



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

November 5, 2020

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission, v.
PECO Energy Company – Gas Division
Docket No.: R-2020-3018929
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** for the above-captioned proceeding.

Copies are being served on parties of record per the attached Certificate of Service. *Due to the temporary closing of the PUC's offices, I&E is only providing electronic Service.* Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Scott B. Granger". The signature is written in a cursive style with a large, prominent "S" and "G".

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 63641
(717) 425-7593
sgranger@pa.gov

SBG/jfm
Enclosures

cc: Hon. Christopher P. Pell, OALJ-Philadelphia (*via email only*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3018929
	:	
PECO Energy Company – Gas Division	:	
Base Rates	:	

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO: ADMINISTRATIVE LAW JUDGE CHRISTOPHER PELL:

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 consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
 Pennsylvania Public Utility Commission
 P.O. Box 3265
 Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov

By telephone: (717) 425-7593

By fax: (717) 772-2677

I. INTRODUCTION

On September 30, 2020, PECO Energy Company (“PECO” or the “Company”) filed its proposed Tariff Gas - Pa. P.U.C. No. 4 to supersede Tariff Gas – Pa. P.U.C. No. 3 and all Supplements thereto with a proposed effective date of November 29, 2020. The rates as proposed in Tariff Gas – Pa. P.U.C. No. 4, if approved by the Pennsylvania Public Utility Commission, would increase its annual gas distribution rates by approximately \$68.7 million, or 8.9% on the basis of total Pennsylvania jurisdictional gas operating revenue. PECO stated that in accordance with Section 1308 of the Public Utility Code, the tariff setting forth the Company’s proposed rates bears an effective date of November 29, 2020. However, PECO noted that the Company anticipates that its requested increase will be suspended and investigated by the Commission and, therefore, the Company does not expect that new Commission-approved rates will become effective until approximately July 1, 2021.

PECO stated that it last filed for an increase in gas base rates in March 2010, and that since those rates were established in that case, PECO has continued to make investments in new and replacement gas utility plant to ensure that customers will continue to receive safe and reliable service. PECO projected that it will need to invest approximately \$1.2 billion in new and replacement gas utility plant between July 1, 2020 and June 30, 2024.

I&E filed its Notice of Appearance regarding this proceeding on October 6, 2020.

The Office of Consumer Advocate (“OCA”) filed a Formal Complaint and Notice of Appearance in this proceeding on October 14, 2020.

The Office of Small Business Advocate (“OSBA”) filed its Notice of Appearance and Public Statement also on October 15, 2020.

On October 19, 2020, the Commission entered an Order suspending the implementation of proposed PECO Tariff Gas – Pa. P.U.C. No 4 (“Tariff Gas No. 4”) by operation of law until June 29, 2021, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained in proposed Tariff Gas No. 4.

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene in this proceeding on October 22, 2020.

Due to the COVID-19 pandemic restrictions, a telephonic Prehearing Conference is scheduled for November 9, 2020, at 10:00 am before Administrative Law Judge Christopher Pell presiding in Philadelphia.

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:

- Overall Rate of Return
- Cost of Debt
- Cost of Equity
- Management Performance
- Capital Structure
- Neighborhood Gas Pilot Rider

- Income Taxes
- ADIT
- Tax Cut and Jobs Act
- Cash Working Capital
- Rate Case Expense
- Salaries and Wages
- Employee Benefits
- Allocated Costs
- Storage Maintenance Expense
- Distribution Operation Expense
- Customer Account Expense
- Demonstration and Selling Expenses
- Admin and General Expense
- Rate Base
- Plant Additions
- Depreciation
- Materials and Supplies
- Gas in Storage
- FPFTY Reporting Requirements
- Revenue Allocation
- Present Rate Revenue
- Proposed Revenue
- Rate Structure/Design
- Cost of Service
- Scale Back of Rates
- Customer Charges
- Gradualism
- Rate Shock
- Line hits
- One Call
- Risk reduction
- Classes of leaks, leak statistics and leaks per mile
- Pipeline replacement costs including restoration costs

III. WITNESSES

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

D.C. Patel, Fixed Utility Financial Analyst
Chris Keller, Fixed Utility Financial Analyst
Ethan Cline, Fixed Utility Valuation Engineer
Esysan Sakaya, Fixed Utility Valuation Engineer
Elena Bozhko, Pipeline Safety Engineer
Joseph Kubas, Fixed Utility Valuation Engineer Supervisor
Christine Wilson, Fixed Utility Financial Supervisor

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. 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.

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, supplemental testimony, 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 conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, the parties have not yet agreed on a schedule. I&E tentatively proposes the following:

Filing w/ Company Direct	September 30, 2020
Other Parties Direct	December 22, 2020
Rebuttal Testimony	January 18, 2021
Surrebuttal Testimony	February 5, 2021
Oral Rejoinder Outlines	February 9, 2021
Hearings (including Oral Rejoinder)	February 10-12, 2021
Main Brief	March 03, 2021
Reply Brief	March 15, 2021 by 12:00 Noon

VII. PUBLIC INPUT HEARINGS

I&E does not oppose public input hearings. I&E, however, is not aware of any requests at this time with respect to public input hearings. Should public input hearings be deemed necessary, I&E recommends the Commission consider the use of “smart hearings” to encourage increased participation by the ratepayers.

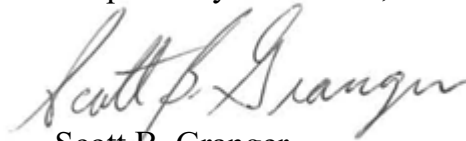
VIII. SERVICE OF DOCUMENTS

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.

IX. SETTLEMENT

I&E will maintain an open dialogue and 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,



Scott B. Granger

Prosecutor

PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: November 5, 2020

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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Base Rates	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **I&E Prehearing Memorandum** dated November 5, 2020, in the manner and upon the persons listed below.

Served via Electronic Mail Only

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