

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560

FAX (717) 783-7152  
consumer@paoca.org

April 17, 2018

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

Re: Pennsylvania Public Utility Commission  
v.  
Columbia Gas of Pennsylvania, Inc.  
Docket No. R-2018-2647577

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/ Hayley E. Dunn  
Hayley E. Dunn  
Assistant Consumer Advocate  
PA Attorney I.D. #324763  
E-Mail: HDunn@paoca.org

Attachment

cc: Honorable Jeffrey A. Watson, ALJ  
Certificate of Service

246836

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
v. : Docket No. R-2018-2647577  
Columbia Gas of Pennsylvania, Inc. :

I hereby certify that I have this day served a true copy of the following 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 17th day of April 2018.

SERVICE BY E-MAIL AND INTER-OFFICE MAIL

Erika L. McLain, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
400 North Street  
Harrisburg, PA 17120  
*Counsel for I&E*

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

Daniel G. Asmus, Esquire  
Office of Small Business Advocate  
Suite 202, Commerce Building  
300 N. Second Street  
Harrisburg, PA 17101  
*Counsel for OSBA*

Theodore J. Gallagher, Esquire  
Columbia Gas of Pennsylvania, Inc.  
121 Champion Way, Suite 100  
Canonsburg, PA 15317  
*Counsel for Columbia Gas of Pennsylvania, Inc.*

Michael W. Hassell, Esquire  
Lindsay A. Berkstresser, Esquire  
Post & Schell, P.C.  
17 North Second Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101  
*Counsel for Columbia Gas of Pennsylvania, Inc.*

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
100 N. 10<sup>th</sup> Street  
Harrisburg, PA 17101  
*Counsel for NGS Parties*

Joseph L. Vullo, Esquire  
Burke Vullo Reilly Roberts  
1460 Wyoming Avenue  
Forty Fort, PA 18701  
*Counsel for CAAP*

Thomas J. Sniscak, Esquire  
William E. Lehman, Esquire  
Whitney E. Snyder, Esquire  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
*Counsel for PSU*

Charis Mincavage, Esquire  
Alessandra L. Hylander, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street, P.O. Box 1166  
Harrisburg, Pa 17108-1166  
*Counsel for CII*

Elizabeth R. Marx, Esquire  
Kadeem G. Morris, Esquire  
Patrick M. Cicero, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
*Counsel for CAUSE-PA*

Daniel Clearfield, Esquire  
Kristine Marsilio, Esquire  
Eckert Seamans Cherin & Mellott, LLC  
213 Market Street, 8th Floor  
Harrisburg, PA 17101  
*Counsel for Direct Energy*

SERVICE BY FIRST CLASS MAIL, POSTAGE PREPAID

Patricia Southorn  
208 Parkside Lane  
Pittsburgh, PA 15236

/s/ Hayley E. Dunn  
Hayley E. Dunn  
Assistant Consumer Advocate  
PA Attorney I.D. #324763  
E-Mail: [HDunn@paoca.org](mailto:HDunn@paoca.org)

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. #311570  
E-Mail: [LBurge@paoca.org](mailto:LBurge@paoca.org)

Darryl A. Lawrence  
Senior Consumer Advocate  
PA Attorney I.D. #93682  
E-Mail: [DLawrence@paoca.org](mailto:DLawrence@paoca.org)

Counsel for:  
Tanya J. McCloskey

Office of Consumer Advocate  
555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

\*246838

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2018-2647577
	:	
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 in response to the April 10, 2018 Prehearing Conference Order issued in the above-captioned matter, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION**

On March 16, 2018, Columbia Gas of Pennsylvania, Inc. (Columbia or the Company) filed Supplement No. 267 to its Tariff Gas – Pa. P.U.C. No. 9 (Supplement No. 267) with the Pennsylvania Public Utility Commission (Commission) and proposed a May 15, 2018 effective date. Columbia is engaged in the business of furnishing natural gas service to approximately 426,000 residential, commercial, and industrial customers in portions of 26 counties in western, northwestern, southern, and central Pennsylvania. In Supplement No. 267, the Company proposes to increase rates to produce additional overall revenues of \$46.9 million, or 8.16% over present revenues. Columbia also proposes to increase its residential monthly customer charge from \$16.75 to \$18.25. Under the Company’s proposed rate increase, the total bill for a residential customer purchasing 70 therms of gas per month would increase from \$91.63 to \$99.88 per month,

or by approximately 9%. In addition, the proposed rate increase would produce an 8.10% overall rate of return on its original cost rate base, including a 10.95% return on common equity.

## **II. PROCEDURAL HISTORY**

On March 20, 2018, the OCA filed a Formal Complaint in opposition to the Company's proposed rate increase. On March 22, 2018, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance in this matter. On March 28, 2018, the Office of Small Business Advocate (OSBA) filed a Formal Complaint. On March 30, 2018, the NGS Parties filed a Petition to Intervene. On April 4, 2018, the Community Action Association of Pennsylvania (CAAP) also filed a Petition to Intervene. On April 6, 2018, the Pennsylvania State University (PSU) filed a Formal Complaint. On April 9, 2018, the Columbia Industrial Intervenors (CII) filed a Complaint. On April 10, 2018, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer. On April 16, 2018, Direct Energy also filed a Petition to Intervene in this matter.

On April 5, 2018, the Commission entered an Order suspending Supplement No. 267 until December 15, 2018, pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d), and initiated an investigation into the lawfulness, justness, and reasonableness of the proposed and existing rates, rules, and regulations. The Company's filing was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judge (ALJ) Jeffrey A. Watson. A prehearing conference is scheduled for April 18, 2018.

## **III. ISSUES**

Based upon a preliminary analysis of Columbia's base rate filing, the OCA has identified several significant issues that require further review and will be included in its investigation of the proposed rate increase. The OCA has served four (4) sets of interrogatories on the Company to

date. Upon further review of Columbia's filing, including the issuance of additional discovery and review of the Company's responses, the OCA will narrow the scope of the issues to be raised and identify any other issues. Accordingly, the OCA specifically reserves the right to raise additional issues as this matter proceeds. The presently identified issues include the following:

A. Rate of Return

The OCA will perform a detailed analysis of the 10.95% cost of common equity claimed by Columbia. The OCA will examine the methodologies and supporting data used to develop the Company's 10.95% cost of common equity, which includes 20 basis points in recognition of the Company's claimed management efficiency. The OCA will review the cost of equity models and how the Company implemented those models. The OCA will also examine the capital structure proposed by Columbia to determine whether the capital structure is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes. The OCA will further examine whether any company-specific adjustments proposed by Columbia are justified.

B. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of Columbia's projections pertaining to the natural gas utility plant in service during the periods relevant to this proceeding. In this regard, the OCA will review, *inter alia*, whether the test year plant will be completed as claimed and whether retirements are accurately reflected. The OCA will evaluate the Company's claim for plant additions during the test year to determine whether the Company has demonstrated that all such costs are or will be prudently incurred. In addition, the OCA will investigate whether the Company's claimed adjustment to rate base for depreciation reserve is appropriate. The OCA will also examine the Company's proposal to include cloud-based assets in rate base. Further, the

OCA will review Columbia's claims of cash working capital, customer deposits, and deferred income taxes to determine levels appropriate for use in setting base rates.

C. Revenues and Expenses

The OCA will examine Columbia's sales projections and revenues. The OCA will evaluate the reasonableness of the Company's claims regarding revenues, including the various inputs and assumptions used by Columbia. The OCA will review, *inter alia*, the Company's claims for wages and benefits, rate case expenses, service company charges, outside service, uncollectible accounts, and pensions. In addition, the OCA will review the claimed allowance for depreciation. The OCA will further analyze the Company's calculation of both state and federal income taxes.

D. Taxes

On March 15, 2018, the Commission entered a Temporary Rates Order concerning the impact of the Tax Cuts and Jobs Act of 2017 (TCJA) on rates. *See* Tax Cuts and Jobs Act of 2017, Docket No. M-2018-2641242 (Temporary Rates Order entered March 15, 2018). In that Order, the Commission stated that it expected each public utility currently before the commission with a base rate filing to address the effect of the tax rate reduction on the justness and reasonableness of rates. *Id.* at 4-5. Columbia recently indicated that it intends to submit Supplemental Direct Testimony relating to the TCJA. The OCA will analyze the Company's initial March 16, 2018 base rate filing as well as any Supplemental Direct Testimony to ensure that tax expense is properly reflected in rates and that any 2018 tax expense savings are properly returned to customers on a timely basis.

E. Rate Structure/Cost of Service/Rate Design

The OCA will fully examine the Company's cost of service study and evaluate cost allocations for reasonableness. The OCA will also investigate the Company's proposal to increase

the customer charge from \$16.75 to \$18.25. Additionally, the OCA will review the Company's proposed distribution of the revenue increase among customer classes. Moreover, the OCA will examine the reasonableness of Columbia's proposed rate design and any proposed tariff changes.

F. Weather Normalization Adjustment and Revenue Normalization Adjustment

The OCA will review Columbia's proposal to make the pilot Weather Normalization Adjustment (WNA) a permanent component of its Tariff. The OCA will evaluate, *inter alia*, whether there is a need for the WNA and whether the WNA is reasonable and appropriate as proposed by the Company. In addition, the OCA will fully examine Columbia's proposal to implement a Revenue Normalization Adjustment (RNA).

G. Universal Service

The OCA will assess the impact of the Company's proposed rate increase on universal service, including the overall Customer Assistance Program (CAP) cost as affected by the Company's rate design. The OCA will evaluate the Columbia's proposal to continue using pipeline credits and revenue refunds as source of funding for its Hardship Fund and implement a new administrative fee associated with pipeline credits or refunds through its Rider Universal Service Program (USP). Additionally, the OCA will review the Company's CAP outreach efforts. The OCA will also assess customer service quality.

H. Other Issues

On April 6, 2018, Columbia filed a Motion to consolidate its Petition for authorization to defer, for accounting purposes, certain costs associated with a prepayment to the NiSource, Inc. Pension Trust at Docket No. P-2018-641257 with its base rate filing. The OCA does not oppose the consolidation of these matters. The OCA will, however, review the Company's request to

defer its prepayment of \$8.45 million for accounting purposes and examine whether Columbia's related cost recovery claims are reasonable and appropriate.

**IV. SERVICE ON THE OCA**

The OCA will be represented in this proceeding by Senior Assistant Consumer Advocate Darryl A. Lawrence, Assistant Consumer Advocate Lauren M. Burge, and Assistant Consumer Advocate Hayley E. Dunn. Two copies of all documents should be served on the OCA as follows:

Darryl A. Lawrence  
Senior Assistant Consumer Advocate  
E-Mail: DLawrence@paoca.org

Lauren M. Burge  
Assistant Consumer Advocate  
E-Mail: LBurge@paoca.org

Hayley E. Dunn  
Assistant Consumer Advocate  
E-Mail: HDunn@paoca.org

Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

**V. 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. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, answers to interrogatories, and testimony be sent to the OCA's witnesses at the addresses below as well as counsel for the OCA:

Accounting and Regulatory Policy:

Dante Mugrace  
PCMG and Associates, LLC  
22 Brookes Avenue  
Gaithersburg, MD 20877  
E-Mail: dmugrace@pcmgregcon.com

Cost of Service and Rate Design:

Jerome D. Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
E-Mail: jmierzwa@exeterassociates.com

Rate of Return:

Marlon Griffing  
PCMG and Associates, LLC  
22 Brookes Avenue  
Gaithersburg, MD 20877  
E-Mail: mgriffing@pcmgregcon.com

Universal Service:

Roger D. Colton  
Fisher, Sheehan and Colton  
34 Warwick Road  
Belmont, MA 02478  
E-Mail: roger@fsconline.com

The OCA specifically reserves the right to call additional witnesses, as necessary. If the OCA determines that an additional witness or witnesses are necessary for any portion of its case, the OCA will promptly notify the ALJ and all parties of record.

**VI. PROCEDURAL RULES / DISCOVERY**

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

- 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.
- 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 determining due dates.

## **VII. PUBLIC INPUT HEARINGS**

To date, the OCA has received one (1) request for an in-person Public Input Hearing from Senator Camera Bartolotta. Senator Bartolotta requested that a Public Input Hearing be held in her district, which consists of parts of Washington and Beaver Counties and all of Greene County. As such, the OCA requests that an in-person Public Input Hearing be held in Columbia's service territory – particularly in Washington, Beaver, or Greene County – to receive comments from customers impacted by the rate increase. The OCA will work with the parties, ALJ Watson, and Commission scheduling staff to reach a mutually agreeable hearing 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 a later time.

### **VIII. PROPOSED SCHEDULE**

The OCA is presently working with the parties to develop a mutually agreeable procedural schedule in this matter. The parties are working to create a schedule that accommodates a variety of scheduling conflicts. The OCA is aware of the following significant conflicts: (1) OCA witness Colton is out of the country from July 6-18, 2018; (2) OSBA witness Knecht is unavailable (except possibly by telephone if necessary) from July 20-28, 2018; and (3) I&E counsel and witness Patel are unavailable from July 30 through August 7, 2018. Given these conflicts, the OCA currently supports the following schedule, which to the best of the OCA's knowledge accommodates all parties, and also provides adequate time for discovery and increases the feasibility of scheduling in-person Public Input Hearings with adequate notice to customers prior to the deadline for other parties' Direct Testimony:

Other parties' Direct Testimony	June 14, 2018
Rebuttal Testimony	July 12, 2018
Surrebuttal Testimony	July 27, 2018
Rejoinder	August 2, 2018
Evidentiary Hearings	August 9-10, 2018
Main Brief	August 22, 2018
Reply Brief	August 31, 2018

### **IX. SETTLEMENT**

The OCA will fully participate in settlement discussions with the parties at the appropriate time during this proceeding.

Respectfully Submitted,



Hayley E. Dunn  
Assistant Consumer Advocate  
PA Attorney I.D. # 324763  
E-Mail: HDunn@paoca.org

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. #311570  
E-Mail: LBurge@paoca.org

Darryl A. Lawrence  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 93682  
E-Mail: DLawrence@paoca.org

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

Dated: April 17, 2018

247098