PGW) Gas Cost Rate Filing (Motion) in the above-captioned proceeding that was filed on March 18, 2019. In its Petition, I&E asks Administrative Law Judge (ALJ) Guhl to strike portions of PGW's gas cost rate filing referencing PGW's proposal for establishing Rate LNG-N. As discussed below, the OCA supports I&E's Motion because it comports with statutory requirements of the Public Utility Code and Public Utility Commission (PUC or Commission) precedent.

I. INTRODUCTION AND PROCEDURAL HISTORY

On February 1, 2019, PGW filed its pre-filing information required for its annual Purchase Gas Cost (PGC) rate filing pursuant to Sections 1307(f), 1317, 1318 and 2212 of the Public Utility Code (Code), and Section 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 February 11, 2019, the Office of Consumer Advocate filed a Formal Complaint, Public Statement, and a

Notice of Appearance. I&E, the Office of Small Business Advocate (OSBA), and PICGUG are also parties to this proceeding. On March 1, 2018, PGW filed its definitive 1307(f) filing. A telephonic Prehearing Conference is currently scheduled for March 27, 2019, with ALJ Guhl presiding.

On March 18, 2019, I&E filed an Expedited Motion to Strike Certain Portions of PGW's Annual Purchased Gas Cost Rate (GCR) filing, requesting that the portions of the GCR filing referencing PGW's proposal for establishing Rate LNG-N be stricken. Motion at 1. I&E provides three bases for its motion: (1) that PGW's proposal for Rate LNG-N is beyond the scope of this proceeding and is irrelevant; (2) that permitting PGW's rate LNG-N proposal to be considered for approval in this proceeding unfairly prejudices its ratepayers, and; (3) inclusion of Rate LNG-N confuses the issue in the instant GCR proceeding. Motion at 1-2; 7-8; 8-15. In support of its Answer, the OCA submits as follows:

II. ANSWER

The OCA agrees with I&E that PGW's proposal to introduce a new rate, Rate LNG-N, to expand the services PGW is permitted to offer beyond costs related to selling natural gas to its ratepayers is outside of the scope of a Section 1307(f) proceeding and is therefore irrelevant to this case. *See*, Motion at 8-10. PGW filed this case pursuant to Section 1307(f) of the Code. Section 1307(f), entitled "Recovery of natural gas costs", permits natural gas distribution companies with gross intrastate annual operating revenues in excess of \$40,000,000 to file tariffs reflecting actual and projected increases or decreases in their natural gas costs with an effective date of six months from the date of filing. 66 Pa. C.S. § 1307(f). Rate LNG-N would replace an existing tariff rate schedule beyond the Section 1307(f) tariff and would permit PGW to charge rates so that third parties can utilize PGW's facilities to transport, liquefy, inject, store,

vaporize, withdraw, and deliver their own natural gas for sale.¹ The OCA agrees with I&E that these types of services are beyond the scope of a Section 1307(f) proceeding and are irrelevant to the instant proceeding. Additionally, the OCA agrees with I&E that Rate LNG-N is not a commodity-based rate as PGW has failed to explain how Rate LNG-N relates to, or is justified by, changes in gas costs. Motion at 9-10. Accordingly, the OCA agrees that since Rate LNG-N is not within the scope of this proceeding, any reference to Rate LNG-N should be stricken from consideration in this proceeding.

The OCA agrees with I&E that PGW's attempt to seek approval of Rate LNG-N in this 1307(f) proceeding unfairly prejudices PGW's ratepayers since it would deprive ratepayers of the benefit of a full investigation of the rate proposal as is necessary to determine whether the rate is just and reasonable. *See*, Motion at 10-13. The Code requires that every rate made, demanded, or received by any public utility shall be just and reasonable and in conformity with regulations or orders of the Commission. 66 Pa. C.S. § 1301. As noted by I&E, PGW's proposed Rate LNG-N would replace its existing Rate LNG, which was approved in PGW's 2009 base rate case and not through a separate GCR 1307(f) proceeding. Motion at 11. Further, the OCA submits that affected ratepayers may not have notice of the proposed change if it is addressed in this proceeding rather than in a base rate case, and thus those ratepayers would not have the same opportunity to participate in the process of determining whether the rate is just and reasonable. Additionally, the OCA agrees with I&E that PGW has provided no information regarding the cost impact of its provision of the additional services. Motion at 11. The OCA submits that it is currently unknown whether PGW would expend resources and devote its property beyond what is contemplated in Rate LNG in order to implement Rate LNG-N.

¹ PGW St. No. 2 at pages 13-14; Exh. RMS-2.

The OCA shares I&E's concerns regarding the subsidization of Rate LNG-N by ratepayers in order to implement the new rate. Motion at 11-12. Furthermore, the OCA agrees with I&E that a greater level of review is appropriate since Rate LNG-N would only be available to customers that have negotiated an agreement with PGW regarding LNG sales and services. Motion at 12. The OCA submits that PGW's testimony that the agreements under Rate LNG-N "must be advantageous to PGW, as determined by PGW in its sole discretion"² may circumvent Commission review. The OCA agrees with I&E that a 1307(f) proceeding is an inappropriate proceeding to introduce a new negotiable rate for a sub-set of ratepayers.

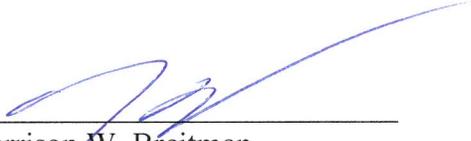
Lastly, the OCA agrees with I&E that inclusion of Rate LNG-N in this proceeding confuses the issue of whether PGW's gas cost rates are just and reasonable. *See*, Motion at 13-15. As noted by I&E, the purpose of this 1307(f) proceeding is to recover natural gas costs, not to approve PGW's proposal to implement a new rate that is intended to expand the services that PGW is permitted to provide. Motion at 15. Accordingly, including PGW's LNG-N testimony confuses the issue of whether PGW's purchased gas costs are reasonable. As such, the OCA agrees with I&E that portions of PGW's testimony be stricken.

² PGW St. No. 2 at page 14.

III. CONCLUSION

The Office of Consumer Advocate supports the Expedited Motion to Strike Certain Portions of Philadelphia Gas Works' Gas Cost Rate Filing filed by the Bureau of Investigation and Enforcement and respectfully submit that Administrative Law Judge Guhl should grant the motion.

Respectfully submitted,



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