

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 13, 2015

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

RE: Petition of Philadelphia Gas Works for  
Approval of Demand-Side Management  
Plan for FY 2016-2020  
and  
Philadelphia Gas Works Universal Service  
and Energy Conservation Plan for 2014-  
2016 52 Pa. Code § 62.4 – Request for  
Waivers  
Docket No. P-2014-2459362

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

*Christy M. Appleby*  
Christy M. Appleby  
Assistant Consumer Advocate  
PA Attorney I.D. # 85824

Enclosures

cc: Honorable Christopher P. Pell, ALJ  
Honorable Marta Guhl, ALJ  
200612

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works	:	
For Approval of Demand-Side Management	:	
Plan for FY 2016-2020	:	
	:	Docket No. P-2014-2459362
Philadelphia Gas Works Universal Service	:	
And Energy Conservation Plan	:	
For 2014-2016, 52 Pa. Code § 62.4-	:	
Request for Waivers	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. Introduction**

On December 23, 2014, Philadelphia Gas Works (PGW or Company) filed its Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan (DSM) for FY 2016-2020 (Phase II Plan) and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 - Request for Waivers. On July 29, 2010 Phase I of the Company's DSM program was approved for the five-year period ending August 31, 2015 as a part of the settlement of its base rate proceeding at Docket Nos. R-2009-2139884, P-2009-2097639. In its Phase II Plan, PGW proposes to continue five of the existing seven DSM programs: (1) Customer Responsibility Program (CRP) Home Comfort Program (formerly ELIRP), the weatherization program for the highest usage customers in PGW's customer

assistance program, CRP; (2) Residential Equipment Rebates Program, prescriptive residential heating equipment rebates to replace heating equipment at the end of its operational life; (3) Commercial Equipment Rates program, prescriptive commercial heating and cooking equipment rebates targeted towards replacement at the end of its operational life; (4) Efficient Building Grants program, custom project grants for existing commercial and multifamily buildings; and (5) Efficient Construction Grants program, custom project grants for new and gut rehabilitated commercial and multifamily buildings and single family homes. Petition at 3-4. PGW proposes to reduce the spending level for each of these programs from Phase I to Phase II due to concerns regarding reduced revenues that resulted from Phase I conservation efforts. Id. at 4.

PGW also proposes to add two new programs: (1) a Low-Income Multifamily Program as part of the CRP Home Comfort Program pursuant to the Commission's Order at Docket No. M-2013-2366301 regarding PGW's Universal Service and Energy Conservation Plan for 2014-2016 (Universal Service Plan Order) and (2) a fuel switching program, the DSM Efficient Fuel Switching Program. Id.

PGW estimates that the Phase II programs will cost approximately \$25 million from FY2015 through FY2020, including \$22.7 million (or approximately \$4.5-\$4.7 million per year) for the conservation programs and \$2.3 million for the load management program. Petition at 5, Plan at 28. The Company proposes to continue its Phase I cost recovery through the Efficiency Cost Recovery Surcharge (ECRS), applicable to all volumes of gas delivered. Plan at 55. Phase II of the program would increase the rates for non-CRP residential customers by 0.6% to 0.7% higher (or an average annual bill of \$5.80) for each year of the program through 2020. Petition at ¶ 48. PGW projects that the program will save approximately 227 BBtus of natural gas during

the first five years of Phase II and approximately 4,390 BBtus over the lifetime of the measures installed. Id.

In addition to the costs of the program, PGW proposes to recover costs for a Conservation Adjustment Mechanism (CAM) and a Performance Incentive Mechanism. Id. at 5-6. PGW proposes to recover the market-rate program expenses, CAM, and Performance Incentive costs through the Efficiency Cost Recovery Surcharge (ECRS) applicable to all volumes of gas delivered. Id. The CAM would be designed to calculate the lost margin associated with reduced usage from the conservation efforts of the programs and would be used to expand the conservation programs beyond the Phase II program that PGW currently proposes. Id. at 6.

Finally, the Commission's Order in the Company's Universal Service Plan proceeding required PGW to propose waivers of 52 Pa. Code Sections 58.5 and 58.11(a) regarding its inclusion of the Low Income Usage Reduction Program (LIURP) weatherization component of its Universal Service Plan in its DSM Plan. Universal Service Plan Order at 74; 52 Pa. Code §§ 58.5, 58.11(a). PGW has requested any and all waivers of Chapter 58 necessary to permit the CRP Home Comfort Program to satisfy its regulatory requirements. Petition at ¶ 54(a).

In its Petition, the Company proposed to convene stakeholder collaborative meetings to attempt to resolve any issues related to the Petition. Thus far, the parties have engaged in several collaborative discussions and have also engaged in informal discovery. The OCA has sent the Company three sets of informal discovery to date.

PGW's Petition proposes to submit a collaborative report with recommendations by March 6, 2015 and has proposed that other parties will submit comments in response by March 21, 2015. PGW has requested a Commission Order by April 9, 2015. In its Petition, the

Company also requests that the Plan be permitted to go into effect without interruption starting September 2015.

On January 12, 2015, the OCA filed its Answer, Notice of Intervention and Public Statement in the matter. An Answer and Notice of Appearance was filed by the Bureau of Investigation and Enforcement (BI&E) on January 12, 2015. Also on January 12, 2015, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer, and the Tenant Union Representative Network (TURN) and the Action Alliance of Senior Citizens of Greater Philadelphia (Action Alliance) (collectively TURN, et al.) filed a Petition to Intervene. The Office of Small Business Advocate (OSBA) filed a Notice of Intervention and Public Statement and Notice of Appearance on January 13, 2015. On January 13, 2015, the Philadelphia Industrial and Commercial Gas Users Group (PICGUG) filed a Petition to Intervene. On January 16, 2015, the Clean Air Council (CAC) also filed a Petition to Intervene.

The filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judges Christopher P. Pell and Marta Guhl for investigation. On February 5, 2015, ALJs Pell and Guhl issued a Prehearing Conference Order. A Prehearing Conference will be held on February 17, 2015.

## **II. Issues**

Based upon a preliminary analysis of PGW's filing, the OCA has compiled a list of issues and sub-issues, which it anticipates will be included in its investigation of the filing. It is anticipated that other issues may arise and may be pursued during the course of these proceedings.

The following list sets forth the issues at this time that the OCA anticipates it will examine:

- (1) Whether the program should be continued beyond the sunset date of August 2015, and if it is to continue, whether it should continue beyond 2020 in the form of a triennial plan;
- (2) Reasonableness of the proposed design of the programs, including the proposal to maintain the Company's Low-Income Usage Reduction Program, CRP Home Comfort Program within the DSM Plan and the proposed new Low-Income Multifamily Program;
- (3) Reasonableness of the proposed implementation of the programs;
- (4) Review of the proposed customer education about energy conservation in the Phase II Plan;
- (5) Reasonableness of the proposed program costs, including the proposed budgets, the potential future cost impacts to customers' bills, PGW's proposal for a CAM and Performance Incentives, and PGW's proposal to recover the costs of its Low-Income Multifamily program, including commercial master-metered customers, through the Universal Service Charge rider;
- (6) Reasonableness and cost-effectiveness of the proposed programs and the overall DSM Plan, including the cost-effectiveness of the Plan as measured by the Total Resource Cost (TRC) test; and
- (7) Reasonableness of the proposed measurement and verification and evaluation plans.

The OCA specifically reserves the right to raise additional issues as may be necessary.

### **III. Witnesses**

The OCA will present the direct, rebuttal and surrebuttal testimony, as may be necessary, of Mr. Geoffrey Crandall and Mr. Roger Colton in this proceeding. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, answers to interrogatories, and testimony be mailed directed to Mr. Crandall and Mr. Colton at the following addresses, as well as mailing copies to counsel for the OCA.

#### DSM Plan and Cost Recovery

Geoffrey Crandall  
MSB Energy Associates, Inc.  
6907 University Ave. #162  
Middleton, WI 53562  
Telephone: 608-219-0164  
E-mail: [Crandall@msbnrg.com](mailto:Crandall@msbnrg.com)

#### Low-Income Customer Issues

Roger D. Colton  
Fisher Sheehan & Colton  
Public Finance and General Economics  
34 Warwick Road  
Belmont, Pa. 02478  
Telephone: 617-484-0597  
Fax: 617-484-0594  
E-mail: [roger@fsconline.com](mailto:roger@fsconline.com)

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the Administrative Law Judge and all parties of record will be notified.

**IV. Service on the OCA**

The OCA will be represented in this case by Assistant Consumer Advocate Christy M. Appleby and Senior Assistant Consumer Advocate Darryl A. Lawrence. Two copies of all documents should be served on the OCA as follows:

Christy M. Appleby  
Assistant Consumer Advocate  
Darryl A. Lawrence  
Senior Assistant Consumer Advocate  
Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
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Fax: (717) 783-7152  
E-mail: [cappleby@paoca.org](mailto:cappleby@paoca.org)  
[dlawrence@paoca.org](mailto:dlawrence@paoca.org)

**V. Discovery**

The OCA does not propose any discovery rule modifications at this time.

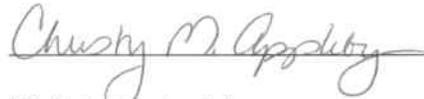
**VI. Settlement**

The OCA will participate in settlement discussions with the Company and other parties.

## VII. Schedule

The OCA will work with all parties to develop a mutually agreeable procedural schedule. The OCA proposes a continuation of the collaborative process as proposed in the Company's Petition. In the event that the collaborative process does not successfully resolve all issues, the OCA proposes that a reasonable schedule be adopted to allow the parties a meaningful opportunity to be heard on all issues.

Respectfully Submitted,



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Senior Assistant Consumer Advocate  
PA Attorney I.D. # 93682  
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Acting Consumer Advocate

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DATE: February 13, 2015  
201936

CERTIFICATE OF SERVICE

Petition of Philadelphia Gas Works :  
For Approval of Demand-Side Management :  
Plan For FY 2016-2020 :  
 : Docket No. P-2014-2459362  
Philadelphia Gas Works Universal Service :  
And Energy Conservation Plan :  
For 2014-2016, 52 Pa. Code § 62.4- :  
Request for Waivers :

I hereby certify that I have this day served a true copy of the foregoing 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 Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 13<sup>th</sup> day of February 2015.

SERVICE BY E-MAIL and INTEROFFICE MAIL

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SERVICE BY E-MAIL & FIRST CLASS MAIL

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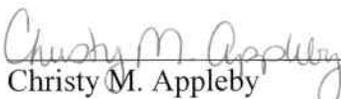
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