

**I&E Statement No. 3  
Witness: Brenton Grab**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**v.**

**PEOPLES NATURAL GAS COMPANY LLC**

**Docket No. R-2018-3006818**

**Direct Testimony**

**of**

**Brenton Grab**

**Bureau of Investigation & Enforcement**

**Concerning:**

**CHARITABLE AND CIVIC CONTRIBUTIONS**

**TAXES**

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Brenton Grab, and my business address is Pennsylvania Public Utility  
3 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,  
4 PA 17120.

5  
6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in  
8 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial  
9 Analyst.

10  
11 **Q. WHAT IS YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND?**

12 A. An outline of my education and employment background is set forth in the  
13 attached Appendix A.

14  
15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for protecting the public interest in proceedings before the  
17 Commission. I&E's analysis in the proceeding is based on its responsibility to  
18 represent the public interest. This responsibility requires the balancing of the  
19 interests of ratepayers, the regulated utility, and the regulated community as a  
20 whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to review the base rate filing of Peoples Natural  
3 Gas Company, LLC (Peoples or Company) and make recommendations regarding  
4 the Company's proposed charitable and civic contributions, taxes, and the state tax  
5 adjustment surcharge (STAS) for the fully projected future test year (FPFTY)  
6 ending October 31, 2020. Also, I am making recommendations regarding  
7 flowback of the 2018 tax over-recovery and the excess accumulated deferred  
8 income tax (ADIT) created by the Tax Cuts and Jobs Act (TCJA).

9  
10 **Q. DOES YOUR TESTIMONY INCLUDE AN EXHIBIT?**

11 A. Yes. I&E Exhibit No. 3 contains schedules that support my direct testimony.

12  
13 **Q. PLEASE SUMMARIZE YOUR ADJUSTMENTS.**

14 A. The following table summarizes my recommended adjustments to the Company's  
15 revenue requirement:

	<b>Company Claim</b>	<b>I&amp;E Adjustment</b>	<b>I&amp;E Recommended Allowance</b>
<b>O&amp;M Expenses and Taxes:</b>			
Charitable and Civic Contributions	\$2,851,402	(\$2,851,402)	\$0
PURTA	\$790,013	(\$160,159)	\$629,854
Amortization of Regulatory Liability – Prior Years' Excess Deferred Income Taxes	\$0	(\$779,826)	(\$779,826)
<b>Total O&amp;M and Tax Expense Adjustments</b>		<b>(\$3,791,387)</b>	

16

1           **CHARITABLE AND CIVIC CONTRIBUTIONS**

2   **Q.    WHAT ARE CHARITABLE AND CIVIC CONTRIBUTIONS?**

3   A.    Charitable and civic contributions are elective payments/donations made to  
4        entities without consideration or exchange expected.

5  
6   **Q.    WHAT IS THE COMPANY'S CLAIM FOR CHARITABLE AND CIVIC**  
7        **CONTRIBUTIONS?**

8   A.    The Company's claim for charitable and civic contributions is \$2,851,402 (I&E  
9        Exhibit No. 3, Schedule. 1, p. 2).

10  
11   **Q.    WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

12   A.    The Company opines that these payments provide a benefit to ratepayers by  
13        improving the environment, attracting new business, enhancing and retaining  
14        existing businesses, fostering the development of a qualified and productive work  
15        force, reducing costs, and reducing unemployment (Peoples St. No. 3, pp. 23-24).  
16        Also, expenses from Peoples' Matching Gift Program are included in its charitable  
17        and civic contributions (Peoples St. No. 3, p. 24). In this program Peoples  
18        provides a dollar for dollar match (up to \$500) of employee donations to eligible  
19        non-profit organizations (Peoples St. No. 3, p. 24).

1 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR CHARITABLE**  
2 **AND CIVIC CONTRIBUTIONS?**

3 A. No.

4  
5 **Q. WHAT IS YOUR RECOMMENDATION?**

6 A. I recommend disallowance of the entire claim of \$2,851,402 for charitable and  
7 civic contributions.

8  
9 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

10 A. Charitable contributions do not provide direct benefits to the ratepayers and are  
11 not an operational cost necessary to provide safe and reliable natural gas service.  
12 Furthermore, ratepayers should not be required to finance the Company's decision  
13 to contribute to various charitable entities as outlined in the Company's filing  
14 (Peoples Volume 12, Exhibit No. 4, Schedule 14).

15  
16 **PUBLIC UTILITY REALTY TAX**

17 **Q. WHAT IS THE PUBLIC UTILITY REALTY TAX (PURTA)?**

18 A. PURTA is a tax levied against entities furnishing utility services regulated by the  
19 Commission or a similar regulatory body. This tax is imposed in lieu of local real  
20 estate taxes and distributes the local realty tax to utilities in an amount equivalent  
21 to local taxing authorities. <sup>1</sup>

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<sup>1</sup> <https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/Corporation%20Taxes/Pages/Public%20Utility%20Realty%20Tax.aspx>, accessed April 16, 2019

1 **Q. WHAT IS THE COMPANY'S CLAIM FOR PURTA?**

2 A. The Company's total claim for PURTA is \$790,013 (I&E Exhibit No. 3, Schedule  
3 2, p. 2). This claim can be further broken down into the two divisions that make  
4 up Peoples: Peoples Natural Gas LLC – Peoples Division (PNG) and Peoples  
5 Natural Gas Company LLC – Equitable Division (Equitable). The PURTA claim  
6 for PNG is \$804,851 (I&E Exhibit No. 3, Schedule 3, p. 2) and the PURTA claim  
7 for Equitable is (\$14,838).

8  
9 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

10 A. The Company's claim is based on PURTA booked for the twelve months ended  
11 September 30, 2018 (HTY) (I&E Exhibit No. 3, Schedule 3, p. 1 and I&E Exhibit  
12 No. 3, Schedule 4, p. 1). The PURTA is based on two different assessment  
13 periods (I&E Exhibit No. 3, Schedule 3, p. 1 and I&E Exhibit No. 3, Schedule 4,  
14 p. 1). PURTA expense is accrued ratably each month based on the prior year  
15 PURTA assessment with a true-up adjustment when the assessment is paid (I&E  
16 Exhibit No. 3, Schedule 3, p. 1 and I&E Exhibit No. 3, Schedule 4, p. 1). For  
17 PNG, the Company used an annual 2017 PURTA estimate of \$660,000 and  
18 prorated it to \$165,000 ( $\$660,000 \div 12 \times 3$ ) based on the three months of 2017 that  
19 took place during the HTY (October 1, 2017 through December 31, 2017) (I&E  
20 Exhibit No. 3, Schedule 3, p. 2). The Company then used an annual 2018 PURTA  
21 estimate of \$700,000 and prorated it to \$525,000 ( $\$700,000 \div 12 \times 9$ ) based on the  
22 nine months of 2018 that took place during the HTY (January 1, 2018 through

1 September 30, 2018) (I&E Exhibit No. 3, Schedule 3, p. 2). Lastly, for PNG, the  
2 Company added a return to the provision adjustment of \$114,851 to true up the  
3 expense (I&E Exhibit No. 3, Schedule 3, p. 2). The Company's total PURTA  
4 claim for PNG is \$804,851 ( $\$165,000 + \$525,000 + \$114,851$ ) (I&E Exhibit No.  
5 3, Schedule 3, p. 2).

6 For Equitable, the Company used an annual 2017 PURTA estimate of  
7 \$85,000 and prorated it to \$21,250 ( $\$85,000 \div 12 \times 3$ ) based on the three months  
8 of 2017 that took place during the HTY (October 1, 2017 through December 31,  
9 2017) (I&E Exhibit No. 3, Schedule 4, p. 2). The Company then used an annual  
10 2018 PURTA estimate of \$10,000 and prorated it to \$7,500 ( $\$10,000 \div 12 \times 9$ )  
11 based on the nine months of 2018 that took place during the HTY (January 1, 2018  
12 through September 30, 2018) (I&E Exhibit No. 3, Schedule 4, p. 2). Lastly, the  
13 Company made a return to provision adjustment of (\$43,588) to true up the  
14 expense (I&E Exhibit No. 3, Schedule 4, p. 2). The Company's total PURTA  
15 claim for Equitable is (\$14,838) ( $\$21,250 + \$7,500 - \$43,588$ ) (I&E Exhibit No. 3,  
16 Schedule 4, p. 2).

17  
18 **Q. WHAT IS YOUR RECOMMENDATION FOR PURTA?**

19 A. I recommend an allowance of \$629,854 for PURTA or a reduction of \$160,159  
20 ( $\$790,013 - \$629,854$ ) to the Company's claim.



1 **Q. WHAT IS THE BASIS FOR YOUR PURTA RECOMMENDATION?**

2 A. I recommend that PNG use \$629,854 of PURTA which matches what was  
3 reported on the most recent PURTA Notice of Determination issued by the  
4 Pennsylvania Department of Revenue (Department of Revenue) on September 10,  
5 2018 for 2017 (I&E Exhibit No. 3, Schedule 3, p. 3). I recommend that Equitable  
6 use \$0 of PURTA that was reported on the most recent PURTA Notice of  
7 Determination issued by the Department of Revenue on September 10, 2018 for  
8 2017 (I&E Exhibit No. 3, Schedule 3, p. 5).

9 My recommendation to use the most recent PURTA Notices of  
10 Determination is because PURTA is imposed by the Department of Revenue  
11 based on information it receives from the County Tax Assessor Offices. The  
12 Company did not provide documentation from the Department of Revenue or the  
13 County Tax Assessor Offices indicating that PURTA is going to change in 2018.  
14 Also, for PNG for the three most recent years on the Company's PURTA Notice,  
15 the PURTA has fluctuated: \$684,700 in 2015, \$734,392 in 2016, and \$629,584 in  
16 2017 (I&E Exhibit No. 3, Schedule 3, pp. 3-4); therefore, the Company's estimate  
17 that the PURTA will increase in 2018 to \$700,000 (I&E Exhibit No. 3, Schedule  
18 3, p. 2) from \$629,584 owed for 2017 is unsupported. For Equitable, according to  
19 the most recent PURTA Notice of the Determination, the PURTA has been \$0 the  
20 last four years, 2014 to 2017 (I&E Exhibit No. 3, Schedule 3, pp. 5-6), so it is  
21 most likely going to be \$0 going forward.

1 **Q. DID THE COMPANY CALCULATE PURTA CORRECTLY BASED ON**  
2 **THE PURTA NOTICES OF DETERMINATION?**

3 No. The Company's calculation for PURTA is inaccurate based on the PURTA  
4 Notices of Determination. For PNG the Company is reporting a total PURTA for  
5 2017 of \$774,851 (\$660,000 + \$114,851) which includes a 2017 annual PURTA  
6 estimate of \$660,000 and the 2017 return to provision adjustment of \$114,851  
7 (I&E Exhibit No. 3, Schedule 3, p. 2). According to the PNG PURTA Notice of  
8 Determination the PURTA owed in 2017 was \$629,000 (I&E Exhibit No. 3,  
9 Schedule 3, p. 3). Equitable reported an annual 2017 PURTA of \$41,412 (\$85,000  
10 - \$43,588), which includes the annual estimate of \$85,000 and the 2017 return to  
11 provision adjustment of (\$43,588) (I&E Exhibit No. 3, Schedule 4, p. 2). The  
12 PURTA reported on the 2017 Equitable PURTA Notice of Determination is \$0  
13 (I&E Exhibit No. 3, Schedule 3, p. 5). The Company's PURTA claim of  
14 (\$14,838) (I&E Exhibit No. 3, Schedule 4, p. 2) should not be used, since it was  
15 calculated incorrectly based on the Company's PURTA Notices of Determination.

16  
17 **STATE TAX ADJUSTMENT SURCHARGE**

18 **Q. WHAT IS THE STATE TAX ADJUSTMENT SURCHARGE?**

19 A. The STAS is a surcharge in a Company's tariff that is used to reconcile changes in  
20 state taxes without the need to file a base rate case.

1 **Q. WHAT IS THE COMPANY PROPOSING IN RELATION TO THE STAS?**

2 A. The Company is proposing that the language in its tariff be changed so that the  
3 STAS only applies to max rate customers (Peoples St. No. 5, p. 23). The  
4 Company will impose this change in the first STAS rate calculation after the base  
5 rates take effect (Peoples St. No. 5, pp. 23-24).

6

7 **Q. DO YOU AGREE TO THIS CHANGE IN THE COMPANY'S STAS**  
8 **LANGUAGE?**

9 A. No.

10

11 **Q. WHAT DO YOU RECOMMEND?**

12 A. I recommend that this proposal to change the STAS language be denied.

13

14 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

15 A. The four state taxes included in the STAS are capital stock tax, corporate net  
16 income tax, gross receipts tax, and realty tax. The PA Department of Revenue  
17 eliminated the capital stock tax beginning January 1, 2016. The corporate net  
18 income tax is and has been 9.99% for years and is unlikely to change in the  
19 foreseeable future. Only electric utilities are subject to gross receipts tax.

20 Therefore, for Peoples the only tax that will require reconciliation with the STAS  
21 is realty tax, which stems from Peoples' property or facilities. All of Peoples'  
22 customers receive services via Peoples' facilities. As such, eliminating the STAS

1 for certain customers is inappropriate and it should continue to be recovered from  
2 all customers.

3  
4 **FEDERAL INCOME TAX - TAX CUTS AND JOBS ACT OF 2017**

5 **Q. WHAT ISSUES WILL YOU ADDRESS RELATED TO THE ENACTMENT**  
6 **OF THE TAX CUTS AND JOBS ACT OF 2017?**

7 A. I will address the Company's over-recovery of 2018 taxes and the excess  
8 accumulated deferred income tax.

9  
10 **2018 Over-Recovery**

11 **Q. HAS THE COMMISSION ISSUED ANY TCJA-RELATED ORDERS**  
12 **RECENTLY THAT PROVIDE GUIDANCE REGARDING THE 2018**  
13 **INCOME TAX OVER-RECOVERY?**

14 A. Yes. The Commission issued a Temporary Rates Order on May 17, 2018 at  
15 Docket No. M-2018-2641242 (Temporary Rates Order) regarding the effects of  
16 the TCJA on the tax liabilities of Commission-regulated public utilities.

17  
18 **Q. BRIEFLY SUMMARIZE THE COMMISSION'S RECENT**  
19 **TEMPORARY RATES ORDER REGARDING.**

20 A. The Commission's Temporary Rates Order distinguished between utilities with  
21 pending base rate cases, utilities without pending base rate cases, and utilities with  
22 no federal tax liabilities or utilities in which the TCJA has a small positive impact.

1 PNG and Equitable fell into two separate categories. PNG was classified as a  
2 utility in which the TCJA has a small positive impact (Temporary Rates Order, pp.  
3 21-22) and Equitable was classified as a utility without a pending rate case  
4 (Temporary Rates Order, pp. 17-19). However, Petitions for Reconsideration were  
5 filed by Peoples Gas Company LLC (PGC), Equitable, and PNG on June 4, 2018  
6 under Docket Nos. R-2018-3000502, R-2018-3000503, and M-2018-2641242  
7 (Petitions) requesting that PNG be classified the same as Equitable. The  
8 Commission granted the Petitions and by doing so PNG was treated similarly to  
9 Equitable in that PNG was moved from the Temporary Rates Order Paragraph 3 to  
10 Paragraph 4 (Reconsideration Order, p. 8). This change made it so that PNG was  
11 treated as a utility without a pending rate case within the Temporary Rates Order.

12 In the Temporary Rates Order the Commission ordered in Paragraph 4:

13 That, in regard to public utilities which have not filed a 1308(d) rate  
14 increase case prior to August 1, 2018, yet recover income tax expenses  
15 from ratepayers, the Commission directs that each such utility shall file  
16 temporary rates, pursuant to Section 1310(d), in the form a negative  
17 surcharge, effective July 1, 2018, that reflects the annual reduction in  
18 federal tax expense and associated revenue requirement for each utility.  
19 Each utility shall also establish a “deferred regulatory liability” account to  
20 record on its books the tax savings associated with the TCJA for the  
21 January 1, 2018 through June 30, 2018 time period. The account shall also  
22 accrue interest at the residential mortgage lending rate specified by the  
23 Secretary of Banking in accordance with the Loan Interest and Protection  
24 Law (41. P.S. §§ 101, et seq.).<sup>2</sup>

25 The Commission also stated that treatment of this deferred regulatory liability  
26 shall be addressed in the utility’s next rate case (Temporary Rates Order, p.18).

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<sup>2</sup> Temporary Rates Order, p. 23

1 **Q. HOW IS THE COMPANY PROPOSING TO RETURN TO RATEPAYERS**  
2 **THE DEFERRED TAX LIABILITY CREATED BY THE 2018 INCOME TAX**  
3 **OVER-RECOVERY?**

4 A. The Company is proposing to return \$16.6 million in 2018 income tax over-  
5 recovery that was accumulated during the January 1, 2018 to June 30, 2018 period  
6 (stub period) to its customers through its Rider TCJA (Peoples St. No. 4, p. 18).  
7 Rider TCJA states that within 60 days of the effective date of the new base rates  
8 established in the current proceeding the Company will calculate the final refund  
9 due to customers including the refund of tax saving associated with the TCJA for  
10 the stub period and accumulated over or under collection while the TCJA rate was  
11 in effect (Peoples Volume 6, Exhibit 14, Appendix D – Retail Tariff – effective  
12 March 29, 2019, Gas-PA PUC No. 47, Original page no. 78). This amount will be  
13 refunded through a one-time bill credit within 120 days of the effective date of  
14 new base rates.

15  
16 **Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL?**

17 A. Not entirely. First, the Company's proposal does not mention paying interest on  
18 the federal income tax over-recovery to ratepayers, which is improper as it should  
19 be paying interest on the 2018 income tax over-recovery from the date the monies  
20 were received to the date the over-recovery is refunded to ratepayers. Second, the  
21 Company should refund the 2018 income tax over recovery earlier than 120 days  
22 after the effective date of new rates.

1 **Q DID THE COMPANY PROVIDE ANY NEW INFORMATION**  
2 **REGARDING INTEREST ON THE 2018 TAX OVER-RECOVERY?**

3 A. Yes. In response to I&E-RE-115, the Company calculated interest on the 2018  
4 income tax over-recovery for PNG and Equitable (I&E Exhibit No. 3, Schedule 5).  
5 The calculated interest for the 2018 income tax over-recovery for PNG is  
6 \$456,147 (I&E Exhibit No. 3, Schedule 5, p. 2) and for Equitable is \$382,994  
7 (I&E Exhibit No. 3, Schedule 5, p. 3). The Company calculated this interest by  
8 taking the cumulative federal tax liability, multiplied by a time factor of 0.08, and  
9 multiplied the result by the interest amount set by Secretary of Banking for the  
10 month. The Company performed this calculation monthly from January 2018 to  
11 December 2018 (I&E Exhibit No. 3, Schedule 5, pp. 2-3).

12  
13 **Q. DO YOU AGREE WITH THE COMPANY'S INTEREST CALCULATION?**

14 A. No. The Company's interest calculation does not comply with the Temporary  
15 Rates Order. Also, the Company should calculate interest up to the the last day of  
16 the month before it refunds the 2018 income tax over-recovery.

17  
18 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE 2018 OVER-**  
19 **RECOVERY OF INCOME TAXES?**

20 A. I recommend that the Company calculate interest on the 2018 tax over-recovery at  
21 the residential mortgage lending rate specified by the Secretary of Banking in

1 accordance with the Loan Interest and Protection Law (41. P.S. §§ 101, et. seq.) in  
2 effect on the last day of the month prior to the actual refund payment to ratepayers.

3  
4 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

5 **A.** In the Temporary Rates Order the Commission stated that interest on the over-  
6 collection be applied at the residential mortgage lending rate specified by the  
7 Secretary of Banking in accordance with the Loan Interest and Protection Law  
8 (41. P.S. §§ 101, et. seq.) (Temporary Rates Order, pp. 23-24). The Company  
9 should use the interest rate as of the last day of the month prior to the refund  
10 payment to ratepayers as it will provide the most recent and accurate interest  
11 calculation.

12  
13 **Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS REGARDING**  
14 **HOW THE COMPANY IS PROPOSING TO RETURN TO RATEPAYERS**  
15 **THE DEFERRED TAX LIABILITY CREATED BY THE 2018 INCOME TAX**  
16 **OVER-RECOVERY?**

17 **A.** Yes. I recommend that the Company be required to calculate the final refund due  
18 for the 2018 income tax over-recovery within 30 days of the effective date of the  
19 new base rates in the current proceeding and refund ratepayers via a one-time bill  
20 credit within 60 days of the effective date of the new base rates in the current  
21 proceeding.



1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. The Company should be able to calculate and refund the 2018 over-recovery of  
3 income taxes sooner than 120 days after the effective date of the new rates. This  
4 would allow for more timely refunds to ratepayers. The Company already knows  
5 the entire amount owed to ratepayers for the stub period and has known it since  
6 June 30, 2018. The only other component is the calculation of interest. The  
7 Company has presented no valid reason to delay this refund for 120 days after the  
8 effective dates of new base rates in the current proceeding. With the current  
9 effective date of new base rates set at October 29, 2019 in this proceeding,  
10 ratepayers will already wait over a year to receive money that is owed to them;  
11 therefore, extending the refund date by another 120 days is unwarranted and  
12 inappropriate. The sooner the Company refunds this money, the more beneficial it  
13 will be for both Peoples and its ratepayers. Ratepayers benefit because their  
14 refunds are returned in a more timely fashion, and the Company benefits because  
15 the interest payment will be reduced.

16

17 **Excess Accumulated Deferred Income Tax**

18 **Q. WHAT HAS CAUSED THE NEED FOR COMPANIES TO IDENTIFY AND**  
19 **RECLASSIFY A PORTION OF ADIT?**

20 A. Due to the changes made by the TCJA, as of January 1, 2018, regulated utilities  
21 hold an amount of accumulated deferred income taxes (ADIT) that was calculated  
22 based on the prior federal income tax rate of 35%. Since the tax rate is now

1 reduced to 21%, the attributable dollar amount needs to be reclassified to a  
2 deferred liability account. This deferred liability account is necessary to track the  
3 remaining balance of excess accumulated deferred income taxes (excess ADIT)  
4 recorded in prior years due to the higher 35% federal income tax rate that was in  
5 effect before January 1, 2018. The protected portion (the amount subject to  
6 amortization using the Average Rate Assumption Method (ARAM) where records  
7 are available, or the alternative method known as the Reverse South Georgia  
8 Method for the remainder should be returned to ratepayers over a period of time  
9 equal to the remaining life of the affected assets per IRS regulation. The  
10 unprotected portion does not have a similar amortization requirement, and  
11 therefore, may be returned to ratepayers more expeditiously. Each year, the  
12 balance in the excess ADIT account will be ratably reduced until the entire amount  
13 is refunded to ratepayers using corresponding methods for the protected and  
14 unprotected portions. This reduction is flowed back to ratepayers as a reduction to  
15 the revenue requirement to refund the excess ADIT.

16  
17 **Q. WHAT AMOUNT OF EXCESS ADIT IS THE COMPANY FLOWING**  
18 **BACK TO RATEPAYERS AS A REDUCTION TO THE REVENUE**  
19 **REQUIREMENT?**

20 A. The Company is claiming \$1,780,376 as the FPFTY amortization of excess ADIT  
21 (Peoples Volume 3, Exhibit No. 7, Schedule 8, Attachment 1 – Combined, p. 2,

1 line 27). Also, the Company's amortization of excess ADIT for the HTY is  
2 \$1,088,416 and it is \$1,640,974 for the FTY.

3  
4 **Q. DO YOU ACCEPT THE COMPANY'S CLAIM?**

5 A. Not entirely. I accept the Company's claim of \$1,780,376 for the FPPTY.  
6 However, the Company needs to refund the amortization of excess ADIT for the  
7 HTY and the FTY to ratepayers, since by amortizing these amounts before the  
8 FPPTY, the period when new rates will go into effect, ratepayers are being  
9 shortchanged the excess ADIT refund by these amounts.

10  
11 **Q. WHAT DO YOU RECOMMEND?**

12 A. I recommend a regulatory liability of \$2,729,390 (\$1,088,416 + \$1,640,974) be  
13 recorded for the excess ADIT made up of the HTY amount of \$1,088,416 and the  
14 FTY amount of \$1,640,974, as mentioned above. This regulatory liability should  
15 be amortized at \$779,826 per year over a matching period to the I&E calculated  
16 rate case filing frequency of 42 months.

17  
18 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

19 A. As I previously stated, excess ADIT needs to be refunded to ratepayers in order to  
20 account for the change from a 35% tax rate to a 21% rate made by the TCJA. The  
21 ratepayers will not receive any benefit or flowback from the amortization of  
22 excess ADIT in the HTY or FTY since new rates will go into effect on the first day

1 of the FPFTY. The Company is decreasing its excess ADIT balance by \$1,088,416  
2 in the HTY and \$1,640,974 in the FTY. Since this amortization takes place prior  
3 to the FPFTY when new rates are set the excess ADIT balance in the FPFTY will  
4 already have these amounts deducted, and ratepayers will otherwise never receive  
5 the flowback owed to them of \$2,729,390 ( $\$1,088,416 + \$1,640,974$ ) for the HTY  
6 and the FTY.

7 My recommendation considers the entire \$2,729,390 owed to ratepayers for  
8 the amortization of excess ADIT in the HTY and FTY. I propose the \$2,729,390  
9 be recorded as a regulatory liability and be amortized over a 42-month  
10 normalization period, which comports with the I&E recommended rate case  
11 interval (I&E Statement No. 1, p. 8). This results in amortization of \$779,826  
12 [ $(\$2,729,390 \div 42 \text{ months}) \times 12 \text{ months}$ ] per year. The regulatory liability balance  
13 should be tracked and reconciled at any future rate case if the rate case frequency  
14 varies from the 42-month period utilized to calculate the amortization share in this  
15 proceeding.

16  
17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 **A. Yes.**

**Brenton Grab**  
**Education & Employment Experience**

**Experience:**

March 2016 to Present

Fixed Utility Financial Analyst

PA Public Utility Commission, Bureau of Investigation & Enforcement

Responsible for review of operating and maintenance expenses for utility companies as a part of the evaluation and recommendation process for utility base rate filings, preparing related written testimony for cases, and testifying as an expert witness as necessary.

November 2010 to March 2016

Corporate Tax Officer, PA Department of Revenue, Bureau of Corporation Taxes

Responsible for the audit of corporate tax filings by Corporations and other Pass-through entities doing business in Pennsylvania, reviewing tax returns for compliance with both federal and state statutes and regulations.

April 2010 to November 2010

Loan Service Counselor, PA Higher Education Assistance Agency

May 2008 to August 2008

Finance Department Intern, County Commissioners Association of PA

**Education/Certification:**

Pennsylvania State University, University Park, Pennsylvania

Bachelor of Science, Accounting (Minor in Management Information Systems), 2009

**Utility-Related Trainings & Webinars:**

The State of the Utility Industry Heading into 2018, SURFA Webinar, January 10, 2018

Power & Utilities Tax Reform Update with Edison Electric Institute, PWC Webcast, December 14, 2017

Power & Utilities Quarterly Accounting Update 3Q17, Deloitte Power & Utilities Webcast, October 3, 2017

38<sup>th</sup> Western NARUC Utility Rate School, May 15, 2017 to May 19, 2017

**Brenton Grab**  
**Education & Employment Experience**

**Utility-Related Webinars (continued):**

Power & Utilities Quarterly Accounting Update 1Q17, Deloitte Power & Utilities Webinar, April 11, 2017

Reinventing Resilience: Defining the Model for Utility-Led Renewable Microgrids, Deloitte Dbriefs Power & Utilities Webcast, March 30, 2017

Outlook on the Energy and Resources Industry, Deloitte Dbriefs Webcast, January 10, 2017

Power & Utilities Quarterly Accounting Update 3Q16, Deloitte Power & Utilities Webcast, September 23, 2016

Power & Utilities Quarterly Accounting Update 2Q16, Deloitte Power & Utilities Webcast, June 20, 2016

How Utilities Make Money, Enerdynamics Webcast, April 18, 2016

National Regulatory Research Institute Webinar on Targeted Demand Management, March 23, 2016

**Submitted Testimony on the Following Cases:**

R-2018-3003558 & R-2018-3003561	Aqua PA Water and Wastewater, Inc.
R-2018-3002502 & R-2018-3002504	Pennsylvania American Water Company
R-2018-3000019	York Water Company
R-2018-3000834	Suez Water Pennsylvania Inc.
R-2017-2640058	UGI Utilities, Inc. – Electric Division
R-2017-2598203	Columbia Water Company
R-2017-2595853	Pennsylvania American Water Company
P-2016-2573023	PECO Energy Company

**Assisted on the Following Cases:**

R-2017-2618332	Pine-Roe Natural Gas Company
R-2017-2582461	National Fuel Gas Distribution Corporation 1307(f)

**Brenton Grab**  
**Education & Employment Experience**

**Assisted on the Following Cases (continued):**

R-2016-2580030	UGI Penn Natural Gas, Inc.
R-2016-2531551	Wellsboro Electric Company
R-2016-2531550	Citizen's Electric Company
R-2016-2538660	Community Utilities of Pennsylvania Inc.
R-2016-2537359	West Penn Power Company
R-2016-2537355	Pennsylvania Power Company
R-2016-2537352	Pennsylvania Electric Company
R-2016-2537349	Metropolitan Edison Company
R-2016-2529660	Columbia Gas of Pennsylvania, Inc.

Pennsylvania Public Utility Commission

v.

Peoples Natural Gas Company LLC

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Docket No. R-2018-3006818

**VERIFICATION**

I, Brenton Grab, hereby state that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at any hearing. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities)

Brenton Grab  
Brenton Grab

4/25/19  
Date