

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 15, 2015

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Pa. Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.
Docket No. R-2015-2468056

Dear Secretary Chiavetta:

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

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink that reads "Amy E. Hirkis".

Amy Hirkis
Assistant Consumer Advocate
PA Attorney I.D. #310094
E-Mail: AHirkis@paoca.org

Attachment

cc: Honorable Mary D. Long, ALJ
Certificate of Service

205284

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2015-2468056
	:	
Columbia Gas of Pennsylvania, Inc.	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. §333, and the Prehearing Conference Order dated April 9, 2015, of Administrative Law Judge Mary D. Long (ALJ), the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On March 19, 2015, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 226 to Tariff Gas - Pa. P.U.C. No. 9 at Docket No. R-2015-2468056 (Supplement No. 226). The Company proposes to increase rates to produce additional annual operating revenues of \$46.2 million, which would be an 8.63% increase over present revenues. If the rates are approved as proposed by the Company, the total bill for a residential customer using 69 therms of gas per month would increase \$7.78, from \$90.04 to \$97.82 per month. Columbia is also proposing to increase the fixed monthly customer charge by \$3.85, from \$16.75 to \$20.60 per month. The Company proposes that the rate increase become effective on May 18, 2015.

Pursuant to the settlement adopted in the 2012 base rate case, the Company proposes to continue the Weather Normalization Adjustment (WNA) pilot program, whereby residential customers' bills are adjusted up or down in months where the weather varies from normal by more than 5 percent. Consistent with the settlement, the WNA pilot program will continue until a final order is issued in the first rate case filed after May 31, 2016.

The Company utilizes a fully forecasted future test year in its filing ending on December 31, 2016, as permitted by 66 Pa. C.S. § 315(e) (Act 11). Act 11 also permits natural gas distribution companies, electric distribution companies, wastewater utilities, and city natural gas operations—like water utilities previously—to recover repair, improvement, and replacement costs through a distribution system improvement charge (DSIC). 66 Pa. C.S. § 1350, *et seq.* The Company's DSIC was approved by Order dated March 13, 2013, subject to refund and resolution of litigated issues pending before the Commonwealth Court. Pursuant to the settlement of the 2014 base rate case, the Company is not eligible to further collect through DSIC until eligible account balances exceed the levels projected by Columbia at the end of its fully forecasted future test year, December 31, 2015.

II. HISTORY OF THE PROCEEDING

On March 25, 2014, the Office of Consumer Advocate (OCA) filed a Formal Complaint and Public Statement. On March 27, 2015, Shipley Energy, Interstate Gas Supply, and Dominion Retail filed a Petition to Intervene (NGS Parties). On April 7, 2015, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On April 8, 2015, the Coalition for Affordable Utility Services and Energy-Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On April 10, 2015, The Pennsylvania State University (PSU) filed a Formal Complaint. Also on April 10, 2015, the Office of Small Business Advocate (OSBA)

filed a Formal Complaint and Public Statement. On April 14, 2015, the Columbia Industrial Intervenors (CII) filed a Formal Complaint.

The proceeding was assigned to Administrative Law Judge Mary D. Long. By Order entered April 9, 2015, the Commission suspended the implementation of Supplement No. 226 until December 18, 2015, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 226. A prehearing conference is scheduled for April 16, 2015.

III. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of Columbia's base rate filing, the Office of Consumer Advocate has compiled a list of issues, which it anticipates will be included in its investigation of the Company's request. It is anticipated that issues in addition to those enumerated below may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. The OCA reserves the opportunity to present any new or unanticipated issues at such time.

As soon as the OCA has had the opportunity to review the answers to interrogatories, the OCA anticipates that informal discovery meetings can be scheduled, and potential settlement discussions may take place. At those meetings and discussions, the OCA will be able to narrow the scope of additional information requests. Once the discovery process is complete, the OCA will file direct testimony setting forth the specific issues to be addressed in this proceeding. At that time the OCA will also be able to make and quantify its specific recommendations.

The list of issues and sub-issues set forth below will be analyzed and presented as appropriate by the OCA with the assistance of OCA's expert witnesses.

A. Rate of Return

The OCA will perform a detailed analysis of the cost of common equity claimed by Columbia. The OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim of 10.95%. In particular, the OCA will review the cost of equity models and how they have been implemented and will evaluate the theoretical and empirical foundations of the proposed leverage and various other adjustments to the equity cost rate. Columbia's investment risk relative to that of the gas industry barometer group will also be evaluated. The OCA will examine the capital structure and long-term and short-term debt cost rates proposed by Columbia so as to determine if they are accurate and appropriate.

B. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of the projections of Columbia pertaining to the natural gas utility plant in service at the time relevant to this proceeding including, but not limited to, whether the projected rate year plant will be completed as claimed and whether retirements are accurately reflected. The OCA will review the Company's claim for plant additions during the projected rate year to determine if the Company has demonstrated that all such costs are (or will be) prudently incurred and whether the claimed plant is a proper reflection of that which will be in service during the rate year. The OCA will investigate whether the Company's claimed depreciation reserve reduction in rate base is appropriate. The OCA will examine the Company's claims of stored gas underground, cash working capital, deferred income taxes, customer deposits, and customer advances for construction to determine whether they are at levels appropriate for use in setting base rates for Columbia.

Further, the OCA will examine the Company's use of a fully forecasted future test year in its filing and whether the Company's use of a year-end rate balances for certain rate base items is appropriate in the context of a fully forecasted test year.

C. Revenues and Expenses

The OCA will review the reasonableness and accuracy of the Company's projected revenues, including but not limited to, its weather normalization adjustment, customer consumption, annualized number of customers and miscellaneous revenues adjusted for known and certain rate year changes. The OCA will examine the appropriateness, reasonableness, and accuracy of the Company's claims for wages and benefits, rate case expenses, service company charges, outside service, uncollectible accounts, pensions and OPEBs, as well as other categories of expenses. The OCA will also review the claimed allowance for depreciation to ensure that it properly reflects plant that will be in service during the rate year and that the underlying depreciation rates are reasonable. In addition, the OCA will analyze all elements of taxes other than income taxes and the Company's calculation of state and federal income taxes.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine Columbia's Class Cost of Service studies (cost allocations) with particular regard to appropriate and Commission-approved methods to allocate Mains investment and expenses, proper recognition of weighting of various Customer Service, Accounting, and Information expenses between classes, and proper cost assignment of pro forma Mains pipe replacement costs. The OCA will examine the Company's Class Revenue responsibility and apportionment of the revenue increase given cost of service results as well as recognition of other relevant factors and ratemaking principles. Also, the OCA will examine the Company's proposed rate design.

E. Universal Service

The OCA will assess the impact of the Company's proposed rates on universal service and customer service. The reasonableness of the overall CAP cost impacts, as affected by the Company's rate design and as proposed to be collected through the Rider USP will be assessed. The OCA will review customer service quality, including the protection of personally identifiable information.

F. Other Issues

The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes, any relevant issues that arise as a result of the Company's operations, and will investigate to ensure that the Company is complying with all prior orders.

IV. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness 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.

Accounting/Regulatory Policy: Lafayette K. Morgan
Thomas S. Catlin
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
lmorgan@exeterassociates.com
tcatlin@exeterassociates.com

Rate Design/Cost Allocation: Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044
jmierzwa@exeterassociates.com

Return on Equity/Capital Structure: Aaron L. Rothschild
Rothschild Financial Consulting
15 Lake Rd
Ridgefield, CT 06877
aaron@rothschildfinancial.com

Universal Service: Roger D. Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
roger@fsconline.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the Presiding Officers and all parties of record will be notified promptly. The OCA requests that responses to all discovery requests be provided to all of its consultants.

V. EVIDENCE

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of the other parties to the proceeding. The OCA will present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Company through discovery and cross-examination. As described above, the OCA's witnesses will present testimony in the following areas: accounting and regulatory policy, sales, revenue forecasting, rate design, cost allocation, return on equity, capital structure and universal service.

VI. PROCEDURAL RULES / DISCOVERY

The OCA proposes that the following modifications to the rules of discovery be adopted:

1. The response period for replying to written interrogatories, requests for production and requests for admissions is ten (10) calendar days of receipt, unless otherwise indicated. Responses may be served electronically but hard copies must follow by first-class

mail. For purposes of tracking due dates, discovery served on a Friday after 12pm shall be deemed to have been served on the following business day.

2. Objections to interrogatories, requests for production and requests for admissions are to be communicated orally to the propounder within three (3) calendar days of receipt and in writing within five (5) calendar day of receipt. The parties are directed to confer, by telephone or email, and attempt to resolve the objections.

3. Motions to dismiss objections and compel responses shall be filed and served on the ALJ and other parties within three (3) calendar days of receipt of the written objections. Answers to such motions shall be filed and served within three (3) calendar days after filing of the motion.

4. If the objections are not resolved, counsel will alert the ALJ by email of the need for a ruling, and a conference call will be scheduled.

5. Interrogatories, requests for production and requests for admissions which are objected to but which are not made the subject of a motion to compel will be deemed withdrawn.

6. Pursuant to 52 Pa. Code § 5.341(b), neither interrogatories nor responses are to be served on the Commission or the ALJ, although a certificate of service may be filed with the Commission's Secretary.

7. Interrogatories, motions to compel and responses are to be served electronically as well as on paper.

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

9. Any discovery-related pleading such as objections, motions, or answers served on a Friday or the day before a holiday recognized by the Commission will be deemed to have been served on the following business day for purposes of tracking due dates.

VII. PUBLIC INPUT HEARINGS

The OCA is not aware of any consumer formal complaints in this matter. The OCA has received one consumer requests for public input hearings to date. Due to receiving a specific request for a Public Input Hearing, the OCA requests that a Public Input Hearing be scheduled in Columbia's service territory. The OCA is not opposed to a telephonic Public Input Hearing if the OCA does not receive additional requests. The OCA will work with the ALJ, the parties, and Commission scheduling staff to determine an appropriate date, location and format for such hearing. If a public input hearing is scheduled after the deadline for OCA direct testimony, the OCA requests approval to supplement its direct testimony at that later time.

VIII. SERVICE ON THE OFFICE OF CONSUMER ADVOCATE

The OCA will be represented in this case by Senior Consumer Advocate Erin L. Gannon and Assistant Consumer Advocates Amy E. Hirakis and Hobart J. Webster. Two copies of all documents should be served to the OCA as follows:

Erin L. Gannon
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
Telephone: 717-783-5048
Facsimile: 717-783-7152
EGannon@paoca.org

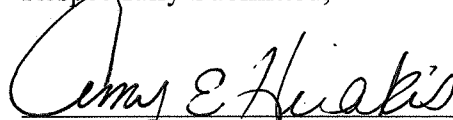
As a courtesy, we request that email correspondence in the case be sent to all of the following:

EGannon@paoca.org
AHirakis@paoca.org
HWebster@paoca.org
RNace@paoca.org

IX. PROPOSED SCHEDULE

The OCA is agreeable to the Company's proposed litigation schedule, a copy of which is attached hereto as Appendix A. The OCA respectfully requests that the evidentiary hearings be held in Harrisburg.

Respectfully Submitted,



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Senior Consumer Advocate
PA Attorney I.D. # 83487
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Amy E. Hirakis
Assistant Consumer Advocate
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Hobart J. Webster
Assistant Consumer Advocate
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Telephone: (717) 783-5048
Facsimile: (717) 783-7152
Dated: April 15, 2015

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2014-2406274
	:	
Columbia Gas of Pennsylvania, Inc.	:	

PROPOSED PROCEDURAL SCHEDULE
OF THE
OFFICE OF CONSUMER ADVOCATE

Prehearing Conference	April 16, 2015
Due Date for the filing and in-hand service of the Direct Testimony ¹ of other Parties	June 19, 2015
Due Date for the filing and in-hand service of Rebuttal Testimony	July 16, 2015
Due Date for the filing and in-hand service of Surrebuttal Testimony	July 28, 2015
Due Date for the filing and in-hand service of Rejoinder Testimony	July 31, 2015 by 4:00 p.m.
Evidentiary Hearings in Harrisburg	August 4 5, & 10, 2015
Due Date for the filing and in-hand service of Main Briefs	August 27, 2015
Due Date for the filing of Reply Briefs	September 11, 2015

¹ The OCA proposes that electronic service on the due date will satisfy all “in-hand” requirements, where such service is immediately followed by two hard copies sent by first-class mail.

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2015-2468056
Columbia Gas of Pennsylvania, Inc. :

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 15th day of April, 2015.

SERVICE BY E-MAIL AND INTER-OFFICE MAIL

Scott B. Granger, Prosecutor
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL AND FIRST CLASS MAIL, POSTAGE PREPAID

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Lindsay A. Berkstresser, Esquire
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Counsel for Columbia Gas of Pennsylvania, Inc.

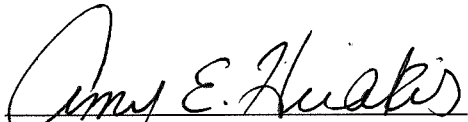
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Elizabeth P. Trinkle, Esquire
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Counsel of Columbia Industrial Intervenors

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Counsel for Columbia Gas of Pennsylvania, Inc.

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Hawke, McKeon, & Sniscak LLP
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Elizabeth R. Marx, Esquire
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Counsel for CAUSE-PA

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