


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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May 25, 2021

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

Re: Pennsylvania Public Utility Commission
v.
Duquesne Light Company
Docket No. R-2021-3024750

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/ Christy M. Appleby
Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
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Enclosures:

cc: The Honorable Joel H. Cheskis (**email only**)
The Honorable John M. Coogan (**email only**)
Certificate of Service

*309606

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2021-3024750
 :
 Duquesne Light Company :

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 25th day of May 2021.

SERVICE BY E-MAIL ONLY

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Dated: May 25, 2021
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2021-3024750
	:	
Duquesne Light Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to the Prehearing Conference Order of Deputy Chief Administrative Law Judge Joel H. Cheskis and Administrative Law Judge John M. Coogan, Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in anticipation of the prehearing conference scheduled for Thursday, May 27, 2021, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On April 16, 2021, DLC filed Supplement No. 25 with the Commission. DLC proposes to increase its total annual operating revenues by \$85.8 million, or 15.6%, over the amount of annual distribution revenues at present rates. This net increase in base distribution revenues is calculated through an increase of approximately \$115 million in base rates, which is offset by reductions of \$29.2 million per year in other current charges, including the zeroing out of the Company's Distribution System Improvement Charge. The Company achieves this, in part, by proposing an increase to the residential customer charge from \$12.50 to \$16.00. Pursuant to Section 1330 of the Public Utility Code, Supplement No. 25 also requests approval of the following alternative rate mechanisms: (1) Residential Subscription Rate; (2) a non-residential Community Development Rider; (3) Federal Tax Adjustment clause; and (4) Electric Vehicle Service. For the Residential

Subscription Rate pilot, DLC proposes a residential customer pilot program to allow customers to select a specified level of grid access of distribution service for a set monthly charge. DLC also proposes to add a Federal Tax Adjustment clause rider to provide for adjustments to base rate distribution revenue to reflect the effects of future increases or decreases to the federal corporate income tax rate. For Electric Vehicle Service, DLC proposes a five year Electric Vehicle Home Charging Pilot to install, own, and maintain L2 stations for residential customers.

The Company is engaged in the business of furnishing electric utility service to approximately 605,000 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 \$100.12 per month to \$107.85 per month, or 7.72% on a total bill basis (distribution, transmission, and generation charges). Additionally, the Company's proposed rate increase, if approved, would produce a 7.84% overall rate of return, including a 10.95% rate of return on common equity.

On April 23, 2021, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance, and the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement and Notice of Appearance. On April 26, 2021, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On April 27, 2021, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance. On May 4, 2021, the Pennsylvania Weatherization Providers Task Force, Inc. filed a Petition to Intervene. On May 17, 2021, the Natural Resource Defense Council (NRDC) filed a Petition to Intervene.

By Order entered May 20, 2021, the Commission suspended the Company's proposed Supplement No. 25 until January 15, 2021, and referred this proceeding to the Commission's

Office of Administrative Law Judge for hearings. The proceeding was assigned to Administrative Law Judge (Deputy Chief ALJ) Joel H. Cheskis and Administrative Law Judge (ALJ) John M. Coogan, and a prehearing conference is scheduled for Thursday, May 27, 2021.

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. Revenues and Expenses

The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues, and will seek to ascertain whether the Company's claimed expenses are supported and appropriate. This includes an examination of the Company's claimed increases in operating and maintenance expenses, including wages, salaries, the cost of providing employee health care and retirement benefits, COVID-related costs and EV program cost recovery. The OCA will review the sales forecast utilized by the Company in order to project future test year sales and revenues, including the proposed normalization of future test year sales. The OCA will also examine the

Company's proposed tax expenses, as well as the Company's proposed annualizations and pro-forma test year adjustments.

The OCA may explore additional revenues and expense issues after it has completed its review of outstanding interrogatory responses.

B. Rate of Return

The OCA will perform a detailed analysis of the cost of common equity claimed by DLC. The OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim of 10.95%. In particular, the OCA will review the cost of equity models and how they have been implemented and will evaluate the theoretical and empirical foundations of any proposed adjustments to the equity cost rate. DLC's investment risk relative to that of the electric industry barometer group will also be evaluated. The OCA will examine the capital structure and long-term and short-term debt cost rates proposed by DLC so as to determine if they are accurate and appropriate.

C. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of the Company's filing as it relates to the rate base/measure of values. This will include an examination of the Company's plant in service claims in order to determine if they are reasonable and whether the plant claimed is used and useful in providing utility service. The OCA will also examine the Company's claims of cash working capital, deferred income taxes, customer deposits, Excess Pension Capitalized, and customer advances for construction to determine whether they are at levels appropriate for use in setting base rates for DLC.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine the Company's proposed distribution of the revenue increase among customer classes. The OCA will assess whether the rate design proposed by the Company is reasonable and appropriate. The OCA will also examine the cost of service study, including the methodology used and the reasonableness of the allocations. The OCA will also review the reasonableness of the Company's proposed alternative rate designs including the proposed residential rate subscription; the Community Development rider; and the Federal Tax Adjustment clause rider. Additionally, the OCA will review the reasonableness and appropriateness of the Company's proposed tariff changes and any other relevant issues that arise as a result of the Company's operations.

E. Universal Service

The OCA will review issues related to low-income customers and universal service programs, including:

- The Company's Customer Assistance Program (CAP) to ensure that the budget amount is reasonable and that the program appropriately serves low-income customers;
- Whether Duquesne fully and adequately implements the full range of universal service protections;
- The effect of the proposed customer charge on low-income customers;
- The quality of customer service provided by the Company;
- Whether the Company has proposed an appropriate offset in its Universal Service Rider for uncollectibles and working capital expenses, as well as whether the trigger for these offsets is set at an appropriate level; and

- Whether the Company's costs are recovered appropriately through the Universal Service Rider.

F. EV Home Charging Pilot

The OCA will examine the Company's proposed Transportation Electrification Programs and EV rate proposals. The OCA will investigate the reasonableness and cost of these programs and evaluate the Company's plan to recover the costs of these programs.

G. Public Policy Concerns (COVID-19)

The OCA will examine the reasonableness of the proposed rate increase in light of the COVID-19 pandemic conditions. The OCA will also investigate whether there is adequate support for the Company's projections due to the COVID-19 pandemic.

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.

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COVID-19 Public Policy Concerns

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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 OCADuquesne2021@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 Officers and all parties of record will be notified promptly.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of the other parties to the proceeding. The OCA will present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Company through discovery and cross-examination. As described above, the OCA's witnesses will present testimony in the following areas: accounting and regulatory policy, sales, revenue forecasting, rate design, cost allocation, return on equity, capital structure, proposed EV home charging pilot, and universal service.

V. 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 2018 general rate proceeding, docketed at R-2018-3000124, 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.
9. Pursuant to 52 Pa. Code §5.341(b), neither discovery requests nor responses thereto are to be served on the Commission or the Administrative Law Judge, although a certificate of service may be filed with the Commission’s Secretary.

VI. PUBLIC INPUT HEARINGS

The OCA respectfully requests that telephonic public input hearings be conducted with two public input hearings being held on a day, one during the morning/afternoon and one in the evening. The OCA is able to use its call center staff to sign up DLC consumers who want to testify or listen to the public input hearings. The OCA will be prepared to discuss public input hearings at the prehearing conference.

The OCA also requests that the Company be directed to advertise these public input hearings. Newspaper notice must be advertised in the general readership sections of local newspapers, not in the legal section. Other methods of informing its customers of the public input hearings, including social media and the Company’s website, should be utilized as well.

In addition, the OCA requests the other parties involved in the proceeding be permitted to review these public input hearing announcements prior to their publication and distribution and have input into which publications the ads are placed.

VII. SERVICE

The OCA has created a group e-mail address provided below. This is the only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the consultants listed above. All documents should be served on the OCA by e-mail only until the OCA’s offices are open again as follows:

Aron J. Beatty, Senior Assistant Consumer Advocate
Christy M. Appleby, Assistant Consumer Advocate
Phillip D. Demanchick, Assistant Consumer Advocate
David T. Evrard, Assistant Consumer Advocate
OCADuquesne2021@paoca.org

Office of Consumer Advocate
555 Walnut Street
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(717) 783-5048 (telephone)
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For purposes of the prehearing conference, Assistant Consumer Advocate Christy M. Appleby will be the speaking attorney on behalf of the Office of Consumer Advocate.

VIII. PROPOSED SCHEDULE

The OCA proposes the following procedural schedule:

Non-Company Parties' Direct Testimony	June 30, 2021*
Rebuttal Testimony	July 26, 2021*
Surrebuttal Testimony	August 10, 2021 at noon*
Rejoinder Outlines	August 13, 2021
Hearings	August 16-18, 2021
Close of Record	August 18, 2021
Main Brief	September 3, 2021
Reply Brief	September 13, 2021

* The parties will provide their applicable workpapers and exhibits in Excel (or other "live" format) within two days following their Direct, Rebuttal, and Surrebuttal testimonies, as applicable.

IX. SETTLEMENT

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

Respectfully Submitted,

/s/ Christy M. Appleby

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