

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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June 19, 2013

Honorable Mary D. Long
Honorable Jeffrey A. Watson
Administrative Law Judges
PA Public Utility Commission
Piatt Place, Suite 220
301 5th Avenue
Pittsburgh, PA 15222

RE: Petition of Peoples Natural Gas Company, LLC
for Approval of a Distribution System
Improvement Charge
Docket Nos. P-2013-2344596
C-2013-2348847

Dear Judges Long and Watson:

Attached is the Prehearing Memorandum of the Office of Consumer Advocate which was electronically filed with the Secretary's Office today in the above referenced proceeding.

Copies have been served upon the parties as indicated on the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. #85824

Enclosures

cc: Secretary's Office of the PUC
Certificate of Service

170544

CERTIFICATE OF SERVICE

RE: Petition of Peoples Natural Gas Company :
LLC for Approval of a Distribution : Docket Nos. P-2013-2344596
System Improvement Charge : C-2013-2348847

I hereby certify that I have this day served a true copy of the Prehearing Memorandum of the Office of Consumer Advocate, 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 19th day of June 2013.

SERVICE BY EMAIL & HAND DELIVERY

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Pa. Public Utility Commission
400 North Street
Harrisburg, PA 17120

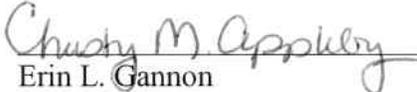
SERVICE BY EMAIL & FIRST CLASS MAIL, POSTAGE PREPAID

Michael W. Hassell, Esquire
Jessica R. Rogers, Esquire
Post & Schell, PC
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601

William H. Roberts, Esquire
Peoples Natural Gas Company LLC
375 North Shore Drive
Pittsburgh, PA 15212

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
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Harrisburg, PA 17101

Kevin J. Moody, Esquire
VP & Gen Counsel Pa Independent Oil & Gas
212 Locust Street, Suite 300
Harrisburg, PA 17101
Counsel for PIOGA


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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Peoples Natural Gas Company, LLC	:		
For Approval of a Distribution System	:	Docket No.	P-2013-2344596
Improvement Charge	:		
Office of Consumer Advocate	:		
	:		
v.	:	Docket No.	C-2013-2348847
	:		
Peoples Natural Gas Company LLC	:		

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 33 and the Prehearing Conference Order issued by Administrative Law Judges Mary D. Long and Jeffrey A. Watson on June 4, 2013, the Office of Consumer Advocate (OCA) provides the following:

I. BACKGROUND

On January 23, 2013, Peoples Natural Gas Company (Peoples or Company) filed a Long Term Infrastructure Improvement Plan (LTIIIP) pursuant to Section 1352 of the Public Utility Code, 66 Pa.C.S. § 1352. On February 12, 2013, the OCA filed Comments on the LTIIIP. On March 4, 2013, Peoples filed Reply Comments.

On January 31, 2013, pursuant to Section 1353, Peoples filed a Petition for Approval of a Distribution System Improvement Charge (DSIC). 66 Pa.C.S. § 1353. On February 19, 2013, the Pennsylvania Independent Oil and Gas Association (PIOGA) filed a Petition to Intervene. The OCA filed an Answer, Notice of Intervention, and Formal Complaint and Public Statement on February 20, 2013. Also on February 20, 2013, the Office of Small Business Advocate

(OSBA) filed an Answer, Notice of Intervention and Public Statement. Customer Daniel Killmeyer filed a Formal Complaint against the DSIC on February 21, 2013.¹ Fifteen customers also filed letters in opposition to the implementation of a DSIC. On April 29, 2013, US Steel Corporation filed a Petition to Intervene.²

On February 2, 2013, Peoples filed a Petition for Approval of the Limited Waivers of Certain Tariff Rules Related to Customer Service Line Replacement (Waiver Petition). On February 21, 2013, OCA and the Bureau of Investigation and Enforcement (I&E) filed Comments on the Waiver Petition.

On May 23, 2013 the Commission issued a combined Opinion and Order regarding the Waiver Petition, LTIP, and the DSIC. By the Order entered May 23, 2013, the Commission approved Peoples' LTIP. The Commission also approved the Company's proposed DSIC, consistent with its Order, subject to recoupment and/or refund pending final resolution of certain issues raised in the parties' Petitions and Answers. With regard to the Waiver Petition, the Commission approved the inclusion of the customer-owned lines in Peoples' LTIP and referred the issue relating to the DSIC recovery of costs related to customer-owned service lines to be addressed in this proceeding.

The OCA now files this Prehearing Memorandum to set forth the procedure and issues that the OCA believes are relevant to this proceeding.

¹ The Commission's May 23, 2013 Order dismissed Mr. Killmeyer's Formal Complaint.

² The OCA notes that the Commission's May 23, 2013 Order denied US Steel's Petition to Intervene as untimely. The Commission's Order provided that US Steel could file a Petition to Intervene *nunc pro tunc* in the hearings before the Office of Administrative Law Judge (OALJ), but that the Petition to Intervene was to be limited to those issues that were referred to the OALJ pursuant to the May 23, 2013 Order. Order at 4.

II. ISSUES

In its May 23, 2013 Order, the Commission directed that the following issues be assigned to the OALJ for hearing and preparation of a Recommended Decision:

1. DSIC recovery of costs related to customer-owned service lines, reliability improvements, special meter technology, information technology support, and vehicles, tools and equipment;
2. Impact of accumulated deferred income taxes associated with DSIC investments; and
3. Calculation of the state income tax component of the DSIC revenue requirement.

In addition, the OCA intends to address an issue regarding the applicability of the DSIC to all customer classes. 66 Pa. C.S. § 1358(d)(1). In its May 23, 2013 Order approving the DSIC subject to refund and recoupment, the Commission allowed Peoples to implement a tariff that would allow the Company to reduce or eliminate the DSIC for customers with “potential” competitive alternatives. Order at 57. In a the recent Order addressing the DSIC tariff proposed by Philadelphia Gas Works, the Commission directed the utility to file a tariff that removed the term “potential.” Petition of Philadelphia Gas Works for Approval of a Distribution System Improvement Charge, Docket Nos. P-2012-2337737, C-2013-2346939 (Order entered May 9, 2013). The OCA intends to present testimony in support of the Commission requiring Peoples to make a consistent change to its DSIC tariff.

Also, the OCA intends to address another issue, which was raised in its Answer but not addressed in the Commission’s May 23, 2013 Order: whether the Company may treat the costs of gathering lines as “distribution system” property for the purposes of DSIC recovery.

The OCA will also review all claims for DSIC recovery to ensure that the claims were not included for recovery in any previously implemented base rates.

The OCA reserves the right to address any additional issues that arise during the course of the proceeding.

III. WITNESSES

The OCA intends to present the Direct, Rebuttal and Surrebuttal testimony, as may be necessary, of Thomas S. Catlin regarding the accounting and policy issues identified above. Mr. Catlin will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case. His contact information is as follows:

Thomas S. Catlin
Exeter Associates, Inc.
Suite 300
10480 Little Patuxent Parkway
Columbia, MD 21044
Telephone: 410-992-7500
E-mail: tcatlin@exeterassociates.com

The OCA specifically reserves the right to call additional witnesses and to expand the issues addressed in testimony, as necessary. If the OCA determines that an additional witness is necessary for any portion of its case, it will notify all parties of record immediately.

IV. DISCOVERY

The OCA proposes no changes to the Commission's discovery regulations. To date, the OCA has served and the Company has provided responses to two sets of interrogatories.

V. SERVICE ON THE OCA

The OCA will be represented in this proceeding by Assistant Consumer Advocates Erin L. Gannon and Christy M. Appleby. Two copies of all documents should be served on the OCA as follows:

Erin L. Gannon
Assistant Consumer Advocate
Office of Consumer Advocate
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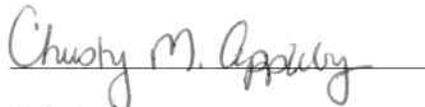
VI. PROPOSED SCHEDULE

The OCA will work with the parties to develop a litigation schedule that is acceptable to the Presiding Officers and the parties. The OCA proposes the litigation schedule attached as Appendix A, which it understands to be acceptable to Peoples and PIOGA.

VII. MOTION TO CONSOLIDATE

The Commission did not address the OCA's pending Formal Complaint, in its May 23, 2013 Order. The issues underlying the OCA's Formal Complaint against Peoples' proposed DSIC are the same issues the OCA has identified in this Petition proceeding. At the June 21, 2013 Prehearing, the OCA intends to make an oral Motion to Consolidate the two proceedings to avoid unnecessary duplication of administrative resources and financial costs associated with litigating the proceedings separately. As of the time of serving this memorandum, the OCA has been advised by counsel for PIOGA that they do not oppose consolidation of these proceedings.

Respectfully Submitted,



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Phone: (717) 783-5048
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DATE: June 19, 2013

APPENDIX A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Peoples Natural Gas Company, LLC :
For Approval of a Distribution System : Docket No. P-2012-2344596
Improvement Charge :

Office of Consumer Advocate :
v. : Docket No. C-20132348847
Peoples Natural Gas Company LLC :

OFFICE OF CONSUMER ADVOCATE
PROPOSED LITIGATION SCHEDULE

July 1	Supplemental Direct of Company ³
August 6	Other Parties' Direct
September 5	Rebuttal
October 3	Surrebuttal
October 17	Written Rejoinder
November 12-13	Hearings in Harrisburg

³ The OCA proposes that the schedule dates be "in-hand" and that electronic service on the due date will satisfy the "in-hand" requirement, where a hard copy is sent by first-class mail.