



**PHILADELPHIA GAS WORKS**

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June 4, 2019

**Via E-Filing**

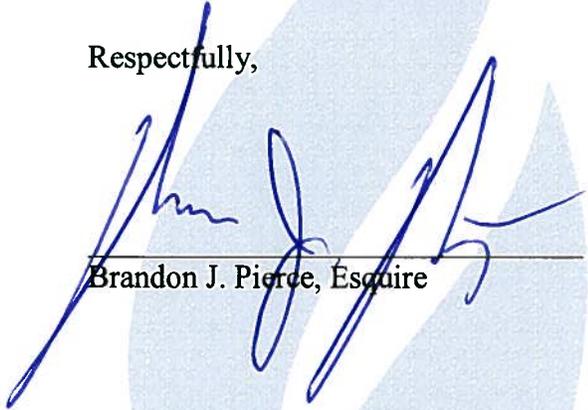
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2<sup>nd</sup> Floor, 1 North  
400 North Street  
Harrisburg, PA 17120

**Re: Philadelphia Gas Works Rate LNG-N  
Docket No. R-2019-3009016**

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works ("PGW"), enclosed for filing is PGW's Prehearing Memorandum in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service. Please contact me if you have questions.

Respectfully,



Brandon J. Pierce, Esquire

Enclosure

cc: Certificate of Service w/ enc.  
Hon. Marta Guhl w/ enc.

**CERTIFICATE OF SERVICE**

I hereby certify that this day I served a copy of PGW's Prehearing Memorandum, upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

**VIA FIRST CLASS MAIL and EMAIL**

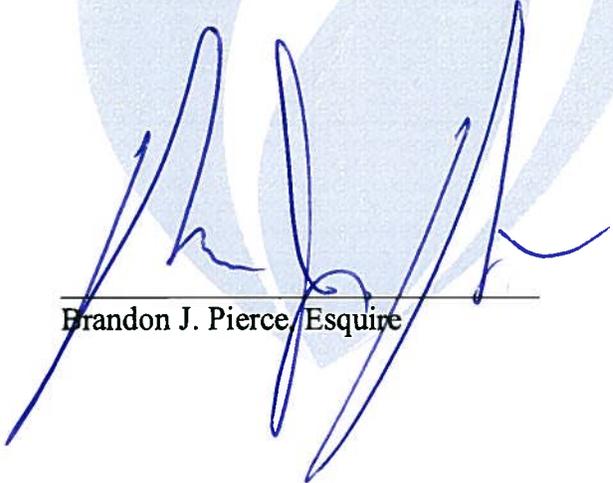
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Dated: June 4, 2019



Brandon J. Pierce, Esquire

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:		
	:	Docket No.	R-2019-3009016
v.	:		C-2019-3009266
	:		C-2019-3009471
Philadelphia Gas Works	:		

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**PREHEARING MEMORANDUM  
OF PHILADELPHIA GAS WORKS**

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Pursuant to 52 Pa Code § 5.223, and in anticipation of the Initial Prehearing Call In Telephonic Conference scheduled before Administrative Law Marta Guhl on Wednesday, June 5, 2019, Philadelphia Gas Works (“PGW” or “Respondent”) submits this Prehearing Memorandum.

**I. BACKGROUND**

1. On April 8, 2019, PGW filed Supplement No. 120 to PGW’s Gas Service Tariff No. 2 and the materials supporting said Supplement (collectively, “Supplement No. 120”).

2. Supplement No. 120, to become effective June 4, 2019, requests approval of its Negotiable Liquefied Natural Gas (“LGN-N”) Tariff filing. The proposed Rate LNG-N would replace the existing tariff (“Rate LNG”) and would expand the types of liquefied natural gas (“LNG”) sales that PGW could offer to customers (who executed contracts with PGW).

3. The proposed Rate LNG-N is broader than the existing Rate LNG. The existing Rate LNG solely provides a tariff rate for interruptible sales of LNG (including commodity) and requires that the LNG be withdrawn from PGW’s LNG facilities by truck. In comparison, Rate LNG-N would provide PGW with a tariff for firm and/or interruptible sales, firm and/or interruptible services only (i.e., without PGW supply), other LNG services on a bundled or standalone basis (e.g., exchange services, tank storage, and vaporization exchange), and would

also permit various forms of delivery to the customer, either by picking up the LNG by transport vehicle, pipeline, or by exchange service.

4. On April 8, 2019, the Commission's Bureau of Investigation and Enforcement ("BIE" or "I&E") filed a Notice of Appearance. On April 17, 2019, I&E filed a Formal Complaint (C-2019-3009266).

5. On April 25, 2019, the Office of Small Business Advocate ("OSBA") filed a Notice of Appearance. On April 25, 2019, OSBA filed a Formal Complaint (C-2109-3009471).

6. Per letter filed on May 8, 2019,<sup>1</sup> PGW stated its intention not to file answers consistent with 52 Pa. Code § 5.61(d).

7. By the "Suspension Order" entered May 9, 2019, Supplement No. 120 was suspended by operation of law until December 4, 2019, unless otherwise directed by Order of the Commission.

8. On May 9, 2019, the Office of Consumer Advocate ("OCA") filed a Notice of Intervention.

9. On May 16, 2019, the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG") filed a Petition to Intervene.

10. This proceeding was assigned to Administrative Law Judge ("ALJ") Marta Guhl. On May 24, 2019, ALJ Guhl issued a Prehearing Order setting a telephonic prehearing conference to be held on Wednesday, June 5, 2019, at 10:00 a.m.

## **II. DISCOVERY**

PGW proposes the following discovery modifications:

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<sup>1</sup> <http://www.puc.state.pa.us/pcdocs/1618518.pdf>.

- 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;
- Objections to interrogatories will be communicated orally within three (3) business days of service; unresolved objections shall be served to the ALJ in writing within five (5) business days of service of the interrogatories;
- Motions to dismiss objections and/or direct the answering of interrogatories will be filed within three (3) business days of service of written objections;
- 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;
- Responses to requests for document production, entry for inspection, or other purposes will be served in-hand within ten (10) calendar days;
- Requests for admission will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) business days of service;
- Answers to on-the-record data requests will be served in-hand within seven (7) calendar days of the request;
- Rulings regarding motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion;
- 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
- 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.

### **III. FACTUAL AND LEGAL ISSUES**

PGW has been exploring options to more fully utilize PGW's LNG facilities, at the urging of various stakeholders and regulators. Importantly, the Staff of the Public Utility Commission issued a Report<sup>2</sup> stating that it would be worthwhile to explore the potential benefits of strategic partnership opportunities, such as public-private partnerships.

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<sup>2</sup> *Staff Report: Inquiry into Philadelphia Gas Works' Pipeline Replacement Program*, dated April 21, 2015 ("PUC Staff Report"), which is available at: [http://www.puc.pa.gov/NaturalGas/pdf/PGW\\_Staff\\_Report\\_042115.pdf](http://www.puc.pa.gov/NaturalGas/pdf/PGW_Staff_Report_042115.pdf).

For the benefit of its customers, PGW desires to better optimize its existing LNG storage and vaporization facilities by increasing liquefaction capacity through no-cost or de minimis expansion projects with public-private partners (“P3s”). This optimization will permit additional LNG sales and service transactions that will produce millions of dollars of incremental revenue that will be used to offset PGW’s cost of providing gas service while enhancing its reliability, that is, its ability to serve its customers in peak and emergency situations.

The expanded LNG sales and services will not have any negative effects on PGW’s ability to meet its existing firm customers’ design day needs. In fact, one of the contemplated transactions<sup>3</sup> would actually add to PGW’s liquefaction abilities (at no cost to ratepayers), which means that PGW will have an enhanced ability to respond to supply emergencies and the facilities would be available to assist other regional utilities in times of supply shortage, if capacity was available for such purpose. But, to be able to achieve these substantial benefits on behalf of PGW’s customers,<sup>4</sup> PGW desires to have a tariff approved by the Commission that is broad and flexible enough to permit these market driven transactions to go forward.<sup>5</sup>

Supplement No. 120 provides the required information to show that Rate LNG-N is just, reasonable, and non-discriminatory. PGW respectfully submits that when the purpose and scope of the proposed rate LNG-N is considered, it is clear that it would be unreasonable and contrary to the public interest to deny the proposed rate. PGW relies on the interstate pipeline for all natural gas supply, storage and transportation services, except for PGW's own on-system peak

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<sup>3</sup> PGW is seeking approval from Philadelphia City Council for a Public Private Partnership (P3) project with Passyunk Energy Center, LLC (“PEC”). The project, if approved, will facilitate the marketing and sale of LNG, with the potential to generate millions of dollars in PGW revenue each year, through fees and revenue-sharing.

<sup>4</sup> The P3 project offers the potential of generating between \$1.3 million and \$4 million in additional revenue for PGW, each year for 25 years. Likewise, the ability to offer increased LNG services at PGW’s Richmond LNG facilities will also create the opportunity for additional PGW revenues.

<sup>5</sup> The market is looking for, and demanding, services beyond the delivery of LNG by truck, and PGW is positioned to provide these services, if Rate LNG-N is approved.

shaving facilities. In this regard, PGW owns and operates LNG facilities that are used both to meet intraday, daily and seasonal supply needs as well as to meet peak day requirements.

PGW's expanded LNG facilities will further reinforce its system reliability and add additional redundancy.

**IV. SERVICE OF DOCUMENTS**

PGW requests that all documents be served on:

Brandon J. Pierce, Esquire  
Senior Attorney, Legal Department  
Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

and

Dan Clearfield, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101

PGW also agrees to receive service of documents electronically in this proceeding. To the extent that materials are available electronically, it is requested that copies be served upon:

Brandon Pierce – [Brandon.Pierce@pgworks.com](mailto:Brandon.Pierce@pgworks.com)

Dan Clearfield – [dclearfield@eckertseamans.com](mailto:dclearfield@eckertseamans.com)

**V. PROCEDURAL SCHEDULE**

PGW, in agreement with the other parties, proposes the following schedule:

Proposed Dates		Event
June 26, 2019	Wednesday	Written Direct Testimony by other Parties
July 10, 2019	Wednesday	Written Rebuttal Testimony (all Parties)
July 18, 2019	Thursday	Written Surrebutal Testimony (all Parties)

July 24, 2019	Wednesday	Evidentiary Hearing With Oral Rejoinder by PGW
July 24, 2019	Wednesday	Close of Record
August 6, 2019	Tuesday	Main Briefs
August 15, 2019	Thursday	Reply Briefs

**VI. WITNESSES**

PGW expects to submit the testimony of the following witnesses:

- Raymond M. Snyder, Senior Vice President of Gas Management for PGW

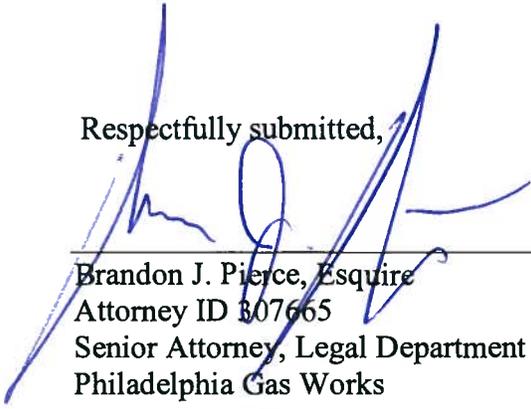
PGW reserves its right to modify this witness list prior to the submission of testimony.

**VII. SETTLEMENT**

PGW is willing to participate in settlement discussions.

[Signature appears on next page]

Respectfully submitted,



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Dated: June 4, 2019

Attorneys for Philadelphia Gas Works