

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

January 28, 2019

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Dear Secretary Chiavetta:

Re: Petition of Valley Energy, Inc. for Expansion
Project Surcharge and Waiver of Tariff Rule 4
Docket No. P-2018-3006500

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/J.D. Moore

J.D. Moore
Assistant Consumer Advocate
PA Attorney I.D. # 326292
E-Mail: JMoore@paoca.org

Counsel for: Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048 Fax: (717) 783-7152

Enclosure

cc: Honorable Dennis J. Buckley
Administrative Law Judge
Certificate of Service

CERTIFICATE OF SERVICE

Petition of Valley Energy, Inc. for :
Expansion Project Surcharge and : Docket No. P-2018-3006500
Waiver of Tariff Rule 4 :

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 day 28th of January 2019.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Allison C. Kaster, Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105

SERVICE BY EMAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

John R. Evans, Esquire
Sharon E. Webb, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101

Pamela C. Polacek, Esquire
Matthew L. Garber, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17101

/s/J.D. Moore
J.D. Moore
Assistant Consumer Advocate
PA Attorney I.D. # 326292
E-Mail: JMoore@paoca.org

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048 Fax: (717) 783-7152

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Valley Energy, Inc. for Expansion : Docket No. P-2018-3006500
Project Surcharge and Waiver of Tariff Rule 4 :

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. Section 333, and the Prehearing Conference Order of Administrative Law Judge (ALJ) Dennis J. Buckley issued on January 24, 2019, the Office of Consumer Advocate (OCA) provides the following:

I. INTRODUCTION AND BACKGROUND

On December 11, 2018, Valley Energy, Inc. (Valley or Company) filed the instant Petition seeking Commission approval of (1) Valley's proposed Rider EA Surcharge and (2) waiver of Valley's Tariff Rule 4. Though this Petition, Valley would expand its natural gas service to consumers in the eastern portion of Athens, Pennsylvania (East Athens). Consumers in East Athens currently do not have access to any natural gas service.

Valley estimates the cost of the project will be approximately \$1.7 million. On September 20, 2018, the Pennsylvania Department of Community and Economic Development awarded Valley \$850,000 in Pipeline Investment Program grant funds to help facilitate the project. The Petition proposes to allow Valley to pay for the remainder of the expansion project over time by charging only new customers in East Athens with a monthly surcharge to pay for the new infrastructure required by the expansion, which would be automatically removed once the project's cost has been recovered. The Company states that current customers in Athens will be unaffected

by the expansion project or the expansion surcharge.

On December 27, 2018, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Notice of Intervention, Answer, and Public Statement. On December 28, 2018, the OCA filed a Notice of Intervention and Public Statement. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on December 31, 2018. On January 18, 2019, Valley submitted Statement No. 1 – Direct Testimony and Exhibits of Edwards E. Rogers.

Administrative Law Judge Dennis J. Buckley was assigned to this proceeding. On January 11, 2019, ALJ Buckley notified the parties that an Initial In-Person Prehearing Conference would take place on January 29, 2019 in Harrisburg. The OCA submits this Prehearing Memorandum in accordance with the directives of ALJ Buckley's Prehearing Conference Order.

II. OCA ISSUES

Based upon its preliminary analysis of the Company's Petition, the OCA anticipates that it will address the following topics in its testimony. The OCA also anticipates that additional issues may arise upon receipt and analysis of complete answers to OCA interrogatories. The OCA reserves the opportunity to present any new or unanticipated issues in accord with the procedural schedule set for this matter.

a. Impact on Rates: The Company has indicated that only new customers in East Athens will be subject to the Rider EA Surcharge. The OCA will seek to ensure that the treatment of the expansion project's costs are consistent with Commission regulations, and applicable case law, and that the resultant rates are just and reasonable.

b. Financial Compliance: The OCA will seek to ensure that the Company's calculations and data in support of the expansion project are in compliance with the Public Utility

Code, Commission regulations, and general ratemaking principles.

c. Reasonableness of the Expansion Project: The proposed expansion project is intended to expand Valley's natural gas service to an unserved area. The OCA will examine the Company's proposed expansion for reasonableness and will examine the reasonableness of the terms for the new customers.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witness in this proceeding:

Glenn Watkins
Technical Associates, Inc.
1503 Santa Rosa Road
Suite 130
Richmond, VA
watkinsg@tai-econ.com

Mr. Watkins will present testimony in written form and may 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, in addition to mailing copies to OCA counsel, parties send copies of all interrogatory answers and testimony directly to the OCA's expert witness. The OCA also requests that CDs containing any interrogatory responses be mailed directly to the expert witness.

IV. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witness. 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.

V. PROPOSED PROCEDURAL SCHEDULE

The OCA will work with the presiding officer in this proceeding, as well as the other

parties, to arrive at a mutually agreeable procedural schedule.

VI. DISCOVERY

To date, the OCA has not engaged in formal discovery with the Company. The OCA has, however, participated in informal discovery with the Company and anticipates keeping an open dialogue with the Company and the other parties as this matter progresses.

VII. REPRESENTATION

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

J.D. Moore
Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
AquaPeoples@paoca.org
Telephone: (717) 783-4529
Fax: (717) 783-7152

VIII. SETTLEMENT

The OCA is willing to participate in settlement discussions.

Respectfully submitted,



J.D. Moore
Assistant Consumer Advocate
PA Attorney I.D. # 326292
Email: JMoore@paoca.org

Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682

Email: DLawrence@paoca.org

Counsel For:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut St., 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
DATED: January 28, 2019
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