



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

June 29, 2022

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17020

Re: Pennsylvania Public Utility Commission v.
Valley Energy, Inc.
Docket No.: R-2022-3032300
I&E Prehearing Memorandum

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the **Prehearing Memorandum of Bureau of Investigation and Enforcement (I&E)** in the above-captioned proceeding.

Copies are being served on parties of record per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads 'Scott B. Granger'.

Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 63641
(717) 425-7593
sgranger@pa.gov

SBC/ac
Enclosures

cc: Administrative Law Judge Marta Guhl (*via email*)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2022-3032300
	:	
Valley Energy, Inc.	:	
Base Rate Case	:	

**PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT**

TO ADMINISTRATIVE LAW JUDGE MARTA GUHL:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail:	Scott B. Granger Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street, 2 nd Floor West Harrisburg, PA 17120
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By e-mail:	sgranger@pa.gov
By telephone:	(717) 425-7593
By fax:	(717) 772-2677

I. INTRODUCTION

On April 29, 2022, Valley Energy, Inc. (“Valley” or “Company”), filed Supplement No. 59 to Tariff Gas Pa. P.U.C. No. 2 (“Supplement 59”). Supplement 59 contains proposed changes in rates, rules, and regulations calculated to produce an overall rate increase of \$999,631 (11.8%) in additional annual total revenues, resulting in a total bill for a typical residential customer using 76 Ccf increasing from \$65.35 to \$72.57 per month or about 11%. Valley proposes Supplement 59 to become effective on June 28, 2022. Valley also filed Supplement No. 2 to Tariff Gas Pa. P.U.C. No. 1S (“Supplement 2”) to make modifications to its Supplier Tariff.

On May 12, 2022, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint and a Notice of Appearance.

On May 13, 2022, the Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance.

On May 19, 2022, the Office of Consumer Advocate (“OCA”) filed a Formal Complaint and a Notice of Appearance.

On May 23, 2022, ratepayer Larry E. Cole filed a Formal Complaint with the Commission.

On June 16, 2022, the Commission issued an Order suspending the proceedings for investigation until January 28, 2023 and referred the matter to the Office of Administrative Law Judge for evidentiary hearings and a Recommended Decision. The matter was assigned to Administrative Law Judge Marta Guhl (“ALJ Guhl”).

A telephonic prehearing conference is scheduled for Thursday, June 30, 2022 beginning at 10:00 am before ALJ Guhl presiding in Harrisburg.

II. WITNESSES AND ISSUES

I&E currently expects that it may call the following expert witnesses, without being limited thereto, who will address the issues listed *infra*. The list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues as it deems appropriate if any such relevant issues arise. The witnesses and issues are as follows:

Witnesses:

- Brian LaTorre, Fixed Utility Financial Analyst
- Christopher Keller, Fixed Utility Financial Analyst
- Esyan Sakaya, Fixed Utility Valuation Engineer
- Jessalynn Heydenreich, Safety Engineer
- Joseph Kubas, Fixed Utility Valuation Engineer, Supervisor.

Issues:

- Payroll Expense
- Payroll Taxes
- Employee Benefits
- Materials Expense
- Cash Working Capital
- Uncollectible Accounts Expense
- C&T Allocation
- COVID-19 Expense
- Capital Structure
- Cost of Debt
- Cost of Equity
- Overall Rate of Return
- Performance Factor Adjustment
- Size Adjustment
- Rate Base
- Plant in Service

- Annual Depreciation Expense
- Unaccounted for Gas
- Present Rate Revenue
- Rate Structure
- Customer Charges
- Scale Back of Rates
- Replacement Costs
- Damages due to Flooding
- DIMP based System Improvements
- Vintage Plastic Pipe Replacement

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of any witnesses listed above.

III. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, quarterly and annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

IV. DISCOVERY

Discovery in these proceedings will be conducted according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E. I&E will give due consideration to any discovery modifications proposed by any other

party. In the past, I&E has not opposed the “usual” discovery modifications normally proposed by the OCA. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

V. SCHEDULE

As of this date, I&E understands that the parties have tentatively agreed to a litigation schedule. Therefore I&E proposes the following:

Prehearing Conference	June 30, 2022
Other Parties Direct	July 25, 2022
Rebuttal Testimony	August 16, 2022
Surrebuttal Testimony	September 1, 2022
Oral Rejoinder Outlines	September 7, 2022
Evidentiary Hearings ¹	September 8-9, 2022
Main Brief	September 29, 2022
Reply Brief	October 11, 2022

VI. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs during the closure of Commission offices, and consistent with Paragraph 8 of the Commission’s March 20, 2020 Emergency Order,² I&E will both only serve and accept electronic delivery of documents. Upon re-opening of Commission

¹ Upon the rescinding of Governor Tom Wolf’s Proclamation of Disaster Emergency, and the re-opening of the Keystone Commonwealth Building, I&E requests that Hearings be held in Harrisburg, PA.

² *Re: Suspension of Regulatory and Statutory Deadlines, Modification to Filing and Service Requirements*, Docket No. M-2020-3019262.

offices, and only on a going-forward basis from that point, I&E requests parties provide a follow-up hard copy by regular first-class mail in addition to electronic delivery.

VII. SETTLEMENT

I&E will make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Scott B. Granger".

Scott B. Granger

Prosecutor

PA Attorney ID No. 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120
(717) 425-7593

Dated: June 29, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No.: R-2022-3032300
 :
 Valley Energy, Inc. :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated June 29, 2022, in the manner and upon the persons listed below:

Served via Electronic Mail Only

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