



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

February 1, 2024

Via Electronic Filing

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 – Base Rate Case
Docket No. R-2023-3044549
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

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

Copies are being served on parties of record per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Scott B. Granger'.

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 63641
(717) 425-7593
sgranger@pa.gov

SBG/ac
Enclosures

cc: Administrative Law Judge Mary D. Long (via email – malong@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2023-3044549
	:	
Peoples Natural Gas Company LLC	:	
Rate Increase	:	

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

TO: ADMINISTRATIVE LAW JUDGE MARY D. LONG:

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 consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Senior Prosecutor Scott B. Granger. Contact information is as follows:

By mail:	Scott B. Granger Pennsylvania Public Utility Commission Bureau of Investigation and Enforcement Commonwealth Keystone Building 400 North Street Harrisburg, PA 17120
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By e-mail:	sgranger@pa.gov
By telephone:	(717) 425-7593
By fax:	(717) 772-2677

I. INTRODUCTION

On December 29, 2023, the Peoples Natural Gas Company LLC (“Peoples Gas”), which includes its Peoples Natural Gas Division (“PNGD”) and its Peoples Gas Division (“PGD”) (collectively “Peoples” or the “Company”), filed its Original Tariff GAS – PA PUC No. 48 (“PA PUC 48”).¹ This follows Peoples recent merger of its two Pennsylvania regulated gas utilities (PNGD and PGD) into one legal entity, Peoples Natural Gas Company LLC.² While the entities are legally merged, they remain as two divisions before the Commission with two separate tariffs on file and two separate base rates.³

The Company is now requesting consolidation of the base rates and is therefore proposing one new retail tariff, PA PUC 48, to serve all retail customers.⁴ Peoples Natural Gas Tariff Gas - PA PUC No. 47 and Peoples Gas Tariff - PA PUC No. 8 would be canceled and superseded by this new retail tariff, PA PUC 48.⁵ Additionally, the Peoples Natural Gas Division’s Supplier Tariff S-3 will be canceled and superseded by a new PA PUC Tariff No. S-4 and will cover supplier issues for both the Peoples Natural Gas and Peoples Gas Divisions.⁶

In its filing, Peoples is proposing an overall annual revenue increase of approximately \$156.0 million annually (or 18.7%) to recover its non-gas costs.⁷ Under

¹ Peoples Filing Cover Letter (dated December 29, 2023), Docket No. R-2023-3044549.

² Peoples St. No. 1, p. 8.

³ *Id.*

⁴ *Id.*, p. 9.

⁵ *Id.*, pp. 9-10.

⁶ *Id.*, p. 10.

⁷ Peoples St. No. 2, p. 7. Non-gas costs are those costs incurred to provide public utility service which do not include the cost of the natural gas that is reconciled and recovered in the Peoples’ annual 1307(f) proceedings.

its proposal, a PNGD residential customer bill using 80 Mcf will increase from \$73.16 to \$88.79 per month (21.4%) and a PGD residential customer bill using 80 Mcf will increase from \$84.00 to \$90.35 per month (7.6%).⁸

The filing also includes a request for approval of a Weather Normalization Adjustment (“WNA”) mechanism as an alternative rate mechanism.⁹ Additionally, Peoples is proposing revisions to existing Tariff Riders, including the Tax Repairs Surcredit (“TRS”), the Tax Cuts and Jobs Act (“TCJA”) Surcharge and the Allegheny Valley Capacity (“AVC”) Charge.¹⁰

I&E filed its Notice of Appearance on January 5, 2024.

The Office of Consumer Advocate (“OCA”) filed its Notice of Appearance, Public Statement and Formal Complaint on January 5, 2024.

The Pennsylvania Independent Oil & Gas Association (“PIOGA”) filed its Petition to Intervene on January 8, 2024.

The Office of Small Business Advocate (“OSBA”) filed its Formal Complaint and Public Statement on January 11, 2024.

On January 18, 2024, the Commission entered an Order suspending the Peoples filing by operation of law until September 27, 2024, and opening an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the proposed Original Tariff Gas Pa. P.U.C. No. 48 and proposed Tariff Gas Pa. P.U.C. No. S-4, unless otherwise directed by Order of the Commission. The

⁸ Peoples Filing Cover Letter, p. 2.

⁹ Peoples St. No. 1, p. 5.

¹⁰ *Id.*, pp. 5-7.

Commission also stated the investigation shall include consideration of the lawfulness, justness, and reasonableness of the Peoples Natural Gas Company LLC's existing rates, rules, and regulations.

The case was assigned to the Office of Administrative Law Judge for the prompt scheduling of such hearings as may be necessary culminating in the issuance of a recommended decision. A telephonic Prehearing Conference is scheduled for Friday, February 2, 2024, beginning at 10:00 am before Administrative Law Judge Mary D. Long.

On January 23, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed its Petition to Intervene.

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:

- Labor Expense
- STI/Incentive Compensation
- Pension Expense
- Post Retirement Benefits Other Than Pensions
- Other Employee Benefits
- Outside Services - Contracted
- Outside Services - IT
- Outside Services A&G
- Building Leases
- Corporate Insurance
- Injuries and Damages
- Travel
- Company Memberships

- Licenses and Permits
- Utility and Fuel Used in Company Operations
- Advertising
- Fleet
- Materials and Supplies
- Other O&M
- Debt Issuance Costs
- Payment Processing
- Rate Case Expense
- Uncollectible Accounts
- Inflation Factor
- Taxes Other than Income
- Income Tax
- Cash Working Capital
- Overall Rate of Return
- Capital Structure
- Proxy Group
- Cost of Long-Term Debt
- Risk Analysis
- Cost of Equity (including various adjustments to the ROE)
- Rate Base
- Present Rate Revenue
- Cost of Service
- Weather Normalization Adjustment
- Rate Structure/Design
- Scale Back of Rates
- Pipe Replacement
- Cost per Mile
- Leaks
- DIMP/LTIIP
- Methane Reduction
- Safety Initiatives

III. WITNESSES

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

- Christopher Keller, Fixed Utility Financial Analyst.
- Anthony Spadaccio, Fixed Utility Financial Analyst.

- Ethan Cline, Fixed Utility Valuation Engineer.
- Jason Harvey, Pipeline Safety Engineer.
- David Kline, Pipeline Safety Engineer Supervisor.

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. 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, supplemental testimony, 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

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other party. In the past, I&E has accepted the "usual" discovery modifications as proposed by the OCA. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has already begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, it appears that the parties have tentatively agreed to the following:

Filing w/Company Direct	December 29, 2023
Non-Company Direct	March 22, 2024
Rebuttal Testimony	April 18, 2024
Surrebuttal Testimony	May 03, 2024
Written Rejoinder Outlines	May 08, 2024
Hearings	May 9-10, 2024 ¹¹
Main Brief	May 30, 2024
Reply Brief	June 13, 2024

I&E is not opposed to either telephonic or in-person Hearings. If the parties agree or the ALJ orders the Hearings to be in-person, then I&E requests that they be held in Harrisburg.

VII. PUBLIC INPUT HEARINGS

I&E does not oppose public input hearings. Should public input hearings be requested by any party and deemed necessary, I&E recommends the Commission consider the use of telephonic hearings to encourage increased participation by the ratepayers.

¹¹ Special telephonic accommodations may be necessary for specific individual witnesses.

VIII. SERVICE OF DOCUMENTS

The Commission's March 20, 2020, Emergency Order,¹² which was controlling regarding electronic service of documents, expired on September 30, 2021. In anticipation of the expiration of the March 20 Order, the Commission issued a new Order on September 15, 2021, regarding the regulations controlling service requirements.¹³ Pursuant to the September 15 Order, the Commission recognized, for purposes of satisfying service of documents requirements:

... that some of the measures we implemented significantly benefitted the operational needs of the Commission, the public and the regulated community. Specifically, the electronic service requirements we adopted were essential to ensuring continued, uninterrupted operations, providing needed flexibility. Therefore, in order to maintain that flexibility to respond to operational demands, we will waive certain regulatory service provisions, consistent with our previous actions.¹⁴

Further, the Commission stated:

... some of the operational restraints occasioned by the pandemic remain. ... Toward this end, we will continue to permit electronic service *by* the Commission on all parties, regardless of whether a particular party has agreed to electronic service. ... Additionally, service *on* Commission staff in proceedings pending before it, whether staff is a party or otherwise, shall be exclusively electronic unless the parties agree otherwise.¹⁵

¹² Docket No. M-2020-3019262, *Re: Suspension of Regulatory and Statutory Deadlines, Modification to Filing and Service Requirements* ("March 20 Order").

¹³ Docket No. M-2021-3028321, *Re: Waiver of Regulations Regarding Service Requirements* ("September 15 Order").

¹⁴ September 15 Order, p. 3.

¹⁵ *Id.*, p. 6.

Therefore, for purposes of satisfying in-hand service requirements for discovery responses, prepared testimony, briefs and other documents; while operational restraints continue during this proceeding, and consistent with the Commission's September 15 Order, I&E requests that electronic delivery of documents continue to satisfy the service requirements.

IX. SETTLEMENT

I&E will maintain an open dialogue and 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 litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney ID No. 63641

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: February 1, 2024

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2023-3044549
	:	
Peoples Natural Gas Company LLC	:	
Base Rate Case	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated February 1, 2024, in the manner and upon the persons listed below.

Served via Electronic Mail Only

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