

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 26, 2022

Rosemary Chiavetta, Secretary
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-2022-3031113

Dear Secretary Chiavetta:

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

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Laura J. Antinucci
Laura J. Antinucci
Assistant Consumer Advocate
PA Attorney I.D. # 327217
E-Mail: LAntinucci@paoca.org

Enclosures:

cc: The Honorable F. Joseph Brady (**email only**)
Certificate of Service

*327609

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2022-3031113
 :
 PECO Energy Company – Gas Division :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate’s Prehearing 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 26th day of April 2022.

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Dated: April 26, 2022
*326480

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Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2022-3031113
	:	
PECO Energy Company – Gas Division	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued by Administrative Law Judge F. Joseph Brady (ALJ Brady) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On March 31, 2022, PECO Energy Company – Gas Division (PECO Gas or the Company) filed Tariff Gas – PA. P.U.C. No. 5 (Tariff No. 5). Through Tariff No. 5, the Company proposes to increase rates to produce additional annual operating revenues of \$82.1 million, or an increase of 9.1 percent on a total revenue basis. More specifically, the Company is proposing to allocate \$63.9 million, or approximately 78% of the proposed \$82.1 million increase, to the residential customer class. The Company produces this result, in part, by increasing the residential monthly customer charge by \$4.87, from \$13.63 to \$18.50, or by 36%.

The Company is engaged in the business of furnishing natural gas to approximately 543,000 residential, commercial, and industrial customers in several counties throughout southeastern Pennsylvania.

On April 4, 2022, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance, and a Notice of Appearance was also filed on behalf of the Bureau of Investigation and Enforcement (I&E). On April 8, 2022, a Formal Complaint, Public Statement, and Notice of Appearance was filed on behalf of the Office of Small Business Advocate (OSBA). On April 13, 2022, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer to the Company's proposed rate increase. On April 25, 2022, the Philadelphia Area Industrial Energy Users Group (PAIEUG) filed a Complaint in this proceeding. Additionally, one PECO Gas customer has filed a Complaint in this matter.

On April 14, 2022, the Commission issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, and suspended the effective date of Tariff No. 5 until December 30, 2022, by operation of law. The case was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to ALJ F. Joseph Brady (ALJ or ALJ Brady). A Prehearing Conference is scheduled for Wednesday, April 27, 2022.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of the Company's filing, the OCA has compiled a list of issues that it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA's data requests have been received and analyzed.

The following sets forth the issues that the OCA anticipates it may raise at this time:

A. Rate of Return

The OCA will examine the rate of return requested by the Company, including the following areas:

- Whether the capital structure claimed by the Company is representative of the period in which rates will be in effect, is comparable to other similarly situated gas utilities, and is otherwise appropriate for ratemaking purposes;
- Whether the cost of debt used by the Company is appropriate;
- Whether the cost of common equity claimed by the Company, as well as the Company's methodologies and supporting data used to develop its final cost of common equity claim, are appropriate; and
- Whether the Company's request for an increase to the return on equity for management performance is supported and will result in just and reasonable rates.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of value, including the following areas:

- The Company's plant in service claims and forecasted plant additions, in order to determine whether the plant claimed is used and useful in providing utility service;
- The appropriateness of the inclusion of the Pension Asset in rate base; and
- The Company's stored gas inventory.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year and fully forecasted test year sales and revenues, including forecasted reductions to customer usage;
- Accounting for excess take revenues;
- The Company's payroll expense;
- The Company's environmental remediation cost recovery;
- The Company's rate case expense;
- The Company's pension, post-retirement benefits, and employee benefits;
- Energy efficiency and grant programs;
- Regulatory initiative cost recovery;
- Cost to achieve recovery; and
- Tax issues, including repairs deductions to the Company's income taxes.

D. Depreciation

The OCA will examine the Company's depreciation claim.

E. Rate Structure, Cost of Service, and Rate Design

The OCA will examine the rate structure, cost of service, and rate design issues in the Company's filing, including the following:

- The cost of service study, including the methodology used and the reasonableness of the allocations;
- The Company's proposed customer charge;
- The rate design proposed by the Company and whether it is reasonable and appropriate;
- The Company's proposed allocation of the revenue increase among customer classes;
- The reasonableness and appropriateness of the Company's line extension changes; and

- The Company's calculation of its Gas Procurement Charge and Merchant Function Charge.

F. Universal Service Programs

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- The effect of the proposed customer charge on low-income customers;
- The quality of customer service provided by the Company;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level; and
- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case.

A. Rate Base, Revenues, Expenses, and General Accounting

Dante Mugrace
PCMG and Associates, LLC.
22 Brookes Ave
Gaithersburg, Maryland 20877
E-Mail: OCAPECOGAS2022@paoca.org

B. Rate Structure/Cost Allocation

Karl Pavlovic
PCMG and Associates, LLC.
22 Brookes Ave
Gaithersburg, Maryland 20877
E-Mail: OCAPECOGAS2022@paoca.org

C. Rate of Return

David Garrett
Resolve Utility Consulting
101 Park Avenue
Suite 1125
Oklahoma City, OK 73102
E-Mail: OCAPECOGAS2022@paoca.org

D. Universal Service and Impacts on Low-Income Customers

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
E-Mail: OCAPECOGAS2022@paoca.org

The OCA specifically reserves the right to call additional witnesses as may be necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the OCA will promptly notify ALJ Brady and all parties of record.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence and Assistant Consumer Advocates Laura J. Antinucci, Mackenzie C. Battle, and Barrett C. Sheridan. Ms. Antinucci will be speaking as the lead attorney for the purposes of the prehearing conference.

The OCA has created a group email address provided below. This is the only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team, including the witnesses listed above. The OCA does not require hard copies to satisfy

service in this proceeding. The OCA may request hard copy service if circumstances change.

Accordingly, e-service of all documents should be served on the OCA as follows:

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V. DISCOVERY

Because the time-period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications to the Commission's procedural rules regarding discovery that will apply to all discovery requests issued in the proceeding, including those served prior to the entry of the procedural order governing this proceeding.

A. Answers to interrogatories and responses to requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days of service of the interrogatories or requests for production.

B. Objections to interrogatories and/or requests for production shall be communicated orally within three (3) calendar days of service; unresolved objections shall be served in writing within five (5) calendar days of service of the interrogatories and/or requests for production.

C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of written objections.

D. Answers to motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of such motions.

E. Requests for admission be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

F. Discovery requests and discovery related pleadings (such as objections, motions, and answers to same) served after 4:30 p.m. Monday through Thursday or after 12:00 p.m. on a Friday or the day preceding a holiday shall be deemed to have been served on the next business day.

G. On the Record Data requests will be provided within five (5) calendar days.

VI. PUBLIC INPUT HEARINGS

Given the magnitude of the requested rate increase, the OCA requests that public input hearings be held for PECO Gas' consumers in this matter. The OCA requests that the Commission arrange for two telephonic public input hearings for consumers to participate in. The OCA proposes that one of the telephonic public input hearings be held at 1:00 PM and the other at 6:00 PM on Wednesday, June 1, 2022. At a minimum, the OCA requests that PECO Gas place advertisements within its service territory and publications in local newspapers and on PECO Gas' website to make its consumers aware of these hearings.

VII. PROPOSED SCHEDULE

The OCA has developed, and proposes, the below schedule for the submission of testimony, public input hearings, the conduct of evidentiary hearings, and briefing. The proposed schedule preserves the reply briefing date in the Prehearing Conference Order. The OCA has communicated the proposed schedule to the parties and believes there are no outstanding objections to the proposal.

Prehearing Conference	April 27, 2022
Public Input Hearing	Wed. June 1, 2022
Direct	Wed. June 22, 2022
Rebuttal	Thurs. July 21, 2022
Surrebuttal	Thurs. Aug 4, 2022
Rejoinder Outline	Tues. Aug. 9, 2022
Hearings/Rejoinder	Thurs.-Fri. Aug. 11-12, 2022
Close of Record	Friday, Aug. 12, 2022
Main Briefs Due	Wednesday, Sept. 7, 2022
Reply Briefs Due	Monday, Sept. 19, 2022 (by 12:00 p.m.)
Public Meeting	Thursday, Dec. 22, 2022
End of Suspension	Friday, Dec. 30, 2022

VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions at the appropriate time in this proceeding.

Respectfully submitted,

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DATED: April 26, 2022
327334

Counsel for:
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Acting Consumer Advocate