

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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

 @pa\_oa

 /pennoca

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

January 8, 2021

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

Re: Pennsylvania Public Utility Commission  
v.  
Pike County Light and Power Company -- Gas  
Docket No. R-2020-3022134

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/ Santo G. Spataro  
Santo G. Spataro  
Assistant Consumer Advocate  
PA Attorney I.D. # 327494  
E-Mail: SSpataro@paoca.org

Enclosures:

cc: The Honorable Mary D. Long (email only)  
Certificate of Service

\*302100

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :  
v. : Docket No. R-2020-3022134  
Pike County Light and Power Company :  
-- Gas :

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 8<sup>th</sup> day of January 2021.

**SERVICE BY E-MAIL ONLY**

Carrie B. Wright, Esquire  
Erika L. McLain, Esquire  
Bureau of Investigation & Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

Sharon E. Webb, Esquire  
Office of Small Business Advocate  
555 Walnut Street  
1<sup>st</sup> Floor, Forum Place  
Harrisburg, PA 17109-1923

Thomas J. Sniscak, Esquire  
Whitney E. Snyder, Esquire  
Bryce R. Beard, Esquire  
Hawke, McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101

/s/ Santo G. Spataro  
Santo G. Spataro  
Assistant Consumer Advocate  
PA Attorney I.D. # 327494  
E-Mail: [SSpataro@paoca.org](mailto:SSpataro@paoca.org)

Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
E-Mail: [ABeatty@paoca.org](mailto:ABeatty@paoca.org)

Counsel for:  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
Dated: January 8, 2021  
\*302098

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3022134 (Gas)
	:	
Pike County Light & Power Company	:	
(Gas)	:	

---

PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

---

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. §333 the Prehearing Conference Order issued by Administrative Law Judge Mary D. Long, and in anticipation of the Prehearing Conference scheduled for Monday, January 11, 2021, the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION AND BACKGROUND**

On October 26, 2020, Pike County Light & Power Company (Pike or the Company) filed Supplement No. 110 to Tariff Gas – Pa. P.U.C. No. 6, at Docket No. R-2020-3022134. The Company is engaged in the business of furnishing natural gas service to approximately 1,200 residential, commercial, and industrial customers in Westfall Township and Matamoras Borough in Pike County, Pennsylvania. The Company proposes to increase rates to produce additional annual operating revenues of \$262,200 per year or an overall increase of 16% in total gas revenues based upon an historic test year ending June 30, 2020. The Company proposes that the rate increase become effective on December 28, 2020. A residential customer using 80 Ccf will see their average bill rise from \$93.57 to \$111.97 per month, or by approximately 19.7%. The

Company's proposed rate increase, if approved, would produce a 7.09% overall rate of return on its rate base.

On November 3, 2020, the Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance. On November 16, 2020, the OCA filed a Formal Complaint, Public Statement and Notice of Appearance. The Office of Small Business Advocate (OSBA) filed a Notice of Appearance on November 13, 2020. Multiple Consumers have filed formal Complaints in this proceeding. In an Order entered December 17, 2020, the Commission suspended the Company's proposed Tariff until July 28, 2021. The proceeding was assigned to Administrative Law Judge (ALJ) Mary D. Long, and a prehearing conference is scheduled for January 11, 2021.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of Pike'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. The OCA anticipates that issues in addition to those enumerated below may arise and may be pursued once the answer to the OCA's interrogatories have been received and analyzed. The OCA reserves the right to present any new or unanticipated issues at such time.

Thus far, the OCA has issued three sets of discovery to the Company. As soon as the OCA has had the opportunity to review the answers to its 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. Revenues and Expenses

The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues, and will seek to ascertain whether the Company's claimed expenses are supported and appropriate. This includes an examination of the Company's claimed increases in operating and maintenance expenses, including wages, salaries, and the cost of providing employee health care and retirement benefits. The OCA will review the sales forecast utilized by the Company in order to project future test year sales and revenues, including the proposed normalization of future test year sales. The OCA will also examine the Company's proposed tax expenses, as well as the Company's proposed annualizations and pro-forma test year adjustments.

The OCA may explore additional revenues and expense issues after it has completed its review of outstanding interrogatory responses.

B. Rate of Return

The OCA will perform a detailed analysis of the cost of common equity claimed by Pike. The OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim of 9.75%. 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 any proposed adjustments to the equity cost rate. Pike'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 Pike so as to determine if they are accurate and appropriate.

C. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of the Company's filing as it relates to the rate base/measure of values. This will include an examination of the Company's plant in service claims in order to determine if they are reasonable and whether the plant claimed is used and useful in providing utility service. The OCA will also examine the Company's claims of 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 Pike.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine the Company's proposed distribution of revenue increase among customer classes. The OCA will assess whether the rate design proposed by the Company is reasonable and appropriate. The OCA will also examine the cost of service study, including the methodology used and the reasonableness of the allocations. Additionally, the OCA will review the reasonableness and appropriateness of the Company's proposed tariff changes and any other relevant issues that arise as a result of the Company's operations.

**III. WITNESSES**

The OCA intends to present direct, rebuttal, and surrebuttal testimony, as may be necessary. 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, testimony, and answers to interrogatories be emailed directly to the expert witness responsible for that area of the case, as well as emailing and mailing a copy to counsel for the OCA.

Accounting and Policy:

Dante Mugrace  
PCMG & Associates  
90 Moonlight Court  
Toms River, NJ 08753  
[OCAPIKE2020@paoca.org](mailto:OCAPIKE2020@paoca.org)

Rate Design/Cost of Service:

Karl Pavlovic  
PCMG and Associates LLC  
22 Brookes Ave.  
Gaithersburg, MD 20877  
[OCAPIKE2020@paoca.org](mailto:OCAPIKE2020@paoca.org)

Rate of Return:

Marlon Griffing,  
938 Juno Avenue  
St. Paul, MN 55102  
[OCAPIKE2020@paoca.org](mailto:OCAPIKE2020@paoca.org)

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 Presiding Officer and all parties of record will be notified promptly.

**IV. 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, and capital structure.

**V. PUBLIC INPUT HEARINGS**

The OCA respectfully requests that telephonic public input hearings be held in this proceeding. The OCA is in the process of reviewing the Formal and Informal Complaints filed with the Commission as that information is made available, and has received multiple consumer

requests for public input hearings. The OCA requests that telephonic public input hearings be conducted with two public input hearings being held on a day, one during the morning/afternoon and one in the evening. The OCA is able to use its call center staff to sign up Pike consumers who want to testify or listen to the public input hearings. The OCA will be prepared to discuss public input hearings at the prehearing conference.

The OCA also requests that the Company be directed to advertise these public input hearings. Newspaper notice must be advertised in the general readership sections of local newspapers, not in the legal section. Other methods of informing its customers of the public input hearings, including social media and the Company's website, should be utilized as well.

In addition, the OCA requests the other parties involved in the proceeding be permitted to review these public input hearing announcements prior to their publication and distribution and have input into which publications the ads are placed.

## **VI. SERVICE ON THE OFFICE OF CONSUMER ADVOCATE**

The OCA will be represented by Senior Assistant Consumer Advocate Aron J. Beatty and Assistant Consumer Advocate Santo G. Spataro. The OCA has created a group e-mail address provided below. This is the only email address that is required for service on the OCA; it will provide the emailed materials to all members of the OCA team including the consultants listed above. Two copies of all documents should be served on the OCA by e-mail only until the OCA's offices are open again as follows:

Aron J. Beatty, Senior Assistant Consumer Advocate  
Santo G. Spataro, Assistant Consumer Advocate  
[OCAPIKE2020@paoca.org](mailto:OCAPIKE2020@paoca.org)

Office of Consumer Advocate  
5<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923



(717) 783-5048 (telephone)  
(717) 783-7152 (facsimile)

## **VII. PROPOSED SCHEDULE**

The OCA has attached a proposed litigation schedule hereto as Appendix A and requests approval from the ALJ.

## **VIII. SETTLEMENT**

The OCA is willing to engage in settlement discussions with the Parties.

Respectfully Submitted,

/s/ Santo G. Spataro  
Santo G. Spataro  
Assistant Consumer Advocate  
PA Attorney I.D. # 327494  
E-Mail: [SSpataro@paoca.org](mailto:SSpataro@paoca.org)

Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
E-Mail: [ABeatty@paoca.org](mailto:ABeatty@paoca.org)

Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
DATE: January 8, 2021  
302106

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

**APPENDIX A**  
**BEFORE THE**  
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3022134 (Gas)
	:	
Pike County Light & Power Company	:	
(Gas)	:	

---

**PROPOSED PROCEDURAL SCHEDULE**  
**OF THE**  
**OFFICE OF CONSUMER ADVOCATE**

---

Direct Testimony Of Non-Company Parties	February 2, 2021
Rebuttal Testimony	February 22, 2021
Surrebuttal Testimony	March 4, 2021
Evidentiary Hearings	March 8-9, 2021
Main Briefs	March 30, 2021
Reply Briefs	April 9, 2021
End of Suspension Date	July 28, 2021