

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

March 25, 2019

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

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

Dear Secretary Chiavetta:

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

Copies have been served per the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'H. Breitman', written over a horizontal line.

Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Enclosures:

cc: Honorable Marta Guhl, ALJ
Certificate of Service

*268639

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 Pre-Hearing Memorandum, 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 25th day of March 2019.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Gina L. Miller, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

Sharon E. Webb, Esquire
Office of Small Business Advocate
300 North Second Street
Commerce Building, Suite 202
Harrisburg, PA 17101-1303

Brandon J. Pierce, Esquire
Philadelphia Gas Works
800 West Montgomery Ave.
Philadelphia, PA 19122

Charis Mincavage, Esquire
Adelou A. Bakare, Esquire
Alessandra L. Hylander, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166


Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: LBurge@paoca.org

Counsel for:
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: March 25, 2019
*268636

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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 5, 2019, the Office of Consumer Advocate (OCA) provides the following information:

I. Introduction

On February 1, 2019, Philadelphia Gas Works (PGW or 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 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 March 1, 2019, PGW filed its definitive 1307(f) filing. Relative to the current rate of \$4.8779/Mcf, the Company's definitive filing anticipates an increase of \$0.1108/Mcf, to a rate of \$4.9887/Mcf, to be effective September 1, 2019.

On February 11, 2019, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 5, 2019, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On February 11, 2019, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance. On February 19, 2019,

the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed its Petition to Intervene.

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 may 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 OCA has served three sets of discovery to date and anticipates additional discovery may be required. Moreover, the OCA has served an Answer to I&E's Expedited Motion to Strike Certain Portions of PGW's Gas Cost Rate Filing. 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 been 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.

The following sets forth a more specific identification of the issues that the OCA will investigate and may arise:

- (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 mechanism 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 the computation of quarterly adjustments to purchased gas costs, treatment of supplier refunds, provision of carrying costs associated with gas in storage, interest on gas over-collections, and proper computation of the E-Factor; and

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

(11) Reasonableness of the Company's proposed Rate LNG-N;

(12) Reasonableness of PGW's proposed Purchase of Receivables Program adjustments; and

(13) Reasonableness of PGW's proposed adjustments to the Company's universal service bill credits.

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. 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
Suite 300
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 has 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 Lauren M. Burge, and Assistant Consumer Advocate Harrison W. Breitman. Two copies of the documents should be served on the OCA as follows:

Harrison W. Breitman
Lauren M. Burge
Assistant Consumer Advocates
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, Pa. 17101-1923
Telephone: (717) 783-5048
E-mail: LBurge@paoca.org
HBreitman@paoca.org

The OCA requests that any documents served electronically also be directed to OCA's consultant, Mr. Mierzwa.

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) Responses 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 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.

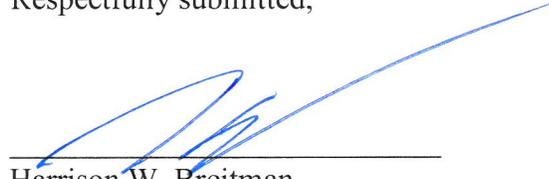
VII. Procedural Schedule

The OCA will work with the parties and ALJ Guhl to develop a mutually agreeable schedule for this proceeding.

VIII. Settlement

At present, settlement discussions have not been scheduled. The OCA will fully participate in any proposed settlement discussions throughout the course of the proceeding.

Respectfully submitted,



Harrison W. Breitman
Assistant Consumer Advocate
PA Attorney I.D. # 320580
E-Mail: HBreitman@paoca.org

Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: LBurge@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: March 25, 2019

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