

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 2, 2018

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

Re: Pennsylvania Public Utility Commission
v.
Duquesne Light Company – Base Rate
Docket No. R-2018-3000124

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 as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "P.D. Demanchick".

Phillip D. Demanchick
Assistant Consumer Advocate
PA Attorney I.D. # 324761
E-Mail: PDemanchick@paoca.org

Enclosures:

cc: Honorable Katrina L. Dunderdale
Certificate of Service
*248208

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2018-3000124
Duquesne Light Company – Base Rate :

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 2nd day of May 2018.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Gina L. Miller, Esquire
John M. Coogan, Esquire
Bureau of Investigation and Enforcement
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SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

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SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

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/s/ Phillip D. Demanchick
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Dated: May 2, 2018
*248209

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2018-3000124
	:	
Duquesne Light Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to the Prehearing Conference Order of Administrative Law Judge Katrina L. Dunderdale, Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in anticipation of the prehearing conference scheduled for Thursday, May 3, 2018, the Office of Consumer Advocate (OCA) provides the following information:

I. BACKGROUND

On March 28, 2018, Duquesne Light Company (DLC or Company) filed Tariff Supplement No. 174 to Tariff Electric - Pa. P.U.C. No. 24 (Supplement No. 174) at Docket No. R-2018-3000124. Through Supplement No. 174, DLC proposes to increase rates to produce additional annual distribution revenues of \$81.6 million per year, or an increase of 16.1%. DLC proposes to allocate approximately \$57 million, or 70% of the requested increase, to residential customers. The Company achieves this in part by proposing an increase to the residential customer charge from \$10.00 to \$16.25. The Company further proposes, among other things, to recover expenses and investments associated with several new programs, including the development of a natural-gas fueled microgrid at the Company's Woods Run Campus and the

implementation of an electric vehicle pilot program (EV Chargeup Pilot).

The Company is engaged in the business of furnishing electric utility service to approximately 596,000 customers in the greater Pittsburgh region, specifically in Allegheny and Beaver Counties. As proposed, a residential customer using an average of 600 kWh per month will see their total bill increase on a monthly basis from \$98.15 to \$106.80 per month, or 8.82% on a total bill basis (distribution, transmission, and generation charges). Additionally, the Company's proposed rate increase, if approved, would produce an 8.06% overall rate of return, including a 10.95% rate of return on common equity.

On March 30, 2018, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On April 6, 2018, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance. On April 9, 2018, the International Brotherhood of Electrical Workers Local 29 (IBEW) and Community Action Association of Pennsylvania (CAAP) each filed a Petition to Intervene. On April 10, 2018, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Peoples Natural Gas Company filed a Formal Complaint. On April 11, 2018, Jason Dolby filed a Formal Complaint. On April 26, 2018, James Fedell filed a Formal Complaint. On May 1, 2018, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement and Notice of Appearance.

By Order entered April 19, 2018, the Commission suspended the Company's proposed Supplement No. 174 until December 29, 2018, and referred this proceeding to the Commission's Office of Administrative Law Judge for hearings. The proceeding was assigned to Administrative Law Judge (ALJ) Katrina L. Dunderdale, and a prehearing conference is scheduled for Thursday, May 3, 2018.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of DLC's base rate filing, the Office of Consumer Advocate has compiled a list of issues, which it anticipates will be included in its investigation of the Company's request. It is anticipated that issues in addition to those enumerated below may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. The OCA reserves the right to present any new or unanticipated issues at such time.

As soon as the OCA has had the opportunity to review the answers to interrogatories, the OCA anticipates that informal discovery meetings may be scheduled. At those meetings, the OCA will be able to narrow the scope of additional information requests. Once the OCA files direct testimony, the OCA will be able to make and quantify its specific recommendations.

The list of issues and sub-issues set forth below will be analyzed and presented as appropriate by the OCA with the assistance of the OCA's expert witnesses:

A. Rate of Return

The OCA will perform a detailed analysis of the rate of return claimed by DLC, including, but not limited to, a review of: (1) the Company's methodologies and supporting data used to develop its final cost of common equity claim of 10.95%, (2) the cost of equity models and how they have been utilized, (3) DLC's investment risk relative to that of the electric industry barometer group, (4) the capital structure, including long-term and short-term debt cost rates, proposed by DLC, and (5) the Company's proposed increase of twenty basis points to the common equity cost rate for recognizing the performance of company management.

B. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of DLC's projections of utility plant in service during the periods relevant to this proceeding including, but not limited to,

whether the fully projected future test year (FPFTY) plant will be completed as claimed and whether retirements are accurately reflected.

The OCA will also review the Company's claim for plant additions during the projected rate year to determine if the Company has demonstrated that all such costs are prudently incurred and whether the claimed plant is a proper reflection of that which will be in service during the rate year. This includes, but is not limited to, the Pole Assessment, Repair, and Replacement Program, the Overhead Line Rehabilitation Program, the Montour Substation Project, the Woods Run Microgrid, the EV Chargeup Pilot, the LED Street Lighting Program, the implementation of an Electrical Model, and the inclusion of cloud computing expenses in rate base.

Lastly, the OCA will investigate whether the Company's claims of depreciation reserve reduction of rate base, cash working capital, deferred income taxes, and customer deposits are at levels appropriate for use in setting base rates for DLC.

C. Revenues and Expenses

The OCA will evaluate the reasonableness and accuracy of the Company's proposed revenues. The OCA will further examine the appropriateness, reasonableness, and accuracy of the Company's expense claims, including but not limited to wages and benefits, rate case expenses, service company charges, outside service, uncollectible accounts, pensions and OPEBs, information technology (IT) and software expenses, as well as other categories of expenses.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine DLC's Class Cost of Service Study, with particular regard to appropriate and Commission-approved methods to allocate secondary lines, poles and transformers, and the proper recognition of weighting of various Customer Service, Accounting,

and Information expenses between classes. The OCA will also examine the Company's Class Revenue responsibility and apportionment of the revenue increase given cost of service results, as well as recognition of other relevant factors and ratemaking principles. In addition, the OCA will examine the Company's proposed rate design, including its proposed increase to the residential customer charge from \$10.00 to \$16.25.

E. Universal Service Programs

The OCA will review the Company's Customer Assistance Programs, specifically examining DLC's proposed modification to Rider 5 through which the Company collects its universal service costs. The OCA will also examine cost and recovery issues associated with DLC's proposal to facilitate the payment of bills through ACH transactions. The OCA will also review the reasonableness of customer service, including DLC's increase in residential arrearages and compliance with customer service tariffs.

F. The Tax Cuts and Jobs Act

The OCA will investigate the effects of the Tax Cuts and Jobs Act and whether it is properly reflected in the Company's proposed rates. Such investigation will include a review of the Company's reduced tax expense and any excess Accumulated Deferred Income Taxes (ADIT) resulting from the changes in the tax law. In addition, the OCA will review the Company's existing rates, which do not properly reflect 2018 tax expense savings and should be timely returned to customers.

G. Woods Run Microgrid Project

The OCA will review the Company's proposal to engineer, procure and construct a microgrid at the Company's Woods Run facility, whether such costs and policy objectives are

reasonable and appropriate, and whether the Company should be afforded the ratemaking treatment it requests.

H. EV Chargeup Pilot

The OCA will review the Company's proposed electric vehicle (EV) pilot program, whether such costs and policy objectives are reasonable and appropriate, and whether the Company should be afforded the ratemaking treatment it requests.

I. Other Issues

The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes, any relevant issues that arise as a result of the Company's operations, and will investigate to ensure that the Company is complying with all prior orders.

III. WITNESSES

The OCA intends to present direct, rebuttal, and surrebuttal testimonies of the witnesses identified herein, as may be necessary. Each witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case.

Accounting:

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Rate Design/Cost of Service:

Glenn A. Watkins
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Universal Service:

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Fisher, Sheehan & Colton
34 Warwick Road
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E-mail: roger@fsconline.com

In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be sent electronically to DLC2018@paoca.org. All documents that cannot be sent electronically should be mailed directly to our consultants.

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 Presiding Officer and all parties of record will be notified promptly.

IV. PROCEDURAL RULES / DISCOVERY

In order to effectively investigate and adequately develop a record in this matter, the OCA requests that the same modifications as were approved in DLC's 2013 general rate proceeding, docketed at R-2013-2372129, be approved:

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service.
2. Objections to interrogatories shall be communicated orally within four (4) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.
3. 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.
4. Answers to motions to dismiss objections and/or answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
5. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
6. Answers to on-the-record data requests shall be served in-hand within seven (7) calendar days of the requests.
7. Any discovery served after noon (12 P.M.) on a Friday or the day before a holiday will be deemed to have been served on the following business day for purposes of tracking due dates.

8. All discovery due dates be “in-hand” and that electronic or fax service on the due date will satisfy the “in-hand” requirement, where such service is immediately followed by a hard copy sent by first-class mail.

V. PUBLIC INPUT HEARINGS

The OCA believes that the amount of the proposed rate increase and the large number of customers affected necessitates a Public Input Hearing being scheduled in this rate case. To date, the OCA has received a Public Input Hearing request from a consumer. Additionally, two Formal Complaints and one informal complaint have been filed in this proceeding. The OCA requests that Public Input Hearings be held in the Company's service territory during the week of June 4 - 8, 2018.

VI. SERVICE

The OCA will be represented in this proceeding by Assistant Consumer Advocates Phillip D. Demanchick and David T. Evrard, and Senior Assistant Consumer Advocate Aron J. Beatty. Two hard copies of all documents should be served on the OCA as follows:

Phillip D. Demanchick
David T. Evrard
Assistant Consumer Advocates
Aron J. Beatty
Senior Assistant Consumer Advocate
Office of Consumer Advocate
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Forum Place, 5th Floor
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Facsimile: (717) 783-7152
E-mail: DLC2018@paoca.org

Additionally, the OCA will accept e-service of all documents at the e-mail address stated above.

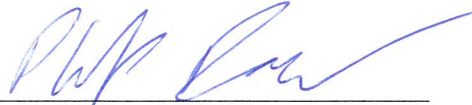
VII. PROPOSED SCHEDULE

The OCA will work with the Parties to come to an agreed upon schedule in this matter.

XIII. SETTLEMENT

The OCA is willing to engage in settlement discussions with the Parties.

Respectfully Submitted,



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May 2, 2018
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