

September 27, 2022

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**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
Pa. Public Utility Commission  
400 North Street  
Harrisburg, PA 17120

RE: Supplement No. 152 to the Gas Service Tariff – Pa. P.U.C. of Philadelphia Gas Works,  
Docket No. R-2022-3034229

Petition of Philadelphia Gas Works for Approval on Less than Statutory Notice of Tariff  
Supplement Revising Weather Normalization Adjustment  
Docket No. P-2022-3034264

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Prehearing Memorandum of Philadelphia Gas Works (“PGW”) in the above-referenced matters.

Copies are being served in accordance with the Certificate of Service.

Sincerely,

*/s/ Karen O. Moury*

Karen O. Moury

Enclosure

cc: Certificate of Service (with Enclosures)

**CERTIFICATE OF SERVICE**

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

**Via Email only**

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Dated: September 27, 2022

*Karen O. Moury*

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Karen O. Moury, Esq.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2022-3034229
	:	P-2022-3034264
Philadelphia Gas Works	:	

**PREHEARING CONFERENCE MEMORANDUM OF PHILADELPHIA GAS WORKS**

Pursuant to the regulations of the Pennsylvania Public Utility Commission (“Commission”) at 52 Pa. Code §§ 5.221-5.224 and the Prehearing Conference Order issued by Administrative Law Judge (“ALJ”) Marta Guhl on September 19, 2022, Philadelphia Gas Works (“PGW”) submits this Prehearing Conference Memorandum.

**I. BACKGROUND ON WEATHER NORMALIZATION ADJUSTMENT**

PGW provides public utility services as a city natural gas distribution operation in the City of Philadelphia, consistent with Section 2212 of the Public Utility Code. 66 Pa.C.S. § 2212. PGW came under the Commission’s jurisdiction on July 1, 2000.

PGW’s Weather Normalization Adjustment (“WNA”) was originally authorized by the Commission in 2002. *Pa. Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-00017034 (Order entered on August 8, 2002, Ordering Paragraph 5). The WNA is an automatic adjustment that adjusts billings to customers based upon the degree to which actual weather in PGW’s service territory varies from “normal” weather levels. Unlike other natural gas distribution companies, PGW is not an investor-owned utility. As PGW has no shareholders to assume financial risk, PGW’s rates are set by the Commission using the cash flow method. As a result, the WNA is critical to PGW’s financial health and stability in the event of unusual weather levels. In PGW’s 2017 base rate case, the “normal” weather changed from a 30-year to

a 20-year period, which was agreed upon by the settling parties, including PGW, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, the Retail Energy Supply Association, the Philadelphia Industrial and Commercial Gas Users Group, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, and Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia. *Pa. Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-2017-2586783 (Order entered November 8, 2017, at Pages 17-18 and Ordering Paragraph No. 3).

The Commission-approved WNA is applied to customer usage October 1 through May 31. As set forth in the Tariff, the charges or credits are calculated on the basis of a formula that considers historic normal heating degree days and actual experienced heating degree days for the billing cycle's usage.<sup>1</sup>

An anomaly occurred in the application of the WNA to May 2022 usage, which produced unusually large and unanticipated charges to customers in many billing cycles with May usage. This occurrence led to the filing by PGW of a Petition for Emergency Order with the Commission on June 30, 2022 at Docket No. P-2022-3033477 requesting approval to file a tariff supplement to go into effect immediately that would result in a reversal of the WNA charges applied to May 2022 usage. Customers who received a WNA credit for May 2022 usage were unaffected.

On July 1, 2022, the Commission issued an Emergency Order granting PGW's Petition and authorizing the filing of a tariff supplement to go into effect immediately. PGW filed

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<sup>1</sup> PGW's Gas Service Tariff – Pa. P.U.C. No. 2, Fifth Revised Pg. Nos. 149-150.

Supplement No. 151 on July 5, 2022, which was further updated on July 7, 2022. The Commission ratified the Emergency Order at its Public Meeting on July 14, 2022.

In ratifying the Emergency Order, the Commission directed PGW to file a report of its internal investigation into the WNA (“Investigation Report”) by August 15, 2022. PGW filed its Investigation Report on August 12, 2022. The Office of Consumer Advocate (“OCA”) filed Comments to the Investigation Report on September 1, 2022, and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) and the Tenant Union Representative Network (“TURN”) filed Joint Comments on September 6, 2022.

## **II. PROCEDURAL HISTORY FOR THIS PROCEEDING**

On August 2, 2022, PGW filed Supplement No. 152 to Gas Service Tariff - Pa. P.U.C. No. 2 to become effective October 1, 2022, and a Petition for Approval on Less than Statutory Notice of Tariff Supplement Revising Weather Normalization Adjustment (“WNA Cap Petition”). By Supplement No. 152, PGW proposes to add a control on the WNA so that customers would not be billed a WNA charge or credit greater than 25% of total delivery charge (as defined in the Petition), excluding the WNA.

On August 22, 2022, OCA filed an Answer to the WNA Cap Petition citing a lack of evidence as to how PGW determined that a 25% cap was the appropriate level of protection. Further, OCA proposed to immediately suspend the WNA. On September 6, 2022 and September 7, 2022, respectively, CAUSE-PA and TURN filed Petitions to Intervene in the WNA Cap Petition proceeding. The Office of Small Business Advocate (“OSBA”) filed a Notice of Intervention on September 12, 2022.

By Order entered on September 15, 2022, the Commission suspended Supplement No. 152 until April 1, 2023. In the Order, the Commission stated that an analysis of the proposed tariff supplement and the supporting data indicate that the proposed changes in rates, rules and

regulations may be unlawful, unjust, unreasonable and contrary to the public interest. The Commission also determined that consideration should be given to the reasonableness of PGW's existing rates, rules and regulations.

As a result, the Commission ordered that an investigation be instituted in response to both filings to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed tariff filings, as well as a consideration of the lawfulness, justness and reasonableness of the existing rates, rules, and regulations. The Commission assigned the cases to the Office of Administrative Law Judge for the scheduling of hearings as may be necessary culminating in the issuance of Recommended Decisions.

On September 19, 2022, a notice was issued establishing a telephonic prehearing conference for Wednesday, September 28, 2022 at 10:00 a.m. and assigning ALJ Guhl as the presiding officer. ALJ Guhl issued a Prehearing Conference Order on September 19, 2022 directing the filing of prehearing conference memoranda by September 27, 2022 at Noon.

In accordance with the Prehearing Conference Order, PGW submits this Prehearing Conference Memorandum. As further discussed below, PGW proposes to voluntarily extend the suspension date of Supplement No. 152 from April 1, 2023 to October 1, 2023. The purpose of this extension is to afford PGW, the other parties and the Commission sufficient time to consider the issues raised in this proceeding. Since PGW's WNA is applicable to October through May usage, suspension of Supplement No. 152 until October 1, 2023 only affects application of the WNA in April and May 2023.

### **III. REPRESENTATION**

Attorneys for PGW in this matter are:

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Counsel for PGW intends to call into the prehearing conference. PGW prefers that documents be served electronically to the above email addresses and agrees to receive service of documents electronically in this proceeding. To the extent that materials are not available electronically, PGW requests that only one hard copy of documents, if any, be served upon Daniel Clearfield at the above mailing address.

#### **IV. PRESENTLY IDENTIFIED ISSUES**

Based upon a review of the Answer to the Petition filed by the Office of Consumer Advocate (“OCA”) and the Petitions to Intervene filed by CAUSE-PA and TURN, PGW has identified the following issues that are likely to be examined in this proceeding:

- Whether the 25% cap on WNA charges and credits is just and reasonable;
- Whether the existing WNA requires any further adjustments going forward;
- The importance of the WNA to PGW's continued financial stability; and
- The effect on base rates of any significant changes to the WNA.

PGW reserves the right to address other issues raised by the parties.

**V. WITNESSES**

PGW expects to present testimony of:

Joseph F. Golden, Jr.  
Executive Vice President and Acting Chief Financial Officer  
Philadelphia Gas Works  
800 West Montgomery Avenue  
Philadelphia, PA 19122

If PGW determines that it is necessary to present the testimony of other witnesses, appropriate notice will be given to ALJ Guhl and the parties.

**VI. DISCOVERY**

If PGW's proposed procedural schedule, or a similar procedural schedule, is adopted for this proceeding, PGW does not believe any discovery modifications are necessary. However, PGW is receptive to such proposals by the parties and will respond as appropriate.

**VII. PROCEDURAL SCHEDULE**

The procedural schedule proposed by the ALJ significantly (although understandably) compresses the time available for litigation of this matter due to the suspension date of April 1, 2023 for Supplement No. 152. For instance, despite the consideration in this proceeding of PGW's existing rates and regulations, and the importance of PGW's existing WNA to its continued financial health and stability, the proposed schedule envisions the presentation of both oral rebuttal and surrebuttal testimony during the evidentiary hearings. PGW submits that an



opportunity to orally respond to oral rebuttal testimony of the other parties is insufficient to ensure that PGW’s due process rights are adequately protected.

Therefore, PGW proposes to voluntarily extend the suspension date of Supplement No. 152 to allow for sufficient litigation time. As the WNA is operational for October through May usage, the only months that are expected to be affected by this extension of implementing PGW’s proposed 25% billing control for the WNA are April and May 2023. With this extension of the suspension date, PGW proposes the following schedule:

<b>Action</b>	<b>ALJ’s Proposed Date</b>	<b>PGW’s Proposed Date</b>
PGW Written Direct Testimony	N/A	November 30, 2022
Other Parties’ Written Direct Testimony	N/A	January 31, 2022
Rebuttal Testimony	Week of November 14, 2022 (Oral)	March 4, 2023 (Written)
Surrebuttal Testimony	Week of November 14, 2022 (Oral)	March 24, 2023 (Written)
Written Rejoinder Testimony	N/A	April 14, 2023
Hearings	Week of November 14, 2022	Week of April 24, 2023
Main Briefs	December 12, 2022	May 26, 2023
Reply Briefs	December 22, 2022	June 16, 2023
Public Meeting	March 16, 2023	September 21, 2023
End of Suspension	April 1, 2023	October 1, 2023

With the exception of the provision for written Rejoinder Testimony, PGW has reached out to the parties about this procedural schedule but has not yet had any discussions or arrived at a consensus with the parties regarding this proposal. PGW remains receptive to proposed changes to this procedural schedule and is willing to work with the parties within the general confines of this proposal.

## VIII. SETTLEMENT

PGW is willing to participate in settlement discussions with any party to narrow or fully resolve the issues in this matter.

Respectfully submitted,

/s/ Karen O. Moury

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