

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :  
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v. : Docket No. R-2018-3006818  
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Peoples Natural Gas Company, LLC :  
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Direct Testimony of Cynthia A. Menhorn on Behalf of  
Duquesne Light Company

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**PUBLIC VERSION**

Subject: Flexed Gas Rates and Advertising Expenses

**DIRECT TESTIMONY OF CYNTHIA A. MENHORN**

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**Q. Please state your full name and business address.**

A. My name is Cynthia A. Menhorn. My business address is 2919 Seminary Drive, Greensburg, PA 15601.

**Q. By whom are you employed and in what capacity?**

A. I am employed by MCR Performance Solutions as the Vice President of Regulatory Services. MCR is a consulting firm that was established in 1999. MCR provides consulting services to utilities across the United States and Canada. We focus exclusively on utilities in the areas of regulatory services, financial advisory, energy efficiency, nuclear generation and electric transmission.

**Q. What are your current responsibilities in that position?**

A. I am responsible for all aspects of project management for regulatory engagements, which includes analyzing rate and regulatory issues, reviewing and determining processes necessary to conform to new regulations, participating in statewide regulatory meetings, facilitating weekly update meetings for utility staff and contractors, preparing RFPs for clients to hire contractors, reviewing RFP responses and participating in contractor selection process, defining statements of work for newly hired contractors, facilitating workshops, drafting testimony, project team oversight (MCR staff, contractors and client staff), and presentation of final recommendations. In addition, we help clients by developing regulatory strategies, designing advanced rates and cost recovery mechanisms and managing the regulatory process.

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**Q. Please state your educational and professional qualifications.**

A. I have over 40 years of experience in the utility industry. For the last 10 years, I've been leading the Regulatory Services practice for MCR. Prior to that I was employed by Allegheny Energy for almost 30 years in a various positions within rates with increasing responsibilities concentrating on rate design, tariff development and review, regulatory strategy, energy efficiency, load research, revenue forecasting, cost allocation and regulatory affairs, including work on over 80 rate cases and testimony before numerous state commissions. My education consists of Master of Business Administration with concentration in investments from the Indiana University of Pennsylvania, and a Bachelor in Business Administration with a concentration in Finance from Seton Hill University.

**Q. Are you sponsoring any exhibits as part of your direct testimony?**

A. Yes. I am sponsoring four Exhibits, which have been marked as Exhibits CAM-1 through CAM-4 and which are attached hereto. Please note that Exhibits CAM-2 through CAM-4 include discovery responses that, as of the date of this testimony, are identified as HIGHLY CONFIDENTIAL.

**Q. Have you previously testified before the Pennsylvania Public Utility Commission?**

A. Yes. While employed at MCR Performance Solutions, I was a witness in Docket Nos. R-2014-2419774 and R-2014-2419776 for Wellsboro Electric Company and Citizens' Electric Company of Lewisburg, PA and during my tenure at Allegheny Energy I testified in several cases. See Exhibit CAM-1 for my complete Curriculum Vitae.

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**Q. Please summarize the topics on which you will be providing testimony.**

A. My testimony will address certain issues related to Peoples’ flexed gas rates and advertising programs. My testimony amplifies C. James Davis’s discussion of these matters in his direct testimony, DLC Statement No. 1.

**FLEXED GAS RATES**

**Q. Are all of Peoples’ customers billed pursuant to Peoples’ tariffed rates?**

A. No. As Mr. Davis discusses in his direct testimony, Peoples negotiates special “flexed” gas rates with certain customers that Peoples deems to be competitively situated on the basis of their access to a “competitive alternative.” In her response to DLC-I-1, Ms. Scanlon states that “potential alternatives include but are not limited to other fuel sources such as coal, steam, propane, fuel oil, biomass, and electricity”.

**Q. Does Peoples’ identification of “competitive alternatives” pose any concerns?**

A. Yes. In addition to the reasons Mr. Davis identifies in DLC Statement No. 1, **[BEGIN  
HIGHLY CONFIDENTIAL]**

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[END

**HIGHLY CONFIDENTIAL]**

**Q. What do you recommend regarding Peoples' identification of "competitive alternatives?"**

**A. For the reasons Mr. Davis identifies in his direct testimony, as well as [BEGIN  
HIGHLY CONFIDENTIAL]**

**[END HIGHLY CONFIDENTIAL]** I agree with Mr. Davis's recommendation that Peoples be required to amend its tariff to exclude electric service supplied by an EDC as a "competitive alternative." In my experience, utility tariffs as approved by commissions need to contain procedures consistent with

1 practice, thereby not incurring an unintended or biased consequence in the application of  
2 the tariff.

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4 **ADVERTISING EXPENSES**

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6 **Q. Have you reviewed Mr. Davis's direct testimony regarding Peoples' advertising**  
7 **expenses?**

8 **A. Yes.**

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10 **Q. Do you have anything to add to Mr. Davis's discussion of this issue?**

11 **A. Yes. [BEGIN HIGHLY CONFIDENTIAL]**

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**[END HIGHLY CONFIDENTIAL]**

**Q. What do you recommend regarding Peoples' claim for sports sponsorship advertising expenses?**

A. These expenses are not a reasonable or prudent use of ratepayer dollars. Peoples should not be allowed to recover those expenses from customers. The expenses should be disallowed, and Peoples' rate claim should be adjusted accordingly.

**Q. Does this conclude your direct testimony?**

A. Yes, it does. However, I reserve the right to supplement my testimony at some point in the future based on the review of further information and discovery responses from Peoples, and/or to address additional issues that may arise during the course of this proceeding.

# **EXHIBIT CAM-1**

Curriculum Vitae

# Cynthia A. Menhorn

## Career Overview

Cindy brings over 40 years of rates and regulatory experience, including work on over 80 rate cases and testimony before numerous state commissions, including Maryland, Pennsylvania, Virginia, West Virginia, Ohio, Tennessee, North and South Carolina, New Mexico and FERC. Through her previous responsibilities, Cindy has deep experience with regulatory commissions throughout the country and extensive knowledge of the rate case process, including widespread interaction with stakeholders.

## Career History

### **MCR Performance Solutions, LLC**

MCR provides consulting services to the utility industry, namely natural gas, electric and water utilities. The firm has extensive experience working with investor owned utilities, G&T cooperatives and public power agencies. MCR combines its industry knowledge with its unique elements of economic analysis, regulatory process, strategic insight, organizational change and information management. Since 1999, MCR assists clients in navigating the challenges of a complex energy environment and working with them to create a new future.

### **Vice President**

Lead the Regulatory Services Practice at MCR. Responsible for continued growth of practice through acquisition of new clients and projects, leading to sustainable revenue growth. Also charged with facilitating a practice expansion to encompass the energy-water nexus. Responsible for all aspects of project management for regulatory engagements, which includes analyzing rate and regulatory issues, reviewing and determining processes necessary to conform to new regulations, participating in statewide regulatory meetings, facilitating weekly update meetings for utility staff and contractors, preparing RFPs for clients to hire contractors, reviewing RFP responses and participating in contractor selection process, defining statements of work for newly hired contractors, facilitating workshops, drafting testimony, project team oversight (MCR staff, contractors and client staff), and presentation of final recommendations. Successfully manage projects aiming to resolve difficult regulatory issues under tight deadlines. Achieved ultimate success when existing multi-year client extended the project into yet another a multi-year contract.

### **Director**

Generated multiple leads for new clients in electric regulatory practice. Orchestrated responses to request for proposals; successfully awarded nine-month project that expanded into a multi-year contract for the regulatory practice. Responsible for all aspects of project management of client engagements, encompassing management of several internal staff members and a variety of outside contractors. Responsible for overseeing work of project teams (MCR staff, contractors and client staff), establishing client processes and presenting final recommendations to senior management.

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### **Allegheny Energy (merged with FirstEnergy in 2011)**

Allegheny Energy was a Greensburg, Pa.-based company serving 1.6 million customers in Pennsylvania, West Virginia, Maryland, Virginia and Ohio. The company owned generation, transmission and distribution facilities until the time of the merger with FirstEnergy. They are now part of one of the largest utilities in the nation.

#### **Director, Energy Efficiency and Demand Response**

Directed an energy efficiency effort to develop and implement a corporate demand side management strategy, encompassing energy efficiency, conservation and demand response programs. Led a cross-functional team responsible for developing programs, branding an energy conservation and education program, preparing filings (including the development of revenue tests), responding to numerous data requests and providing oral and written testimony in multiple jurisdictions. In addition, successfully developed a program that partnered with a leading wind developer and provided residential, commercial and industrial customers the option to pay an additional charge to purchase wind energy credits.

Provided leadership to analyze and develop a plan to institute an advanced utility infrastructure or smart grid, including two-way metering communication capabilities encompassing efficiencies gained for distribution line and transformer monitoring. Facilitated choice of a platform that allowed for innovative rate structures to send the proper price signals for more efficient use of energy while utilizing, to the extent possible, the existing architecture for the purpose of minimizing stranded investments.

#### **Director, State Regulatory Affairs**

Advocated company interests before the state regulatory commission as the single point of contact for state regulators while coordinating all regulatory efforts with Allegheny's Legal, Delivery, Supply, Finance, Accounting and Chief Commercial Officers functions. Encompassed policy/position development; developed and implemented advocacy strategies; and developed and maintained good working relationships with regulators. Directed and coordinated internal teams and analysis on regulatory initiatives.

#### **Director, Regulation and Rates**

Managed all aspects of electric rate case development and filing. Directed the development of revenue requirements, cost of service studies, revenue allocation and rate design, while managing rate case strategy, testimony development, interrogatory response development and ongoing discussions, leading to settlements in many instances. Managed filings for fuel clauses in five jurisdictions, which included participating in discovery and testimony development for the implementation of increasing purchased power cost values. Included dismantling fuel clauses and rolling the values into base rates during deregulation, often at values beneficial to the utility.

#### **General Manager, Regulated Pricing Services**

Managed filings and provided testimony for unbundling customer classes of rates during electric deregulation rate cases over multiple jurisdictions. Led to regulatory orders that accepted the cost allocation and individual tariff designs for the unbundled components. Participated on a high-profile team to develop a strategy for determining the proper post- restructuring split of a generation business from the electric utility. Participated in individual restructuring regulatory proceedings in multiple jurisdictions and was an expert witness regarding the proper revenue allocation and rate

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design for the generation components. Resulted in moving generation into an unregulated subsidiary under the corporate umbrella, allowing the unit to bid for competitive load in the generation market.

## **Manager, Cost and Pricing**

Designed residential, commercial and industrial rates for five retail jurisdictions, including special contract rates for large industrial entities. Managed development of cost of service studies; load data services, including research and load profiling, power billing, tariff applications; and, provided multiple rate studies, as requested by senior management. Developed expert testimony for a variety of witnesses.

## **Core Team Member – Reorganization of Distribution Companies**

Selected from 6,000 employees to join a nine member Core Team charged with reengineering the three operating companies affecting about 3,000 employees. Participated in this temporary position for nine months. Analyzed distribution companies' processes, interviewed employees, restructured departments and subsequently re-staffed the redesigned organization. Chosen to participate on the two member team that made formal, final recommendations to senior management.

## **Core Team Member – Reorganization of Rates**

Participated in a reorganization of the rates organization. Analyzed rates processes, interviewed employees and restructured the department to maximize the benefits to the new organization of the distribution companies.

## **Manager, Rate Manager Analysis**

Designed residential, commercial and industrial rates for five retail jurisdictions, including special contract rates for large industrial entities. Managed development of cost of service studies; load data services, including research and load profiling, power billing, tariff applications; and, provided multiple rate studies as requested by senior management.

## **Supervisor, Rate Manager Analysis**

Directed regulatory staff in the development of tariffs and rate design, while ensuring regulatory compliance. Performed monthly proper rate schedule determination analysis across five jurisdictions for large commercial and industrial customers.

## **Education & Training**

Master of Business Administration (magna cum laude) with concentration in Investments Indiana University of Pennsylvania

Bachelor in Business Administration (magna cum laude) with a concentration in Finance Seton Hill University

## **Professional Affiliations**

Advisory Council of the New Mexico State University Center for Public Utilities: Member of the Advisory Board

Electric Energy Institute (EEI): Representative for Allegheny Energy on the Rates and Regulatory Affairs Committee

Southeastern Electric Exchange: Participated in the industry group from the Southeast and became the 2003 Chair of the Rates and Regulation Committee

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Energy Association of Pennsylvania: Member of the Electric Board on behalf of Allegheny Energy

Energy Association of Pennsylvania: Member on the Regulatory Committee on behalf of Allegheny Energy

Association of Energy Service Professionals: Member of the Pricing and Load Profiling Committee and elected to be Chair in 1999

Electric Power Generation Association of Pennsylvania: Member of the Regulatory Committee on behalf of Allegheny Energy

### **Selected Rates and Regulatory Experience**

#### ***On behalf of MCR Clients***

Managed all aspects of project management for a multi-year regulatory engagement for utility energy efficiency programs across residential, commercial and industrial customers. Included designing a surcharge to recover costs associated with a portfolio of programs; surcharge design steps entailed developing associated testimony, analyzing rate and regulatory issues, reviewing and determining processes necessary to conform to new regulations, participating in statewide regulatory meetings, facilitating weekly update meetings for utility staff and contractors, preparing RFPs to hire contractors, reviewing RFP responses and participating in contractor selection process, defining statements of work for newly hired contractors, facilitating workshops, drafting testimony, providing project team oversight (MCR staff, contractors and client staff), and developing presentation of final recommendations. Achieved ultimate success when existing multi-year client extended the project into three multi-year contracts.

Managed a project for a large investor owned utility to provide an analysis and comparison of existing tariff options to current and future trends in electric pricing for large industrial and commercial customers. Provided an analysis of the potential impact and receptivity of potential alternative rate options for the utility's large industrial and manufacturing customers.

Participated with utility to discuss alternative rate options with stakeholders. Filed with the commission in the next rate proceeding results of the analysis for alternative rate designs.

Managed research project for large investor owned utility to determine an alternative rate mechanism for carbon free rate options; project was in response to a large university that requested a rate design based upon carbon free resources. Shared research results with the client, who presented the results to the customer; final outcome is protected by the confidentiality of customer contracts.

Managed a project for two investor owned utilities to put into place processes to meet jurisdictional regulatory requirements for retail access. Included analysis and recommended requirements to implement internal electronic data interchange (EDI) software changes and billing processes to coordinate with electric generation suppliers (EGS). Provided EDI transaction set analysis and the step-by-step requirements to coordinate with EGS providers. Provided analysis and the step-by-step requirements necessary to coordinate with the PJM regional transmission organization for the separation and identification of the retail energy supply to be provided by the EGS. Developed an RFP to solicit software vendors that would meet the requirements for billing system changes related to retail access; facilitated RFP mailing, gathered RFP responses and selected the winning software vendor. Also provided expert rebuttal testimony during the proceeding.

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Managed a project for a major southern electric and gas utility to perform a complete and exhaustive review of each rate schedule within the existing tariffs. Suggestions based upon review were provided to determine timing for future tariff revisions.

Managed a project for a large electric cooperative to assess the appropriateness of their load forecasting process and supporting models, and to identify any opportunities for improvement. The assessment included a benchmark study of their peers as well as interviews of senior management to gauge their expectations regarding the forecast.

### ***On behalf of Allegheny Energy***

Pennsylvania Public Utility Commission (Docket No. M-00061957) Policies to Mitigate Potential Electricity Price Increases: Provided expert testimony at the En Banc hearing on June 22, 2006 and filed written comments in the case to discuss all available means to mitigate the size and effect of price increases as rate caps expire while continuing to move forward with customer choice for generation supply.

Pennsylvania Public Utility Commission (Docket No. R-973981) Application of West Penn Power Company for Approval of its Restructuring Plan under Section 2806 of the Public Utility Code: Provided expert witness testimony with regard to the unbundled cost of service studies, unbundled rate design, tariff design for competitive transition charge components as well as generation, transmission and distribution charges. Discussed additional testimony topics, including competitive metering and billing issues.

Pennsylvania Public Utility Commission (Docket A-110172; A-110172F0002; A-110172F0003; A-110172F0004; G-0071229) Application of Trans-Allegheny Interstate Line Company: Provided expert witness testimony on energy efficiency, conservation and demand response initiatives undertaken by the Company over several decades. Included the customer impact of the existing PJM demand response programs in the testimony. Discussed these existing programs and the analyses performed on new programs in relation to building and seeking approval of a multi-billion dollar, major transmission line. Resulted in project approval.

Maryland Public Service Commission (Case No. 8797) In the matter of The Potomac Edison Company's proposed: (a) stranded cost quantification mechanism; (b) price protection mechanism; and (c) unbundled rates: Provided expert witness testimony with regard to the unbundled cost of service studies, unbundled rate design, tariff design for competitive transition charge components as well as generation, transmission and distribution charges. Discussed additional testimony topics, including competitive metering and billing issues.

Maryland Public Service Commission (Case No. 9111): Coordinated the preparation and filing of the Initial Report of the Potomac Edison Company dba Allegheny Power on Energy Efficiency, Conservation, and Demand Reduction Plan. Testified as the policy witness in the proceeding. Directed by the Commission to develop and file comprehensive energy efficiency, conservation and demand reduction plans proposing programs designed to achieve usage reductions in total electric consumption for each company's Maryland service territory by calendar year 2015 in concert with Governor's O'Malley's EmPower Maryland initiative. Developed an array of possible programs, spanning all customer classes.

West Virginia Public Service Commission (PSC Case No. 98-0452-E-GI) General investigation to determine whether West Virginia should adopt a plan for open access to the electric power supply market and for the development of a deregulation plan: Provided expert witness testimony on behalf of the Monongahela Power Company and the Potomac Edison Company both dba Allegheny Power

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in West Virginia with regard to the unbundled cost of service studies, unbundled rate design, tariff design for competitive transition charge components, as well as generation, transmission and distribution charges. Discussed additional testimony topics, including competitive metering and billing issues.

West Virginia Public Service Commission (PSC Case No. 07-0508-E-CN) Application of Trans-Allegheny Interstate Line Company: Provided expert witness testimony on energy efficiency, conservation and demand response initiatives undertaken by the Company over several decades. Included the customer impact of the existing PJM demand response programs in the testimony. Discussed these existing programs and the analyses performed on new programs in relation to building and seeking approval of a multi-billion dollar, major transmission line. Resulted in project approval.

West Virginia Public Service Commission (PSC Case No. 01-0011-G-42T) Acquisition of Mountaineer Gas Company by Allegheny Power: Provided testimony to address issues regarding the pooling tariff for interruptible gas transportation customers. Discussed additional cost of service items and large industrial rate design issues.

Virginia State Corporation Commission (Case No. PUE000346) Recommendation and Draft Plan for Retail Electric Billing and Metering Services: Provided expert testimony as to whether electric metering and billing services, or both, should be provided by persons licensed to offer such services. Addressed the appropriateness of, and commencement date for, the competitive provision of these services.

Virginia State Corporation Commission (Case No. PUE-2007-00033) Application of Trans-Allegheny Interstate Line Company: Provided expert witness testimony on energy efficiency, conservation and demand response initiatives undertaken by the Company over several decades. Included the customer impact of the existing PJM demand response programs in the testimony. Discussed these existing programs and the analyses performed on new programs in relation to building and seeking approval of a multi-billion dollar, major transmission line. Resulted in project approval.

Ohio Public Utility Commission (Case No. 00-02-EL-ETP) In the Matter of the Application of Monongahela Power Company dba Allegheny Power for Approval of an Electric Transition Plan: Provided expert witness testimony with regard to the unbundled cost of service studies, unbundled rate design, tariff design for competitive transition charge components as well as generation, transmission and distribution charges. Discussed additional testimony topics, including competitive metering and billing issues.

Federal Energy Regulatory Commission (Docket No. ER04-081-000): Provided expert witness testimony to describe the development of the carrying charge rate used to determine the recoverable revenue requirement under Schedule 12 of the PJM Open Access Transmission Tariff (PJM OATT).

Federal Energy Regulatory Commission (Docket No. ER02-136-004): Provided expert witness testimony regarding the setting of the distribution level for service to Allegheny Electric Cooperative.