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February 21, 2014

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
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400 North Street
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Harrisburg, PA 17105-3265

In re: Docket No. P-2013-2342745
Peoples Natural Gas Company LLC – Equitable Division,
formerly Equitable Gas Company, LLC
Petition for Approval of its Long-Term Infrastructure Improvement Plan
Petition for Approval of a Distribution System Improvement Charge

Dear Secretary Chiavetta:

We are counsel to Peoples Natural Gas Company LLC – Equitable Division in the above matter and, in accordance with the briefing schedule established by Administrative Law Judge Conrad A. Johnson, are submitting the Company's Reply Brief via electronic filing. Copies of the Company's Reply Brief are being served upon the persons and in the manner set forth on the certificate of service attached to it.

Very truly yours,

THOMAS, LONG, NIESEN & KENNARD

By

Thomas T. Niesen

cc: Certificate of Service (w/encl.)
The Honorable Conrad A. Johnson (w/encl.)
William H. Roberts, II, Esquire (w/encl.)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|-------------|-----------------------|
| Petition of Peoples Natural Gas Company LLC – Equitable Division, for Approval of its Long Term Infrastructure Improvement Plan | : : : | P-2013-2342745 |
| Petition of Peoples Natural Gas Company LLC – Equitable Division, for Approval of a Distribution System Improvement Charge | : : : | P-2013-2342745 |
| Office of Consumer Advocate | : : : | |
| v. | : : : | C-2013-2348777 |
| Equitable Gas Company, LLC | : : | |

**REPLY BRIEF OF
PEOPLES NATURAL GAS COMPANY LLC –
EQUITABLE DIVISION**

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Date: February 21, 2014

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I. INTRODUCTION

This proceeding involves the Petitions of Peoples Natural Gas Company LLC – Equitable Division (“Equitable Division” or “Company”) for approval of its Long Term Infrastructure Improvement Plan (“LTIIIP”) (“LTIIIP Petition”) and Distribution System Improvement Charge (“DSIC”) (“DSIC Petition”). In its Order entered July 16, 2013, the Public Utility Commission (“Commission”) found that the Equitable Division’s DSIC “complies with the requirements of Act 11 and our Final Implementation Order ... and [is not] inconsistent with the applicable law or Commission policy.”¹ The Commission allowed Equitable to implement a DSIC mechanism “subject to recoupment and/or refund pending final resolution” and assigned the following issues to the Office of Administrative Law Judge for hearing and preparation of a recommended decision:

- a. Whether field lines that serve residential and commercial customers under Natural Gas Production and Gathering Plant FERC accounts are DSIC-eligible property;
- b. Impact of accumulated deferred income taxes associated with DSIC investments; and
- c. Calculation of the state income tax component of the DSIC revenue requirement.²

The Equitable Division and the Office of Consumer Advocate (“OCA”) filed Main Briefs on January 22, 2014. Based on the Main Briefs of the Company and the OCA, the first of the three issues referred by the Commission for hearing and decision is no longer a matter in controversy. The OCA explained in its Main Brief that it “did not object to the inclusion of

¹ *Petition of Equitable Gas Company, LLC, et al.*, Docket No. P-2013-2342745 (Order entered July 16, 2013) at 42.

² Order entered July 16, 2013 at 43-44.

gathering or field lines as DSIC-eligible, as presented in the Company’s presently effective DSIC tariff” and submitted that “this issue has been resolved without the need for briefs.”³

The second and third of the three issues referred by the Commission – the “impact of accumulated deferred income taxes” (“ADIT”) and the “calculation of the state income tax component” – remain in controversy. The appropriate resolution, however, is clear and obvious. As addressed in the Company’s Main Brief, the ADIT and state income tax adjustments proposed by the OCA to the Company’s DSIC calculation are inconsistent with the plain language of Act 11 and its legislative history, the historic calculation of water DSICs in Pennsylvania and, significantly, the Commission’s Final Implementation Order entered August 2, 2012, where the Commission rejected (and adopted a model tariff rejecting) the two adjustments.⁴

The Equitable Division submits this Reply Brief in accordance with the litigation schedule memorialized in the Prehearing Order dated September 11, 2013, as amended by Administrative Law Judge Johnson during the telephone status conference of January 15, 2014. The Company’s Reply Brief is supplemental to its Main Brief and is limited to those matters which require additional discussion as a result of the Main Brief filed by the OCA. The Section II subsections to the Company’s Reply Brief correspond, generally, to Section II and the Section IV subsections to the OCA’s Main Brief.

³ OCA Main Brief at 27; See also Equitable Division Main Brief at 8.

⁴ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293695 (Final Implementation Order entered August 2, 2012) (“*Final Implementation Order*”) at 31 and 38-39.

II. REPLY TO THE MAIN BRIEF OF THE OFFICE OF CONSUMER ADVOCATE

A. Legal Standard

The OCA contends that the Equitable Division bears the burden of proof to establish the justness and reasonableness of every element of its proposed DSIC and that its burden is “formidable.”⁵

Although the Company acknowledges that it has the burden of proof, we point out that the Commission referred only three issues for hearing and recommended decision. One of those issues is no longer in controversy and, as addressed by the Company in its Main Brief, the Equitable Division has met its burden and demonstrated by a preponderance of substantial evidence that its DSIC (as modified by the Joint Stipulation Addressing One Issue) is consistent with the requirements of Act 11 and the Public Utility Code.

The OCA’s characterization of the Company’s burden as “formidable” is an incorrect statement of the law. Section 332(a) of the Public Utility Code requires the proponent of a rule or order “to bear the ultimate burden of persuading the Commission, by a preponderance of substantial evidence, that the relief sought is proper and justified under the circumstances.”⁶ “Formidable” is not part of either the statutory or the case law definitions of “burden of proof.”

Finally, as the Company explained in its Main Brief, the issues referred for hearing and recommended decision relate, in whole or in part, to the proper interpretation and application of Act 11. These issues are ultimately matters to be decided under the applicable rules of statutory

⁵ OCA Main Brief at 6-7.

⁶ 66 Pa. C. S. § 332(a). *Motheral, Inc. v. Duquesne Light Co.*, 95 Pa. P.U.C. 261 (2001) (citing *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1954); *see also* Equitable Division Main Brief at 6.

interpretation and construction. These rules do not support the adjustments to the DSIC calculation proposed by the OCA.⁷

B. Accumulated Deferred Income Taxes

1. Introduction

The OCA's proposal to include the ADIT balance in the DSIC calculation was thoroughly vetted⁸ and rejected by the Commission in the *Final Implementation Order*. The Commission explained as follows:

4. Accumulated Deferred Income Taxes (ADIT)

* * *

Resolution: OCA has proposed that the DSIC calculation include an adjustment for accumulated deferred income taxes to recognize the difference between the utilities' tax depreciation and book depreciation, which can be viewed as a source of zero cost capital. OCA Comments at 10. Accumulated deferred income taxes (ADIT) and a number of additional items, including working capital and taxes associated with DSIC-eligible property, are accounted for in the normal base rate case process. Upon review, we agree with PPL's comments that the DSIC is intended to be a straightforward mechanism which is easy to calculate, easy to audit and which does not require a full rate case analysis. Inclusion of an ADIT adjustment would be inconsistent with that goal and would likely invite litigation over its calculation. Moreover, we note that the water DSIC, used successfully for over 15 years, did not include an ADIT adjustment. And, in any event, consumers remain protected against over earnings by the earnings cap under Section 1358(b)(3) which "captures the revenue impact of all other adjustments and insure that the DSIC does not result in unreasonable rates."

Therefore, the Commission declines to adopt the OCA proposal to include, in the DSIC calculation, an adjustment for accumulated deferred income taxes. The adjustment, which was not previously used in the DSIC by the water industry, would add unnecessary complexities to the DSIC and, accordingly, will not be included in the model tariff.⁹

⁷ See Equitable Division Main Brief at 6.

⁸ It is apparent from the paragraphs of the *Final Implementation Order* reproduced below that the vetting included Comments filed by the OCA which were considered (and rejected) by the Commission in that *Order*. At page 20 of its Main Brief, the OCA explains that the *Final Implementation Order* and the model tariff were based on one working group meeting and two rounds of written comments by interested parties.

⁹ *Final Implementation Order* at 38-39 (citations omitted).

Ignoring the clear language of the *Final Implementation Order* quoted above, the OCA contends that the “bottom line” is that, without its ADIT adjustment, rates will not be correctly calculated.¹⁰ This contention is simply wrong. In addition to being wholly contrary to the conclusions expressed by the Commission in the *Final Implementation Order*, the OCA’s proposed ADIT adjustment is contrary to the plain language of Act 11 and legislative intent.¹¹ An ADIT adjustment is not part of the DSIC calculation under Act 11.

2. ADIT Need Not Be Included in the DSIC formula to Ensure that Rates Are Just and Reasonable

In support of its ADIT adjustment, the OCA contends that ADIT must be included in the DSIC formula to ensure that rates are just and reasonable.¹² This contention is an inaccurate statement of the law. The reasonableness of the DSIC surcharge is ensured by the earnings cap that the General Assembly legislated as part of Act 11 – not the OCA’s ADIT adjustment. As the Commission explained in the *Final Implementation Order*, the earnings cap under Section 1358(b)(3) “captures the revenue impact of *all other adjustments* and insure[s] that the DSIC does not result in unreasonable rates.”¹³ The phrase “*all other adjustments*” includes the ADIT adjustment proposed by the OCA.

In further support of its ADIT adjustment, the OCA cites several regulatory treatises, Commission base rate orders and decisions/regulatory practice in other jurisdictions.¹⁴ All of the citations predate Act 11 and none of the citations alters the fact that the General Assembly, through Act 11, enacted a DSIC calculation formula that does not include an ADIT adjustment or

¹⁰ OCA Main Brief at 10-11.

¹¹ See Equitable Division Main Brief, Section IV.B.1.

¹² OCA Main Brief, Section IV.A.2.

¹³ *Final Implementation Order* at 39 (emphasis added).

¹⁴ OCA Main Brief, Section IV.A.2.

that the Commission in its *Final Implementation Order* declined to include an ADIT adjustment in the DSIC calculation formula and the model tariff.

In point of fact and contrary to the conclusion offered by the OCA, it is accepted, Pennsylvania regulatory practice to exclude ADIT from the DSIC calculation formula. As addressed at length in the Company's Main Brief and recognized by the Commission in its *Final Implementation Order*, ADIT has never been part of the water DSIC calculation which has been used successfully in Pennsylvania for more than 15 years.¹⁵

In addition and significantly, all of the OCA's citations are outside the context of Act 11. With Act 11, the General Assembly added language to the Public Utility Code that encourages utilities to accelerate the replacement of aging infrastructure.¹⁶ The encouragement that is part of the Act includes implementation of a DSIC.¹⁷ None of the OCA's citations is material, relevant or even informative as to the interpretation of a new statute enacted with the background of encouraging accelerated replacement of infrastructure. Hampering the effectiveness of the DSIC by including an ADIT adjustment as proposed by the OCA would be contrary to the intent of the General Assembly and the objectives of the Act.

Contrary to the conclusions expressed by the OCA,¹⁸ the rate base and revenue requirement for DSIC plant additions under Act 11 should not – and need not – be calculated the same way that rate base and revenue requirement are calculated for base rate purposes. Rather, they should be calculated as intended by the General Assembly and directed by the Commission

¹⁵ Equitable Division Main Brief at 14-15.

¹⁶ 66 Pa. C.S. § 1352(a)(6).

¹⁷ To qualify for a DSIC, the Act directs the utility to include an LTIP as part of its DSIC petition. Section 1352(a)(6) provides that the LTIP shall include “the manner in which the replacement of aging infrastructure will be accelerated and how the repair improvement or replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service.”

¹⁸ See OCA Main Brief at 14-15.

in the *Final Implementation Order* – without recognition of the OCA’s ADIT adjustment. The OCA’s disagreement with the language of the statute and the exclusion of its ADIT adjustment from the DSIC calculation does not support a conclusion that the DSIC calculation is incorrect.

As a final point, the OCA contends, citing Sections 1351 and 1353 of Act 11,¹⁹ that the Company’s DSIC calculation formula will result in the Company recovering costs it has not “incurred,” contrary to the language of Act 11.²⁰ This contention is inconsistent with the rules of statutory interpretation. Sections 1351 and 1353 are general provisions regarding definitions and procedures for obtaining approval of the DSIC. The actual DSIC mechanism is set forth in Section 1357 – Computation of Charge and Section 1358 – Customer Protections.²¹ It is these latter two provisions that establish the specific methodology for calculating the DSIC rate, and they do not provide for an ADIT adjustment as part of the DSIC calculation.

The OCA’s final point is also factually inaccurate. When the Equitable Division invests in DSIC eligible property, it uses investor capital to make the necessary investments. Whether it will subsequently receive incremental deferred tax benefits is not known until after a tax return is filed. Incremental tax deductions, moreover, can be used by the Company in a variety of ways. For example, not all plant installed by a utility is DSIC-eligible.²² Any net growth in ADIT balances may be used to finance future investment in non-DSIC plant, thereby reducing earnings erosion associated with such plant between rate cases. The DSIC rate, specifically the earnings cap portion of the rate, accounts for such uses by deducting the total tax adjustments in computing rate base, and calculating the Company’s earned return on the total rate base. The

¹⁹ 66 Pa. C.S. §§ 1351 and 1353.

²⁰ OCA Main Brief, Section IV.A.2 at 15.

²¹ 66 Pa. C.S. §§ 1357 and 1358.

²² See 66 Pa.C.S. § 1351.

OCA's insistence that DSIC plant is funded by zero-cost or non-investor supplied capital, and thus that the Company will recover costs it has not “incurred,” fails to recognize that any net benefit received from tax adjustments is reflected in the earnings cap.

3. The Impact of ADIT On Rates Is Immaterial

In further support of its ADIT adjustment, the OCA contends that the impact on rates can be potentially significant.²³ The potential significance of the adjustment does not justify its implementation. For all the reasons expressed here and in the Company’s Main Brief, the OCA’s adjustment is inconsistent with Act 11 regardless of the dollar level of the adjustment. As already found by the Commission, an ADIT adjustment is not part of the statutory framework and not part of the Commission’s model tariff.

4. The DSIC Is Correctly Calculated Without the OCA’s ADIT Adjustment

a. The OCA’s ADIT Adjustment Would Add Unnecessary Complexities to the DSIC

Inconsistent with the express language of the *Final Implementation Order*, the OCA argues that recognizing ADIT is not overly complicated.²⁴ The *Final Implementation Order* explains, however, that the “[ADIT] adjustment, which was not previously used in the DSIC by the water industry, would add unnecessary complexities to the DSIC ...”²⁵ The OCA fails to acknowledge the clear language of the *Final Implementation Order* and offers no fact or argument why the Commission should reconsider its previous finding.

In further support of its ADIT adjustment, the OCA cites the practice in other jurisdictions in respect to DSIC-type mechanisms.²⁶ The practice in other jurisdictions is not

²³ OCA Main Brief, Section IV.A.3.

²⁴ OCA Main Brief, Section IV.A.4.a.

²⁵ *Final Implementation Order* at 39.

²⁶ OCA Main Brief, Section IV.A.4.a.

informative where, as here, there is no indication that the General Assembly based Pennsylvania Act 11 on the practice elsewhere.²⁷ Simply stated, the General Assembly was not required to follow the practice in other jurisdictions in enacting a Pennsylvania statute which encourages utilities to accelerate the replacement of aging infrastructure.

In further support of a “correct” DSIC calculation that includes an ADIT adjustment, the OCA interprets several sections of Act 11.²⁸ Computation of the DSIC charge is addressed in Section 1357 of the Act which provides that the DSIC shall be calculated to recover the “fixed cost of eligible property ...” Section 1357(a)(3) provides that the “fixed cost of eligible property shall consist of depreciation and pretax return.” Act 11 simply does not provide for the inclusion of an ADIT adjustment in the “fixed cost of eligible property.”

b. The Earnings Cap Protects Against Over Earning

Inconsistent with the express language of Act 11 and the *Final Implementation Order*, the OCA argues that the earnings cap does not prevent the DSIC from being overstated.²⁹ The earnings cap is a customer protection specifically included by the General Assembly in Section 1358(b)(3) of the Act. The *Final Implementation Order* accurately explains that “consumers remain protected against over earning by the earnings cap under Section 1358(b)(3) which “captures the revenue impact of all other adjustments and insure[s] that the DSIC does not result in unreasonable rates.”³⁰ The earnings cap protects customers against over earning by utilities.

The OCA argues that the earnings report submitted by a utility is not subject to the type of scrutiny that occurs in a base rate proceeding.³¹ The earnings report, however, is calculated

²⁷ Equitable Division Main Brief at 12.

²⁸ OCA Main Brief, Section IV.A.4.a at 17-18.

²⁹ OCA Main Brief, Section IV.A.4.b.

³⁰ *Final Implementation Order* at 39.

³¹ OCA Main Brief, Section IV.A.4.b.

pursuant to a formula established by the Commission, incorporating the same elements that are included in a base rate assessment. The earnings cap compares the utility's current quarter's earnings, as reflected in its Quarterly Earnings Report, to the Commission's allowed rate of return. In so doing, the earnings cap takes into consideration the many moving parts identified in a 1308(d) proceeding, including the very same components (ADIT and accelerated tax depreciation deductions used to calculate state income taxes) that OCA seeks to include in the calculation of the charge.³² The earnings cap examines whether the utility's rates are just and reasonable, as measured by the utility's return on equity. The DSIC may not be charged if the utility is over earning the authorized return. Such determination is consistent with prior precedent in assessing whether rates are just and reasonable.

The OCA argues further that the earnings report takes into consideration factors that are unrelated to the DSIC and is, therefore, not adequate.³³ However, it is this feature of looking at rates from an overall rate of return basis that provides an appropriate test of whether the utility's rates are just and reasonable.³⁴ The critical point is that the utility cannot apply a DSIC if it is over earning its authorized rate of return. Just and reasonable rates should not be determined by looking at individual allowances or disallowances, but rather should consider the total effect of the rates.³⁵ The Commission and General Assembly have done that by legislating earnings cap customer protection. The earnings cap adequately addresses OCA's concerns, and, therefore, the OCA's ADIT adjustment is not necessary.³⁶

³² See *Final Implementation Order* at 39.

³³ OCA Main Brief, Section IV.A.4.b.

³⁴ See *Popowsky v. Pa. P.U.C.*, 683 A.2d 958 (Pa. Cmwlth. 1996); *Duquesne Light Co. v. Barasch*, 488 U.S. 299 (1989).

³⁵ See *Duquesne Light Co. v. Barasch*, *supra*.

³⁶ See also Equitable Division Main Brief at 16-17.

The fundamental flaw in the OCA's position is its contention that, without its particular adjustments, the DSIC rate will be unjust or unreasonable. Given the DSIC rate specified by the General Assembly, the appropriate inquiry, however, is whether the total effect of the surcharge results in unjust and unreasonable rates. The General Assembly has addressed that very issue with the use of the earnings cap. In assessing whether the DSIC rate is just and reasonable, the charge and the limiting provisions of customer protections must be considered together. As recognized in the *Final Implementation Order* “consumers remain protected against over earning by the earnings cap under Section 1358(b)(3) which “captures the revenue impact of all other adjustments and insure[s] that the DSIC does not result in unreasonable rates.”³⁷

c. Summary

As addressed by Equitable in its Main Brief and this Reply Brief, an ADIT adjustment as proposed by the OCA is not part of the framework of Act 11, which encourages utilities to accelerate replacement of aging infrastructure. The adjustment was, moreover, rejected by the Commission in the *Final Implementation Order*. The OCA’s ADIT adjustment, likewise, should be rejected here.

5. The Commission Appropriately Acknowledged that the Water DSIC, Used Successfully for More Than 15 Years, Did Not Include an ADIT Adjustment

In further support of its ADIT adjustment, the OCA mistakenly contends that the Commission should depart from its successful experience with the water DSIC and modify the model tariff.³⁸ With more than 15 years experience and success with a water DSIC that did *not* include an ADIT adjustment, it is understandable that the Commission would rely on that experience and success in its *Final Implementation Order*. Legislative history demonstrates,

³⁷ *Final Implementation Order* at 39.

³⁸ OCA Main Brief, Section IV.A.5.

moreover, that the water DSIC was used as a model for the DSIC mechanism enacted with Act 11.³⁹ The OCA has failed to identify a single substantive reason why the Commission should reconsider the clear finding presented in the *Final Implementation Order* relying on successful experience with the water DSIC.

The OCA also contends that its ADIT adjustment recognizes the experience and developments in other states in refining the DSIC formula that was created in Pennsylvania 16 years ago.⁴⁰ Other jurisdictions, however, do not support the inclusion of an ADIT adjustment in Pennsylvania. As addressed in the Company's Main Brief, there is no evidence that the General Assembly relied upon any other jurisdiction in developing Act 11.⁴¹ With the enactment of Act 11, the General Assembly created a regulatory framework for accelerating the replacement of aging infrastructure which includes a DSIC mechanism patterned after Pennsylvania's existing water DSIC mechanism. The OCA's attempt to effect a modification of Pennsylvania's long established DSIC calculation formula to include an ADIT adjustment is contrary to the plain language of Act 11 and its legislative history and contrary to the plain language of the *Final Implementation Order*.

6. Conclusion

The Company's DISC calculation formula is consistent with the plain language of Act 11, legislative history, the *Final Implementation Order* and the model tariff. The calculation formula is straightforward, easy to calculate and easy to audit. It does not require full rate case analysis. The formula is based on the water DSIC that the Commission and water utilities have used successfully for more than 15 years. The earnings cap, which is a customer protection

³⁹ Equitable Division Main Brief at 10-12.

⁴⁰ OCA Main Brief, Section IV.A.5.

⁴¹ Equitable Division Main Brief at 12.

specifically included by the General Assembly in Section 1358(b)(3) of Act 11, “captures the revenue impact of all other adjustments and insure[s] that the DSIC does not result in unreasonable rates.”

C. State Income Taxes

The OCA states that it has identified a “correction” that must be made to Equitable’s calculation of state income taxes in the DSIC revenue requirement determination. It contends that the amount of state income taxes that Equitable will pay on DSIC revenues will be affected by tax deductions and that the state income tax rate used to calculate the DSIC revenue requirement should reflect the state income tax expense actually paid.⁴²

In support of its state income tax adjustment, the OCA cites the “actual taxes paid” doctrine. The doctrine has no application to this DSIC proceeding – it has only been applied in base rate proceedings. Even if the doctrine were relevant to this case (and it is not), it is a judicial construct which can be modified by the General Assembly.⁴³ To the extent that the doctrine could have had any application to the DSIC, the General Assembly rejected that application in Act 11 where it provided a formula for calculation of the DSIC and intentionally omitted the OCA’s proposed adjustments.⁴⁴

In further support of its state income tax adjustment, the OCA argues that, absent its adjustment, the Company will recover costs not actually incurred in violation of Sections 1351 and 1353 of the Act.⁴⁵ As previously addressed, Sections 1351 and 1353 are general provisions regarding definitions and the procedures for obtaining approval of the DSIC. The actual DSIC

⁴² OCA Main Brief, Section IV.B.

⁴³ *Barasch v. Pa. P.U.C.* 491 A. 2d 94, 104 (Pa. 1985).

⁴⁴ *See also* Equitable Division Main Brief at 19-20.

⁴⁵ 66 Pa. C.S. §§ 1351 and 1353.

mechanism is set forth in Section 1357 – Computation of Charge and Section 1358 – Customer Protections.⁴⁶ It is these latter two provisions that establish the specific methodology for calculating the DSIC rate, and they make no mention of the additional components proposed by OCA. The General Assembly has defined what costs may be reflected in the DSIC calculation, and OCA has offered no valid basis to add to that definition.

The only way to determine the Equitable Division’s actual taxes paid for state income tax purposes on the plant additions would be to conduct a full rate case tax analysis. This tax analysis is the antithesis of a simple DSIC calculation. Conducting such a tax analysis would subject the DSIC to disputes over the proper calculation of state tax liability. As the Commission indicated in its *Final Implementation Order*, it was seeking to reduce the potential for litigation over the individual elements of the DSIC mechanism by keeping the calculation simple.

The OCA’s state income tax “correction” should be rejected. The Company’s use of the statutory Federal and State income tax rates in the DSIC calculation formula should be approved without modification.

D. Gathering Lines

The OCA explained in its Main Brief that it “did not object to the inclusion of gathering or field lines as DSIC-eligible, as presented in the Company’s presently effective DSIC tariff” and submitted that the “this issue has been resolved without the need for briefs.”⁴⁷

⁴⁶ 66 Pa. C.S. §§ 1357 and 1358.

⁴⁷ OCA Main Brief at 27.

III. CONCLUSION – REQUEST FOR RELIEF

For all of the reasons presented in this Reply Brief and the Company's Main Brief, Peoples Natural Gas Company LLC – Equitable Division requests that the Pennsylvania Public Utility Commission (1) approve and confirm, without modification (other than the modification presented in the Joint Stipulation Addressing One Issue), the Equitable Division's DSIC surcharge language and DSIC calculation formula as implemented through its filing of Supplement No. 102 on September 20, 2013 and reflected in the Company's presently effective tariff and (2) reject the adjustments proposed by the Office of Consumer Advocate.

Respectfully submitted,

PEOPLES NATURAL GAS COMPANY LLC –
EQUITABLE DIVISION

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*Attorneys for Peoples Natural Gas Company LLC –
Equitable Division*

Date: February 21, 2014

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| Equitable Gas Company, LLC | : : | |

CERTIFICATE OF SERVICE

I hereby certify that I am this 21st day of February 2014, serving a true and correct copy of the Reply Brief of Peoples Natural Gas Company LLC – Equitable Division upon the persons below via electronic and first class mail, as follows:

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