


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 30, 2020

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

Re: Pennsylvania Public Utility Commission
v.
Philadelphia Gas Works
Docket No. R-2020-3017206

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
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Enclosures:

cc: The Honorable Darlene Heep (**email only**)
The Honorable Marta Guhl (**email only**)
Certificate of Service

*287473

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2020-3017206
Philadelphia Gas Works :

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 30th day of April 2020.

SERVICE BY E-MAIL ONLY

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Dated: April 30, 2020
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|--|---|----------------|
| Pennsylvania Public Utility Commission | : | R-2020-3017206 |
| Office of Consumer Advocate | : | C-2020-3019161 |
| Office of Small Business Advocate | : | C-2020-3019100 |
| Philadelphia Industrial and Commercial Gas User Group | : | C-2020-3019430 |
| v. | : | |
| | : | |
| Philadelphia Gas Works | : | |

PREHEARING MEMORANDUM OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to the Prehearing Conference Order of Administrative Law Judges Darlene Heep and Marta Guhl (the ALJs) issued on April 16, 2020, Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in anticipation of the telephonic Prehearing Conference scheduled for May 5, 2020, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION AND PROCEDURAL HISTORY

Philadelphia Gas Works (PGW) is a municipally owned public utility company, managed and operated by the Philadelphia Facilities Management Corporation. PGW is engaged in the business of furnishing natural gas to approximately 500,000 residential, commercial and industrial natural gas customers in Philadelphia, Pennsylvania. On July 1, 2000, the natural gas service furnished by PGW became subject to the regulation and control of the Pennsylvania Public Utility Commission (the Commission) pursuant to the Natural Gas Choice and Competition Act at 66 Pa. C.S. Section 2212.

On February 28, 2020, PGW filed Supplement No. 128 to PGW's Gas Service Tariff-Pa. P.U.C. No. 2 (Supplement No. 128). In Supplement No. 128, PGW is seeking an increase in annual distribution revenues of \$70 million to become effective April 28, 2020 for a fully projected future test year (FPFTY) ending on August 31, 2021. Specifically, PGW has proposed to increase the residential monthly customer charge from \$13.75 per month to \$19.25 per month, or by approximately 40%. Additionally, the delivery charge for residential customers would increase by 10.3% from \$6.6967/Mcf to \$7.3893/Mcf. According to PGW's filing, the bill for a typical PGW residential heating customer who uses 75 Mcf per year will increase from \$99.52 to \$110.68 per month, or by approximately 11.2%.

PGW also proposes the following Tariff revisions in its filing: (1) the continuation of the Technology and Economic Development (TED) Rider beyond the initial three-year pilot period; (2) the continuation of PGW's Back-Up Service – Rate BUS along with language to clarify that it applies in any instance in which an applicant is seeking to obtain firm gas service to run any type of operable back-up, standby or emergency, electric or, heat generation equipment; (3) modifications to PGW's Micro-Combined Heat and Power (CHP) Incentive Program to encourage customers to install micro-CHP equipment of various sizes up to 50kW; (4) a modification of PGW's daily imbalance surcharge; and (5) a clarification of firm supplier obligations with respect to released capacity and established pricing for firm pool imbalances when suppliers discontinue serving PGW customers.

Following PGW's filing, on March 6, 2020, the Office of Small Business Advocate (OSBA) filed a Formal Complaint in this proceeding. On March 10, 2020, the OCA also filed a Formal Complaint in this proceeding—subsequently assigned to Docket No. C-2020-3019161—to protect the interests of PGW's residential customers and to ensure that PGW is permitted to

implement only a level of rates that is fully justified and in accordance with sound ratemaking principles.

On April 16, 2020, the Commission issued an order suspending the filing by operation of law until November 28, 2020, unless permitted by the Commission to become effective at an earlier date. This filing was assigned to Administrative Law Judges Heep and Guhl for the scheduling of hearings and investigation into the lawfulness, justness, and reasonableness of the proposed rates.

Citing the disaster emergency interruption of the normal operations of the Commission due to the COVID-19 pandemic, on April 29, 2020, the Commission's Bureau of Investigation and Enforcement (I&E) filed an Expedited Motion to extend the statutory suspension period in this proceeding from November 28, 2020 to January 14, 2021.

II. DISCOVERY

In order to effectively investigate and develop a record in this proceeding, the OCA requests certain modifications to the Commission's discovery rules, as set forth below:

A. Prior to the filing of Rebuttal Testimony, answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.

B. Prior to the filing of Rebuttal Testimony, responses to requests for document production and entry for inspection or other purposes must be served in-hand within ten (10) calendar days.

C. Prior to the filing of Rebuttal Testimony, requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

D. After the filing of Rebuttal Testimony, the ten (10) calendar day requirements specified in (a) through (c), above, shall be modified to seven (7) calendar days.

E. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJs in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJs in writing within six (6) days of service of the interrogatories.

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

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

H. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.

III. SETTLEMENT

The OCA will participate in settlement discussions in this matter.

IV. ISSUES

Based upon a preliminary analysis of PGW's base rate increase filing, the OCA has compiled a list of issues, which it anticipates will be included in its investigation of PGW's proposed rate changes. The OCA anticipates that other issues may arise and may be pursued as responses to interrogatories are received and analyzed.

With regard to all issues, the OCA takes the position that the proposed increases or changes must be justified, reasonable, and in accordance with sound ratemaking principles in order to protect the interests of PGW's customers. Additionally, the OCA has identified several issues that may require further review as follows:

A. Revenues and Expenses: The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues. The OCA will seek to ascertain whether or not PGW's claimed expenses are supported, reasonable, and appropriate. Among others, the following issues will be addressed:

- The sales forecast utilized by PGW in order to project future test year and fully forecasted test year sales and revenues;
- PGW's proposed depreciation expense;
- PGW's rate case expense, labor expense, uncollectible account expense, and advertising expense;
- Proposed treatment and recovery of Other Post Employment Benefits (OPEB).

B. Claimed Cash Requirements: The OCA will examine PGW's claimed cash requirements to determine whether the Company's claims are reasonable and properly supported.

C. Rate Structure/Rate Design: The OCA will examine PGW's cost of service study, its proposed allocation of any rate increase to the customer classes, and its proposed design of the rates. The OCA will also examine other tariff issues raised by the filing.

D. Universal Services: The OCA will examine PGW's proposed universal service program costs and cost recovery mechanisms.

E. Other Issues: The OCA will examine the reasonableness and appropriateness of PGW's proposed tariff changes and will investigate those proposals to ensure that PGW is complying with all prior orders.

The OCA reserves the right to raise additional issues.

V. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimonies, as may be necessary, of the below witnesses. Each witness will present testimony in written form and will attach various exhibits, documents, and explanatory information, as may be necessary. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed and/or emailed directly to the expert witness(es) responsible for the particular area of the case, as well as to counsel for the OCA.

Accounting:

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The OCA specifically reserves the right to call additional witnesses, as necessary. If the OCA determines that additional witnesses will be necessary for any portion of its case, it will notify all parties of record immediately.

VI. PROPOSED SCHEDULE AND AMOUNT OF TIME NEEDED FOR HEARINGS

Due to complications caused by the COVID-19 pandemic and I&E's outstanding Motion to extend the suspension period in this case, the parties have not reached an agreement on a litigation schedule. Given the circumstances, the OCA supports the Motion filed by I&E and is in agreement with I&E that an extension in this case is necessary. The OCA intends to continue discussions on an appropriate litigation schedule with the parties after I&E's Motion is decided.

The OCA requests that the dates included in any litigation schedule in this matter be considered "in-hand" dates and that electronic service or fax service on the due date will satisfy the "in-hand" requirement, as hard copy service may not be possible until the current COVID-19 pandemic has subsided.

VII. PUBLIC INPUT HEARINGS

Due to the current circumstances surrounding the COVID-19 crisis, the OCA is unable to determine the level of consumer informal complaints that have been filed at the Commission thus far. However, given the magnitude of the requested rate increase and the well-attended public input hearings held for prior PGW rate cases, the OCA requests that public input hearings be held for PGW's consumers in this matter. Taking into account the current circumstances, the OCA requests that, in lieu of "in-person" public input hearings within the PGW service territory, the Commission consider arranging for telephonic public input hearings, or Smart hearings, if

possible, for consumers to participate in. The OCA also requests that PGW, at a minimum, place advertisements within its service territory and publications in the newspaper and on PGW's website to make its consumers aware of these hearings. If the public input hearings are not conducted prior to the filing of the OCA's Direct Testimony in this matter, the OCA reserves the right to supplement its Direct Testimony to address any topics or issues introduced at the public input hearings after they are held.

VIII. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl A. Lawrence and Assistant Consumer Advocates Santo G. Spataro and Laura J. Antinucci. Darryl A. Lawrence will act as the lead attorney for purposes of participating in the Prehearing Conference. Two Copies of all documents should be served on the OCA as follows:

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DATED: April 30, 2020
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