



COMMONWEALTH OF PENNSYLVANIA

April 12, 2013

E-FILED

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-2008-2073938**

Dear Secretary Chiavetta:

Enclosed for filing today is the Prehearing Memorandum, on behalf of the Office of Small Business Advocate, in the above-captioned proceeding.

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sharon E. Webb".

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosure

cc: Parties of Record

Robert D. Knecht

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

Docket Nos. R-2008-2073938

v.

PHILADELPHIA GAS WORKS

**OFFICE OF SMALL BUSINESS ADVOCATE
PREHEARING MEMORANDUM**

I. INTRODUCTION

The Office of Small Business Advocate (“OSBA”) is authorized to represent the interests of small business customers of utility services before the Pennsylvania Public Utility Commission (“Commission”) pursuant to the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50 (“the Act”). In order to discharge this statutory duty, the Small Business Advocate deems it necessary to participate as a party to this proceeding. Representing the OSBA in this matter is Assistant Small Business Advocates Sharon E. Webb. Please address all correspondence in this matter as follows:

Sharon E. Webb
Assistant Small Business Advocate
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, Pennsylvania 17101
(717) 783-2525
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II. FILING BACKGROUND

On December 19, 2008, the Pennsylvania Public Utility Commission (“Commission”) entered an order in PGW’s Extraordinary Rate Relief proceeding which *inter alia*, directed the Philadelphia Gas Works (“PGW” or “Company”) to convene a collaborative within 60 days of the entry of the Order. The stated purpose of the collaborative is to explore options for transitioning some or all of PGW’s customers to an alternative default supplier.¹ Specifically, the Commission stated that PGW should “explore any and all means of reducing the financial risks and costs of its utility business.”²

In response to the testimony of company witness Thomas Knudsen in support of PGW’s Extraordinary Rate Relief filing, Anthony Cusati, III (on behalf of Interstate Gas Supply, Inc. (“IGS”) and Dominion Retail, Inc. (“Dominion”)) testified about the magnitude of the cost (to PGW) of financing the annual purchases of the gas commodity for its customers.³ Specifically, Mr. Cusati opined that PGW’s ability to borrow funds is hindered by its need to purchase natural gas supply for its customers at a cost of \$600 to \$700 million annually and suggested that a longer term solution for PGW would be to transition most (or all) of its load to competitive suppliers.⁴ Mr. Cusati’s proposal, albeit brief, suggests that the cost burden (to PGW and ultimately its ratepayers) for financing

¹ *Pennsylvania Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-2008-2073938 (Order entered December 19, 2008) at 40.

² *Id.*

³ Rebuttal testimony of Anthony Cusati, III on behalf of IGS and Dominion Retail (“Cusati Statement No. 1”) at 2.

⁴ Cusati Statement No. 1 at 2.

the commodity purchases may be lessened by transitioning customers to an alternative supplier.

In the ensuing collaborative convened in response to the Commission's directive, IGS and Dominion jointly submitted a two-page draft proposal entitled "Suppliers Recommended Plan" and Hess submitted a three-page memo. Both were circulated to the parties and considered in the March 5, 2009 collaborative meeting. The Office of Small Business Advocate ("OSBA") subsequently provided a response to those proposals.

Subsequently, IGS and Dominion submitted a joint, revised proposal ("Supplier Proposal") to PGW, which was circulated to the other participants in the collaborative on July 23, 2009, for comment. The Supplier Proposal consisted of three documents:

- A two-page document entitled "Proposal to PGW to 'Exit the Merchant Function' Collaborative," dated July 23, 2009;
- An eight-page document entitled "PGW-Exiting the Merchant Function Collaborative," dated July 23, 2009; and
- A one-page undated document entitled "Proposed Revisions to PGW's Daily Balancing Service (Rate DB)."

On October 21, 2009, the OSBA and the other parties submitted comments to the Commission regarding substantive and legal issues raised by the Supplier Proposal. In response to the comments submitted by other parties, the OSBA and others submitted reply comments on November 4, 2009.

Since that time interested parties have engaged in settlement discussions.

III. IDENTIFICATION OF WITNESSES

Assisting in the development and presentation of the OSBA's case in this proceeding will be:

Mr. Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
(617) 354-0074
(617) 354-0463 – Fax
rdk@indecon.com

The OSBA requests that all parties serve copies of all documents, including discovery, testimony and briefs, upon Mr. Knecht, simultaneously with service upon the OSBA. The OSBA anticipates that it will present testimony by Mr. Knecht.

IV. IDENTIFICATION OF ISSUES

The OSBA is participating in this case to ensure that the interests of small business customers of PGW are adequately represented and protected. As appropriate and necessary, the OSBA will investigate and analyze the claims and proposals of PGW and other parties, primarily through discovery, filing of testimony, cross-examination of witnesses appearing for other parties, and briefing of the issues that arise in this proceeding.

The OSBA will particularly focus on issues where the impact upon the interests of PGW's small business customers would be unjustifiably different from or disproportionate to the impact on other classes of customers, or is otherwise lacking in reasonableness or basic fairness.

V. SERVICE OF DOCUMENTS

The OSBA agrees to accept electronic delivery of documents on the due date as satisfying the in-hand requirement, if followed by hard copy delivery to OSBA and its witness by first class mail.

VI. SETTLEMENT

The OSBA is willing to continue settlement discussions at any phase of this proceeding.

VI. PROCEDURAL SCHEDULE

The OSBA will work with the ALJ and the other parties to develop a mutually acceptable schedule for the remainder of this case. However, at this time the OSBA would request a further prehearing/status conference allow the larger group of interested parties to participate in the settlement discussions.

Respectfully submitted,



Sharon E. Webb
Assistant Small Business Advocate
Attorney ID # 73995

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Dated: April 12, 2013

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2008-2073938
Philadelphia Gas Works :

CERTIFICATE OF SERVICE

I certify that I am serving two copies of the Prehearing Memorandum, on behalf of the Office of Small Business Advocate, by e-filing, e-mail, and/or first-class mail (unless otherwise noted) upon the persons addressed below:

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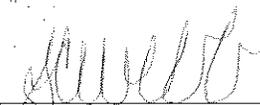
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Date: April 12, 2013