

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 11, 2014

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

RE: Pennsylvania Public Utility Commission,
et al.

v.

National Fuel Gas Distribution Corporation
1307(f)
Docket Nos. R-2014-2399610
C-2014-2402529

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum in the above referenced proceeding.

Copies have been served as indicated on the enclosed 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: Honorable Mary D. Long, ALJ
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	
	:	
v.	:	Docket Nos. R-2014-2399610
	:	C-2014-2402529
National Fuel Gas Distribution Corporation	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. § 333, and in response to the Prehearing Conference Order in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

I. Introduction

On January 2, 2014, National Fuel Gas Distribution Corporation (NFGD or the Company) submitted its purchased gas cost (PGC) pre-filing pursuant to the Commission's Rules and Regulations at 52 Pa. Code §§ 53.64, 53.65. The Company's pre-filing projected a purchased gas cost rate of \$5.4642/Mcf. On January 31, 2014, NFGD submitted its definitive filing pursuant to Section 1307(f) of the Public Utility Code, 66 Pa. C.S. § 1307(f). Relative to the current rate of \$5.4714/Mcf, the Company's definitive filing also projected a decrease of \$0.0072/Mcf to a rate of \$5.4642/Mcf.

The Company's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Mary D. Long for investigation and scheduling of hearings to determine whether NFGD's purchased gas costs comply with the standards set forth in the Public Utility Code.

On January 24, 2014, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance against NFGD's proposed PGC rates. On January 23, 2014, the Bureau of Investigation and Enforcement (BI&E) filed its Notice of Appearance. On January 27, 2014, the Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement, and Notice of Appearance.

The OCA has filed one set of discovery to date and anticipates that additional discovery may be required. As soon as the OCA has completed its review of the Company's filing and interrogatory responses, it is expected that informal discovery meetings may be scheduled. At those meetings, the OCA will be able to narrow the scope of additional information requests. After the discovery process has been completed, the OCA will file its direct testimony, which will set forth the specific issues to be addressed in this proceeding. At that time, the OCA will also be able to make and to quantify specific recommendations.

II. Issues and Sub-issues

Based upon a preliminary analysis of NFGD's filing, the OCA has compiled a list of issues and sub-issues that it anticipates will be included in its investigation of the Company's proposed rate changes. It is anticipated that the OCA will identify additional issues upon further review of NFGD's filing, and that other issues may arise and may be pursued after the answers to all of the OCA's interrogatories have been received and analyzed.

The following sets forth a more specific identification of the issues that it will investigate and may raise, in addition to those discussed above:

- (1) Reasonableness and prudence of historic purchased gas costs, and assessment of compliance with Commission Orders in prior 1307(f) cases;

(2) Reasonableness and accuracy of estimating gas costs during the interim and prospective periods;

(3) Reasonableness and prudence of the Company's gas supply mix, including purchases of local gas supplies;

(4) Technical issues pertaining to the gas cost recovery mechanism, including computation of quarterly adjustments to purchased gas costs, treatment of supplier refunds, provision of carrying costs associated with gas in storage, interest on gas over-collections, and proper computation of the E-Factor and migration riders.

(5) Reasonableness and prudence of the Company's mix of demand entitlements and storage, to include an assessment of the reasonableness of the Company's estimate of design day requirements;

(6) Reasonableness and prudence of contracts with pipelines and suppliers, and in particular, long-term contracts that provide for special reservation charges, minimum take commitments or other fixed contract requirements;

(7) Reasonableness of the Company's allocation of purchased gas costs between customer classes and assessment of any unreasonable discrimination between customer classes;

(8) Reasonableness and prudence of the Company's use of capacity release, off-system sales and interruptible sales, and the crediting of such revenue to PGC ratepayers;

(9) Assessment of the value of any purchased gas cost incentive mechanism as components of a least cost fuel procurement policy. These may include incentive mechanisms for off-system sales, spot market purchases, and hedging; and

(10) Reasonableness of the sales volumes projections.

The OCA will examine each of these and all other changes proposed in the Company's filing to ascertain if they comply with the terms and policies of the Public Utility Code, the Natural Gas Choice and Competition Act and sound ratemaking and cost allocation principles.

III. Witnesses

The OCA intends to present the direct, rebuttal and surrebuttal testimony, as may be necessary, of Jerome D. Mierzwa in this proceeding. Mr. Mierzwa will present testimony in written form and will also attached various exhibits, documents and explanatory documents which will assist in the presentation of the OCA's case. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony and answers to interrogatories be mailed directly to Mr. Mierzwa at the following address, as well as mailing copies to counsel for the OCA.

Jerome D. Mierzwa
Exeter Associates, Inc.
Suite 300
10480 Little Patuxent Parkway
Columbia, MD. 21044
Telephone: 301-509-9233
Fax: 410-992-3445
E-mail: jmierzwa@exeterassociates.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as the OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the Administrative Law Judge and all parties of record will be notified.

IV. Service on the OCA

The OCA will be represented in this case by Assistant Consumer Advocates Christy M.

Appleby and Aron J. Beatty. Copies of all documents should be served as follows:

Christy M. Appleby
Aron J. Beatty
Assistant Consumer Advocates
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, Pa. 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152
E-mail: cappleby@paoca.org
abeatty@paoca.org

The OCA requests that any documents served electronically also be directed to the OCA's consultant, Jerome D. Mierzwa at jmierzwa@exeterassociates.com.

V. Public Input Hearings

At this time, the OCA is not aware of any Formal Complaints or letters in opposition to the rate increase in this proceeding. If the OCA becomes aware of substantial public interest in a public input hearing, the OCA will promptly notify ALJ Long and the parties and request that a public input hearing be scheduled.

VI. Proposed Revised Procedural Rules

In order to effectively investigate and adequately develop a record on these issues, the OCA requests a modification of the Commission's procedural rules on a going-forward basis, as set forth below:

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

(3) Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

(4) Answers to motions to dismiss objections and/or answering of interrogatories shall be filed within three (3) calendar days of service of such motions.

(5) Ruling over such motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion.

(6) Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.

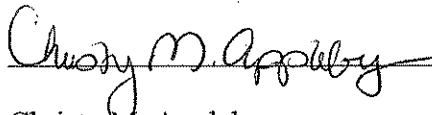
(7) Requests for admission will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

(8) Answers to on-the-record data requests shall be served in-hand within seven (7) calendar days of the request.

VII. Proposed Schedule

The OCA will work with all parties to develop a mutually agreeable procedural schedule. The OCA requests that the schedule be “in-hand” and that electronic service or fax service on the due date satisfy the “in-hand” requirement, where a hard copy is sent by first class mail.

Respectfully Submitted,



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DATE: February 11, 2014
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CERTIFICATE OF SERVICE

RE: Pennsylvania Public Utility Commission v. National Fuel Gas Distribution Corporation
1307(f) Proceeding
Docket Nos. R-2014-2399610
C-2014-2402529

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Prehearing Memorandum, 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 11th day of February 2014.

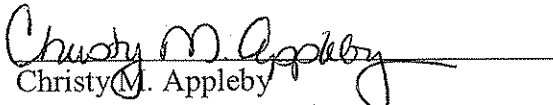
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