

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 27, 2016

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-2016-2529660

Dear Secretary Chiavetta:

Attached for electronic filing 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,

/s/ Amy E. Hirakis
Amy E. Hirakis
Assistant Consumer Advocate
PA Attorney I.D. #310094

Attachment

cc: Honorable Katrina L. Dunderdale, ALJ
Certificate of Service

218579

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

| | | |
|----------------------------------------|---|---------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2016-2529660 |
| | : | |
| 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 22, 2016, of Administrative Law Judge Katrina L. Dunderdale (ALJ), the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On March 18, 2016, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 241 to Tariff Gas - Pa. P.U.C. No. 9 at Docket No. R-2016-2529660 (Supplement No. 241), with an effective date of May 17, 2016. The Company proposes to increase rates to produce additional annual operating revenues of \$55.3 million, or 11.23%, over present revenues. The Company also proposes to increase the residential fixed monthly charge by \$2.76 from \$16.75 to \$19.51.

On March 22, 2016, the Office of Consumer Advocate (OCA) filed a Formal Complaint and Public Statement. On March 24, 2016, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On April 4, 2016, the Office of Small Business Advocate (OSBA)

filed a Formal Complaint and Public Statement. On April 6, 2016, Shipley Choice, LLC, AMERIGreen Energy, Interstate Gas Supply, and Dominion Retail filed a Petition to Intervene (NGS Parties). On April 12, 2016, the Coalition for Affordable Utility Services and Energy-Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene. On April 25, 2016, The Pennsylvania State University (PSU) and the Columbia Industrial Intervenors (CII) filed Formal Complaints.

The proceeding was assigned to Administrative Law Judge Katrina L. Dunderdale. By Order entered April 21, 2016, the Commission suspended the implementation of Supplement No. 241 until December 19, 2016, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement No. 241. A prehearing conference is scheduled for April 28, 2016.

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 that 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.

The OCA has served three (3) sets of interrogatories to date. Upon receipt of the answers to those interrogatories, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

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 11%. 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: | Michael J. Majoros, Jr. Snavelly King Majoros & Associates 4351 Garden City Dr. Landover, MD 20785 mmajoros@snavelly-king.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:

- a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.
- b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories.

Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.

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

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

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

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

g. 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 has received three (3) consumer requests for public input hearings to date. The OCA has also received a request for a public input hearing from Senator Camera Bartolotta. Due to receiving specific requests for a Public Input Hearing, the OCA requests that a Public Input Hearing be scheduled in Columbia's service territory. The OCA will work with the ALJ, the parties, and Commission scheduling staff to determine an appropriate date, and location. 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 Lauren Burge. 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
EGannon@paoca.org

As a courtesy, the OCA requests that any documents served electronically also be directed to Amy E. Hirakis at AHirakis@paoca.org, Lauren Burge at LBurge@paoca.org, and to our Legal Assistant, Rebecca Nace at RNace@paoca.org.

IX. PROPOSED SCHEDULE

The OCA is working with the parties to develop an acceptable procedural schedule. The OCA respectfully requests that the evidentiary hearings be held in Harrisburg.

X. SETTLEMENT

The OCA will participate fully in all settlement discussions.

Respectfully Submitted,

Erin L. Gannon
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Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

April 27, 2016

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CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2016-2529660
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 27th day of April 2016.

SERVICE BY E-MAIL AND INTER-OFFICE MAIL

Carrie B. Wright, 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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Office of Small Business Advocate
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/s/ Amy E. Hirakis

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