

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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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 -- Electric
Docket No. R-2020-3022135

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

*302101

CERTIFICATE OF SERVICE

Re: Pennsylvania Public Utility Commission :
v. : Docket No. R-2020-3022135
Pike County Light and Power Company :
-- Electric :

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 8th 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, 2nd Floor
Harrisburg, PA 17120

Sharon E. Webb, Esquire
Office of Small Business Advocate
555 Walnut Street
1st 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
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Aron J. Beatty
Senior Assistant Consumer Advocate
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Phone: (717) 783-5048
Fax: (717) 783-7152
Dated: January 8, 2021
*302099

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2020-3022135 (Electric)
	:	
Pike County Light & Power Company (Electric)	:	

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. 82 to Tariff Electric – Pa. P.U.C. No. 8, at Docket No. R-2020-3022135. The Company is engaged in the business of furnishing electric service to approximately 4,800 residential and commercial electric customers in Westfall Township, Milford Borough and Township, Dingmans Township, and Matamoras Borough, in Pike County, Pennsylvania. The Company proposes to increase rates to produce additional annual operating revenues of \$1,933,600, which represents an increase of approximately 24.7% in the Company’s total electric revenues based upon an historic test year ending June 30, 2020. A residential customer using 674kWh would see an increase from \$104.90 to \$121.90 per month, a 17.3% increase. 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 parties have requested that the suspension be extended 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. It is anticipated 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 electric 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

Rate Design/Cost of Service:

Karl Pavlovic
PCMG and Associates LLC
22 Brookes Ave.
Gaithersburg, MD 20877
OCAPIKE2020@paoca.org

Rate of Return:

Marlon Griffing,
938 Juno Avenue
St. Paul, MN 55102
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

Office of Consumer Advocate
5th 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

Aron J. Beatty

Senior Assistant Consumer Advocate

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Phone: (717) 783-5048
Fax: (717) 783-7152
DATE: January 8, 2021
302050

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

APPENDIX A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2020-3022135 (Electric)
 :
 Pike County Light & Power Company :
 (Electric) :

**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