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April 4, 2025

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: PA Public Utility Commission v. Philadelphia Gas Works
Docket No. R-2025-3053112

Office of Consumer Advocate, Office of Small Business Advocate and The Philadelphia
Industrial and Commercial Gas Users Group v. Philadelphia Gas Works
Docket Nos. C-2025-3053827, C-2025-3053978, C-2025-3054126

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works' ("PGW") Prehearing Conference Memorandum regarding the above-captioned matters. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Bryce R. Beard

Bryce R. Beard

BRB/lww

Enclosures

cc: Hon. Eranda Vero w/enc.
Cert. of Service w/enc

CERTIFICATE OF SERVICE

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

Via Email

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Date: April 4, 2025

/s/ Bryce R. Beard

Bryce R. Beard, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2025-3053112
	:	
Office of Consumer Advocate	:	C-2025-3053827
Office of Small Business Advocate	:	C-2025-3053978
Philadelphia Industrial And Commercial Gas User Group	:	C-2025-3054216
	:	
v.	:	
	:	
Philadelphia Gas Works	:	

**PREHEARING MEMORANDUM OF
PHILADELPHIA GAS WORKS**

Philadelphia Gas Works (“PGW” or the “Company”) hereby submits this Prehearing Memorandum pursuant to 66 Pa.C.S. § 333, 52 Pa. Code § 5.224, and the directives of Administrative Law Judges Eranda Vero’s March 27, 2025 Prehearing Order.

I. PROCEDURAL HISTORY

On February 27, 2025, PGW filed Supplement No. 176 to PGW’s Gas Service Tariff – PA. P.U.C. No. 2 (Supplement No. 176) and Supplement No. 119 to PGW’s Supplier Tariff – Pa. P.U.C. No. 1 (Supplement No. 119) to become effective April 28, 2025, seeking a general rate increase calculated to produce \$105 million (15.7%) in additional annual revenues. At that time, PGW also filed a Petition for Waiver seeking waiver of the application of the statutory definition of the fully projected future test year (“FPFTY”) so as to permit PGW to use a FPFTY beginning on September 1, 2025 (its fiscal year) in this proceeding.

Also on February 27, 2025, PGW filed its Petition For Waiver Of Provisions Of Act 11 To Modify The Definition Of The Charges Subject To The Distribution System Improvement Charge (“DSIC”) Cap Or, Alternatively, To Increase The Current DSIC Cap (“DSIC Petition”) at Docket No. P-2025-3053659. The DSIC Petition requests that the Commission: (i) modify the rules associated with PGW’s Distribution System Improvement Charge (“DSIC”) so that its

over/undercollection mechanism would be separate from and not subject to the existing 7.5% DSIC cap; or, alternatively, increase the current DSIC cap; (ii) waive or suspend any requirements of Act 11 of 2012¹ (“Act 11”) so as to permit PGW to bill its DSIC undercollection without reducing the amount of construction expenditures it is able to finance through the DSIC; and (iii) authorize the filing, on one day’s notice, of the attached proposed tariff supplement codifying these changes.

On March 3, 2025, PGW filed a Motion to Consolidate its DSIC Petition with the Base Rate Case Filing.

On March 19, 2025, the Office of Consumer Advocate (“OCA”) filed 1) a no opposition letter regarding PGW’s Petition for Waiver of the statutory definition of FPPTY; 2) an Answer to PGW’s DSIC Petition and 3) an Answer to PGW’s Motion to Consolidate not opposing consolidation of the DSIC Petition with the Base Rate Case filing.

Also on March 19, 2025, the Bureau of Investigation and Enforcement (“BIE”) filed an Answer to the DSIC Petition, which included averments that BIE does not oppose consolidation of the DSIC Petition with the Base Rate Case filing.

By Order entered March 27, 2025 (“Suspension Order”), the Pennsylvania Public Utility Commission (“Commission” or “PUC”) instituted an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase. Supplement No. 176 and Supplement No. 119 were suspended by operation of law until November 28, 2025, unless permitted by Commission Order to become effective at an earlier date.

The Commission’s Bureau of Investigation and Enforcement (“BIE”) filed a Notice of Appearance. Three formal complaints have been filed: the Office of Consumer Advocate²

¹ 2012, Feb. 14, P.L. 72, No. 11, § 6, effective in 60 days [April 16, 2012].

² The OCA’s complaint was docketed at C-2025-3053827.

("OCA"); the Office of Small Business Advocate³ ("OSBA"); and the Philadelphia Industrial and Commercial Gas Users Group ("PICGUG").⁴ In addition, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), Tenant Union Representative Network ("TURN"), and the "Energy Justice Advocates" including POWER Interfaith, Sierra Club, Physicians for Social Responsibility Pennsylvania, Clean Air Council, Vote Solar, PennEnvironment, and the Pennsylvania Public Interest Research Group filed Petitions seeking to intervene in this proceeding.

These matters were assigned to Administrative Law Judge Eranda Vero (the "ALJ"). A Prehearing Conference Order was entered on Friday, March 28, 2025 scheduling a telephonic prehearing conference in this case for Monday, April 7, 2025 at 10:00 a.m..

II. SERVICE OF DOCUMENTS

PGW requests that all documents be served on:

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Bryce R. Beard, Esquire
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Philadelphia, PA 19122
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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 the above counsel.

Please note that Mr. Beard will be PGW's lead attorney for the purposes of the prehearing conference. Mr. Clearfield and Mr. Hoaglund will also be participating in the prehearing conference.

³ The OSBA's complaint was docketed at C-2025-3053978.

⁴ PICGUG's complaint was docketed at C-2025-3054216.

III. ISSUES AND WITNESSES

A. Issues

The primary issue in this proceeding is the level of base rate increase that is justified and just and reasonable by application of PGW's required ratemaking methodology – the Cash Flow Method – consistent with Section 2212(e) and (f) of the Public Utility Code (regarding PGW's bond covenants), as well as the Commission's Policy Statement,⁵ which explains the way in which the Commission intends to apply the PGW Cash Flow Method. PGW's testimony and exhibits fully support its full, \$105 million rate increase as vitally necessary in order to permit PGW to have the funds it needs to operate, to maintain its financial health and to continue its infrastructure modernization efforts which include the replacement of hundreds of miles of cast iron main and other infrastructure, an effort that is essential to PGW's continued provision of safe, adequate and reasonable service.

Additional issues include 1) the appropriate allocation of the rate increase among the customer classes; 2) PGW's tariff modifications which include (a) changes to the Merchant Function Charge and the Gas Procurement Charge; (b) a proposed new rate schedule for Prepaid Gas Interruptible Service; (c) modification of the incentives to customers for the installation of Micro-CHP projects in PGW's TED Rider; (d) tariff clarification that PGW may use advanced or "smart" metering equipment; (e) the elimination of Rate GTS-Firm and Rate GTS-Interruptible; (f) the deletion of references to the Restructuring and Consumer Education Surcharge; (g) revisions to the DSIC provisions of the Tariff to remove from the DSIC cap the "e" factor, used to recover prior years' undercollections ; and (h) establish a Purchase of Receivables ("POR")

⁵ 52 Pa. Code §§ 69.2701 to 69.2703; *Petition of Philadelphia Gas Works for a Statement of Policy on the Application of Philadelphia Gas Works' Cash Flow Ratemaking Method*, PUC Docket No. P-2009-2136508, Order of December 30, 2009.

Choice Supplier Bill Charge; 3) PGW’s proposed Revenue Normalization Adjustment (“RNA”); and 4) PGW’s DSIC Petition to address DSIC under-recovery.

B. Witnesses

PGW anticipates offering the following witnesses to testify in this proceeding on the following subject matters:

<u>PGW Statement</u>	<u>Witness</u>	<u>General Subject Matter</u>
1	Denise Adamucci PGW’s Senior Vice President for Customer & Regulatory Affairs Philadelphia Gas Works 800 W. Montgomery Ave. Philadelphia, PA 19122	Ms. Adamucci provides an overview and roadmap of PGW’s filing, including a summary of the reasons for the increase. Ms. Adamucci also introduces PGW rate design proposal, addresses service to customers, and presents an affordability analysis.
2	Joseph F. Golden, Jr. PGW’s Executive Vice President and Acting Chief Financial Officer Philadelphia Gas Works 800 W. Montgomery Ave. Philadelphia, PA 19122	Mr. Golden provides documentation and supporting methodology for the schedules and exhibits that are included in PGW’s base rate filing. He describes PGW’s financial results for the FPFTY (comprised of the period from September 1, 2025, through August 31, 2026). He also details and provides supporting justification for PGW’s requested annual increase in existing base rate of \$105 million.

- 3 **James C. Lover,**
Managing Director and Partner with
PFM Financial Advisors LLC
- 11635 North Community
House Road,
Charlotte, NC 28227
- Mr. Lover testifies to the importance of obtaining the rate increase being sought, in order for PGW to maintain its bond ratings, access to the municipal capital markets at reasonable pricing, and to ensure there are not unforeseen impacts to PGW’s capital structure. Specifically, his testimony focuses on the adverse financial consequences to PGW, which could be considerable and broadly based, if the Company does not receive full approval of the requested rate increase.
- 4 **Harold Walker III**
Manager, Financial Studies,
Gannett Fleming
- Gannett Fleming Valuation and Rate
Consultants, LLC
P.O. Box 80794
Valley Forge, PA 19484
- Mr. Walker discusses the results of a comparable utility analysis. His testimony benchmarks the financial performance of PGW over the years 2019-2023, and analyzes both average performance over the time period and also trends over the time period. The benchmarking indicates that there is a continued need to support PGW’s financial stability with timely and appropriate rate increases to enable PGW to further strengthen its credit profile.
- 5 **Gregory R. Herbert**
Assistant Project Manager, Rate
Studies, Gannett Fleming
- Gannett Fleming Valuation and Rate
Consultants, LLC
P.O. Box 80794
Valley Forge, PA 19484
- Mr. Herbert presents PGW’s class cost of service study (“CCOSS”). The primary purpose of the present CCOSS is to allocate PGW’s costs of providing service to each Rate Class. The purpose of his testimony is to describe the principles, methodology, and data used in the present CCOSS. Mr. Herbert also shows the monthly fixed customer cost per class.

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| 6 | <p>Florian Teme,
PGW’s Vice President, Marketing
and Energy Planning</p> <p>Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122</p> | <p>Mr. Teme describes and supports (i) the process used to develop the sales forecast for the test year; (ii) the allocation of the proposed base rate increase by customer class; and (iii) the proposed customer charges by class. Mr. Teme also explains and provides support for tariff revisions.</p> |
| 7 | <p>Robert Smith,
PGW’s Senior Vice President for
Operations and Supply Chain</p> <p>Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122</p> | <p>Mr. Smith provides an overview of PGW’s efforts to improve safety and reliability. Mr. Smith also presents evidence explaining the need to exempt the Distribution System Improvement Charge (DSIC) under-recovery factor from the existing DSIC cap.</p> |
| 8 | <p>Ronald J. Amen,
Managing Partner,
Atrium Economics, LLC
10 Hospital Center Commons
Suite 400
Hilton Head Island, SC 29926</p> | <p>Mr. Amen introduces and summarizes Atrium Economics Report to Philadelphia Gas Works responsive to the Commission’s order on PGW’s Weather Normalization Adjustment. Mr. Amen presents and supports PGW’s proposed Revenue Normalization Adjustment Mechanism.</p> |
| 9 | <p>Ryan E. Reeves,
PGW’s Director of Gas Supply,
Transportation and Control</p> <p>Philadelphia Gas Works
800 W. Montgomery Ave.
Philadelphia, PA 19122</p> | <p>Mr. Reeves introduces PGW’s proposal to enable Rate IT and Rate IT-XLT to have access to prepaid gas purchase arrangements.</p> |

PGW previously filed copies of these statements. The testimony and exhibits fully support PGW’s proposed rate increase, allocation of that increase among customer classes, and the design of rates to recover that increase from customers.

PGW reserves the right to submit additional witnesses after the submission of the direct testimony of the other parties in rebuttal, surrebuttal or rejoinder.

IV. PROPOSED SCHEDULE AND DISCOVERY

A. Proposed Schedule

1. Litigation Schedule

PGW worked with the active parties to develop the below proposed litigation schedule for this proceeding based on the Reply Brief deadline set by the March 27, 2025 Order and the November 28, 2025 end of the suspension period.

<u>Item</u>	<u>Proposed Schedule</u>
Public Input Hearings	May 6, 2025 (in-person) May 7, 2025 (telephonic) <i>1:00 p.m. and 6:00 p.m. each day</i>
Non-Company Direct	Wednesday, May 21, 2025
Rebuttal	Friday, June 20, 2025
Surrebuttal	Wednesday, July 2, 2025
Witness Cross-Examination Matrix	Friday, July 11, 2025
Written rejoinder outline	Friday, July 11, 2025
Evidentiary Hearings / Oral Rejoinder	July 15-17, 2025 (Telephonic)
Main Briefs	Wednesday, July 30, 2025
Reply Briefs	Friday, August 8, 2025
Recommended Decision	~September 8, 2025
Public Meeting	Thursday, November 20, 2025

PGW notes that some of its witnesses have conflicts with certain days of the July 15-17, 2025 proposed hearing dates. PGW and the parties have agreed to coordinate specific dates for the parties' witnesses to appear closer to the proposed hearing dates.

All dates are in-hand delivery. Electronic mail for receipt and distribution will satisfy in-hand service dates.

2. Public Input Schedule

PGW supports the scheduling of public input hearings and believes that two in-person and two telephonic public input hearings will allow interested parties multiple and convenient opportunities to provide testimony. PGW believes that hearings should convene at 1:00 PM and 6:00 PM on the dates they are scheduled. The proposed dates of the public input hearings accommodates sufficient time for any party to incorporate any public input into the proposed non-company direct testimony.

B. Discovery

The proposed schedule provides the parties with ample time to conduct discovery before the filing of their direct testimony. PGW has already received a large number of formal discovery requests from the parties (with multiple subparts). PGW has either responded or is the process of responding to these requests. PGW is also willing to work with the parties to provide information through informal discovery conferences.

PGW is willing to consider reasonable modifications to the Commission's discovery rules. However, PGW notes that the Commission's Discovery Rules already provide for shortened timeframes for responses for rate proceedings, fifteen days. *See* 52 Pa. Code §§ 5.432(d) (written interrogatories), 5.349(d) (requests for documents, entry for inspection and other purposes). Due to the large number of requests PGW requests that the 15 day time frame be maintained.

In addition, PGW has established a cloud-based, secure site for the assistance of the parties. Discovery responses including attachments are available at Eckert Seamans Cherin & Mellott's ShareFile site. To receive access, please contact Bryce Beard at bbeard@eckertseamans.com or 717-237-6041 and provide the name and email address of the person seeking access.

C. Protective Order

PGW is working with the parties and will file a Motion for Protective Order to protect proprietary information of any party in the near future.

D. Petition for Waiver

PGW filed a Petition requesting the PUC to waive the application of the statutory definition of the fully projected future test year (“FPFTY”) so as to permit PGW to use a FPFTY beginning on September 1, 2025, in this proceeding (PGW’s fiscal year). The granting of the Petition is necessary in order to permit PGW to utilize its fiscal year, the twelve months ending August 31, 2026, as its Fully Projected Future Test Year. This same request has been granted by the ALJ(s) as part of the Pre-Hearing Order in prior PGW base rate cases. Accordingly, PGW requests that the Petition similarly be granted by the ALJ as no party opposes the Petition.

E. Consolidation of DSIC Petition Proceeding

PGW’s DSIC Petition requests that the Commission: (i) modify the rules associated with PGW’s Distribution System Improvement Charge (“DSIC”) so that its over/undercollection mechanism would be separate from and not subject to the existing 7.5% DSIC cap; or, alternatively, increase the current DSIC cap; (ii) waive or suspend any requirements of Act 11 of 2012⁶ (“Act 11”) so as to permit PGW to bill its DSIC undercollection without reducing the amount of construction expenditures it is able to finance through the DSIC; and (iii) authorize the filing, on one day’s notice, of the attached proposed tariff supplement codifying these changes. In considering whether the Petition should be granted the PUC will have to examine the financial and operational impacts of the present application of the DISC cap on PGW, which will rely on evidence presented in the rate case. Accordingly, PGW filed its Motion to Consolidate the DSIC Petition with the Base Rate Case filing on March 3, 2025. Both the OCA and BIE have

⁶ 2012, Feb. 14, P.L. 72, No. 11, § 6, effective in 60 days [April 16, 2012].

expressed no opposition to consolidation, and no other position has been raised to date. For these reasons, PGW requests that the Motion to Consolidate the DSIC Petition and the Base Rate Case be granted to allow for the efficient development of a consolidated record.

V. **SETTLEMENT**

PGW is willing to discuss the settlement of its claims, and will be initiating such discussions as soon as the parties indicate that they have had sufficient time to review PGW's direct case.

Respectfully submitted,

/s/ Bryce R. Beard

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Dated: April 4, 2025

Counsel for
Philadelphia Gas Works