COMMONWEALTH OF PENNSYLVANIA

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June 16, 2016

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

RE: Pennsylvania Public Utility Commission v.
West Penn Power Company
Docket No. R-2016-2537359

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,

Lauren Burge
Assistant Consumer Advocate
PA Attorney I.D. 311570

Enclosures
cc: Honorable Mary D. Long, ALJ
Certificate of Service
222502

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2016-2537359
	:	
West Penn Power Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and in response to the Prehearing Conference Order issued by Administrative Law Judge Mary D. Long (ALJ Long) in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On April 28, 2016, the West Penn Power Company (West Penn or the Company) filed Supplement No. 10 to West Penn's Tariff Electric – Pa. P.U.C. No. 38, at Docket No. R-2016-2537359. The Company is seeking an increase in annual distribution revenue of $98.2 million, or an overall increase of 5.74%. West Penn serves approximately 721,000 residential, commercial, and industrial customers in all or portions of twenty-three counties in western Pennsylvania.

The OCA filed a Formal Complaint against the proposed revenue increase on May 3, 2016. On June 9, 2016, the Commission issued an Order initiating an investigation into the

lawfulness, justness and reasonableness of the proposed rate increase in this filing, and suspended the effective date of Supplement No. 10 until January 27, 2017, by operation of law. The case was assigned to ALJ Long. A telephonic Prehearing Conference is scheduled for June 17, 2016.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of West Penn's base rate filing, the OCA has compiled a list of issues which it anticipates will be included in its investigation of this rate request. It is anticipated that other issues may arise and may be pursued once the answers to all of the OCA's interrogatories have been received and analyzed.

The OCA has served five sets of interrogatories to date. Upon receipt of the answers to those interrogatories, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following list sets forth the issues, that at this time, the OCA anticipates it may raise:

A. Rate of Return

- Cost of Common Equity: The OCA will perform a detailed analysis of the cost of common equity claimed by West Penn. Also, the OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim.
- Capital Structure: The OCA will examine whether the capital structure claimed by West Penn is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes.

- After Tax Weighted Average Cost of Capital (ATWACC): The OCA will examine the methodologies used by the Company to derive its cost of capital.
- Embedded Cost of Debt and Preferred Stock: The OCA will examine the embedded cost of debt and preferred stock.

B. Rate Base/Measure of Value

The OCA will examine the reasonableness of the Company's filing as it relates to rate base/measures of values, including the following areas:

- The Company's plant in service claims in order to determine whether the plant claimed is used and useful in providing utility service;
- The Company's application of the Fully Projected Future Test Year (FPFTY) in this proceeding; and
- The Company's claim for cash working capital.

C. Revenue and Expenses

The OCA will examine the reasonableness of the Company's filing as it relates to revenues and expenses, including the following areas:

- The sales forecast utilized by the Company in order to project future test year sales and revenues;
- West Penn's proposed depreciation expense;
- The Company's rate case expense, labor expense, and advertising expense;
- Inter-company charges;
- West Penn's affiliate charges; and
- Salaries of West Penn's employees, including executive compensation.

D. Rate Structure/Cost of Service/Rate Design

- The OCA will examine the cost of service study, including the methodology used and the reasonableness of the allocations.
- The OCA will examine the Company's proposed customer charge.
- The OCA will examine whether the rate design proposed by the Company is reasonable and appropriate.
- The OCA will examine the Company's proposed distribution of the revenue increase among customer classes.
- The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes.
- The OCA will examine any changes to the Company's riders.

E. Universal Service Programs

- The OCA will review the Company's Customer Assistance Program to ensure that the budget amount is reasonable and that costs are recovered appropriately.
- The OCA will review the Company's Low-Income Usage Reduction Program to ensure that the budget amount is reasonable and that costs are recovered appropriately.
- The OCA will review the cost recovery mechanism to ensure that the Company recovers only those costs permitted to be recovered.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. The witnesses 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. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to

interrogatories be mailed directly to the expert witnesses responsible for the area of the case, as well as mailing a copy to counsel for the OCA.

A. Rate Base, Revenues, Expenses, and General Accounting

Ralph Smith
Larkin and Associates, PLLC
15728 Farmington Road
Livonia, Michigan 48154

Telephone: 734-522-3420
E-mail: rsmithla@aol.com

B. Rate Structure and Cost Allocation

Clarence Johnson
CJ Energy Consulting
3707 Robinson Avenue
Austin, TX 78722

Telephone: 512-506-1896
E-mail: cjenergyconsult@att.net

C. Rate of Return

David C. Parcell
Technical Associates, Inc.
1503 Santa Rosa Road
Suite 130
Richmond, VA 23229

Telephone: 804-272-5363
E-mail: parcelld@tai-econ.com

D. Universal Service/CAP

Roger Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478

Telephone: 617-484-0597
E-mail: 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 OCA will promptly notify ALJ Long and all parties of record.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Senior Assistant Consumer Advocate Darryl Lawrence and Assistant Consumer Advocates David Evrard, Candis Tunilo, and Lauren M. Burge. Two copies of all documents should be served on the OCA as follows:

Darryl Lawrence
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V. DISCOVERY

The OCA has served five sets of discovery to date. The OCA expects that the Company's responses will trigger follow-up discovery due to the nature and complexity of the issues involved. Because the time period for discovery and preparation of testimony is limited, the OCA supports a shortened discovery response time in this proceeding. The OCA, therefore, requests the following modifications:

a. Answers to written interrogatories propounded in preparation of direct and rebuttal testimony shall be served in-hand within ten (10) calendar days of service. Answers to written interrogatories propounded in preparation of surrebuttal testimony shall be served in-hand within five (5) calendar days of service. Discovery propounded after 12:00 noon on a Friday will be deemed served on the next business day for purposes of determining the due date of the responses.

b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ 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 ALJ in writing within six (6) days of service of the interrogatories.

c. 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.

d. 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.

e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

In addition to the preceding modifications to the Commission's Discovery Regulations, the OCA has one further request as to the exchange of information for this proceeding. The OCA requests that parties providing Direct and Rebuttal testimony, either include with such testimony electronic workpapers, cited studies and other documents relied on, or, provide same in workable electronic format within two (2) business days of the testimony submission date to all parties. In the OCA's experience, following the submission of these rounds of testimony parties routinely request the information just described through the normal discovery channels. The OCA submits that much time and effort could be saved by agreeing to streamline the process through an informal discovery modification as the OCA proposes here.

VI. PUBLIC INPUT HEARINGS

The OCA has received requests for public input hearings through its Customer Call Center for hearings throughout the West Penn service territory. The OCA has worked with the Company to identify appropriate locations for public input hearings to be held within West

Penn's service territory. The OCA supports the proposal included in the Company's Prehearing Memorandum as to times and places for public input hearings.

The OCA reserves the right to request additional locations for public input hearings in response to future requests from ratepayers and/or legislators, and will promptly advise ALJ Long and the parties of any further requests.

VII. PROPOSED SCHEDULE

The OCA has worked with the Company and the parties to develop a litigation schedule for this proceeding. The OCA supports the adoption of the schedule outlined in the Company's Prehearing Memorandum.

VIII. CONSOLIDATION

The OCA supports the consolidation of the four FirstEnergy base rate proceedings: Metropolitan Edison Company (R-2016-2537349); Pennsylvania Electric Company (R-2016-2537352); Pennsylvania Power Company (R-2016-2537355); and West Penn Power Company (R-2016-2537359).

Respectfully submitted,

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June 16, 2016

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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2537359
West Penn Power Company	:	

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 §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of June 2016.

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