



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

March 11, 2019

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

Re: Pennsylvania Public Utility Commission v.
Peoples Natural Gas Company, LLC
Docket No. R-2018-3006818
Prehearing Memorandum

Dear Secretary Chiavetta:

Enclosed for filing please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** for the above-captioned proceeding.

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 783-6156.

Sincerely,

Erika L. McLain
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 320526

ELM/jfm
Enclosure

cc: Hon. Joel H. Cheskis (ALJ, Harrisburg)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-3006818
	:	
Peoples Natural Gas Company LLC	:	

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO ADMINISTRATIVE LAW JUDGE JOEL CHESKIS:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement Prosecutors in this proceeding will be Carrie B. Wright and Erika L. McLain. Contact information is as follows:

By mail: Carrie B. Wright
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By telephone: (717) 783-6156
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I. INTRODUCTION

On January 28, 2019, Peoples Natural Gas Company, LLC. (“Peoples” or “Company”) filed Retail Gas Tariff – Pa. P.U.C. No 47 and Supplier Tariff Gas – Pa. P.U.C. No. S-3 to become effective March 29, 2019. It contained proposed changes in rates, rules, and regulations calculated to produce \$94.9 million, or 14.2%, in additional annual revenues.

On February 28, 2019, the Commission entered an order suspending the implementation of this rate filing by operation of law until October 29, 2019, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed rate filing.

A telephonic Prehearing Conference is scheduled for Thursday, March 14, 2019, at 10:00 am, with Administrative Law Judge Joel Cheskis presiding.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- a) Overall Rate of Return:
 - Cost of Debt;
 - Cost of Common Equity;
 - Capital Structure;

- b) Rate Structure/Rate Design:
 - Cost of Service;
 - Proposed Rates;
 - Customer Charge;
 - Cost Allocation;
 - Scale Back of Rates;

- c) Rate Base:
 - Plant in Service;
 - Accrued Depreciation;
 - Annual Depreciation
 - Net Plant;
 - Cash Working Capital;

- d) Operation and Maintenance Expense Claims including:
 - Labor;
 - APIP/Incentive Compensation;
 - Pension;
 - Post Retirement Benefits Other than Pensions;
 - Other Employee Benefits;
 - Outside Services – Contracted;
 - Outside Services – A&G;
 - Building Leases;
 - Corporate Insurance;
 - Injuries and Damages;
 - Employee Expenses;
 - Company Memberships;
 - Utilities & Fuel Used in Company Operations;
 - Advertising;
 - Fleet;
 - Prepayments;
 - Other O&M;

Debt Issuance Costs;
Payment Processing;
Rate Case Expense;
Uncollectible Accounts Expense;
Inflation Factor;
Cash Working Capital;
Income Tax;
Taxes Other than Income;
Treatment of the Tax Cuts and Jobs Act;

- e) Unaccounted for Gas;
- f) Compliance with prior Commission Orders;
- g) Fully Projected Future Test Year Reporting;
- h) Main Extension Tariff Proposal;
- i) Present Rate Revenue;
- j) Proposed Rate Revenue; and
- k) Gas Safety.

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Ethan Cline, Fixed Utility Valuation Engineer
Christopher Henkel, Fixed Utility Financial Analyst
Christopher Keller, Fixed Utility Financial Analyst
Brenton Grab, Fixed Utility Financial Analyst
Matthew Matse, Pipeline Safety Engineer

The I&E witnesses may be contacted through the information listed above for Prosecutors Wright and McLain. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. Due to the time limitations in the proceedings, I&E requests that the Commission's Rules of Practice and Procedure for the conduct of discovery be modified as follows:

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 three (3) days of service; unresolved objections be served to the ALJ in writing within five (5) days of service of interrogatories.

3. Motion to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of written objections.
4. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) days of service of such motions.
5. Discovery served after 12:00 noon on a Friday or after 12:00 p.m. on any business day preceding a state holiday will be deemed to be served on the next business day.

VI. SCHEDULE

I&E will work with the parties to develop a mutually agreeable schedule in this proceeding. The schedule proposed by the Company is acceptable to I&E. However, I&E Pipeline Safety Witness, Matthew Matse is unavailable the week of the proposed hearings. Therefore, I&E requests, if acceptable to Your Honor and the other Parties, that Mr. Matse be permitted to testify at the hearing telephonically.

Further, as hearings in this proceeding will likely require the involvement of various Commission employees from I&E, including at minimum the I&E prosecutor and five I&E technical witnesses, and most of those employees are based out of the Commission's Harrisburg office, I&E requests that hearings be held in Harrisburg.

To the extent that public input hearings are deemed necessary in this proceeding, I&E advocates for the use of Smart Hearings where possible.

VII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VIII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Carrie Wright
Prosecutor
PA Attorney I.D. No. 208185

Erika L. McLain
Prosecutor
PA Attorney I.D. No. 320526

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
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(717) 783-6156

Dated: March 11, 2019

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2018-3006818
 :
 Peoples Natural Gas Company LLC :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the **Prehearing Memorandum** dated March 11, 2019, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

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A handwritten signature in cursive script, reading "Erika L. McLain", written over a horizontal line.

Erika L. McLain
Prosecutor
Bureau of Investigation & Enforcement
PA Attorney I.D. No. 320526