
Garrett P. Lent

glent@postschell.com
717-612-6032 Direct
717-731-1985 Direct Fax
File #: 176154

December 12, 2022

VIA EMAIL (MALONG@PA.GOV)

Honorable Mary D. Long
Administrative Law Judge
PA Public Utility Commission
Suite 220, Piatt Place
301 Fifth Avenue
Pittsburgh, PA 15222

Re: PA Public Utility Commission, et al. v. National Fuel Gas Distribution Corporation
Docket No. R-2022-3035730

Dear Judge Long:

Attached please find the Prehearing Conference Memorandum on behalf of National Fuel Gas Distribution Corporation in the above-referenced proceeding. Copies will be provided per the Certificate of Service.

Respectfully submitted,



Garrett P. Lent

GPL/kl
Attachment

cc: Rosemary Chiavetta, Secretary (*letter and Certificate of Service only*)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL

Steven C. Gray, Esquire
c/o Teresa Wagner, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov c/o tereswagne@pa.gov

Aron J. Beatty, Esquire
Mackenzie C. Battle, Esquire
Lauren E. Guerra, Esquire
Andrew J. Zerby, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
OCANFG2022BRC@paoca.org

Scott B. Granger, Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265
sgranger@pa.gov

Kevin C. Higgins
Energy Strategies
111 East Broadway, Suite 1200
Salt Lake City, UT 84111
khiggins@energystrat.com
Consultant for OSBA

Lauren N. Berman, Esquire
John W. Sweet, Esquire
Ria M. Pereira, Esquire
Elizabeth R. Marx, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org
Counsel for CAUSE-PA

Joseph L. Vullo, Esquire
1460 Wyoming Avenue
Forty Fort, PA 18704
jlvullo@bvrrlaw.com
*Counsel for Intervenor PA Weatherization
Providers Task Force, Inc.*

Date: December 12, 2022



Garret P. Lent

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et. al	:	
	:	
v.	:	Docket Nos. R-2022-3035730, et. al
	:	
National Fuel Gas Distribution Corporation	:	

**PREHEARING CONFERENCE MEMORANDUM OF
NATIONAL FUEL GAS DISTRIBUTION CORPORATION**

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

Pursuant to 52 Pa. Code § 5.224(c) and the December 8, 2022 Prehearing Conference Order, National Fuel Gas Distribution Corporation (“National Fuel” or the “Company”) hereby submits this Prehearing Conference Memorandum.

I. SERVICE OF DOCUMENTS

1. National Fuel requests that all documents be served on:

Garrett P. Lent, Esquire (PA ID #321566)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: (717) 731-1970
Fax: (717) 731-1985
E-mail: glent@postschell.com

Please be advised that Mr. Anthony D. Kanagy will speak as the lead attorney for National Fuel for purposes of the prehearing conference. However, other counsel for National Fuel will be participating and available during the telephonic prehearing conference as needed.

2. National Fuel agrees to receive service of documents electronically in this proceeding. Further, to the extent that materials are available electronically, it is requested that copies also be served upon Anthony D. Kanagy at akanagy@postschell.com.

II. PROCEDURAL HISTORY

3. This proceeding was initiated on October 28, 2022, when National Fuel filed Supplement No. 248 to National Fuel Gas Distribution Corporation Gas Tariff – PA P.U.C. No. 9 (“Supplement No. 248”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 248 was issued to be effective for service rendered on or after December 27, 2022. It proposed changes to National Fuel’s base retail distribution rates designed to produce an increase in revenues of approximately \$28.1 million, exclusive of its proposed Energy Efficiency (“EE”) pilot program that would recover an additional \$1.2 million from residential customers annually in a separate rider, based upon data for a fully projected future test year ending July 31, 2024 (hereinafter, the “2022 Base Rate Case”). The filing was made in compliance with the Commission’s regulations and contains all supporting data and testimony required to be submitted in conjunction with a tariff change seeking a general rate increase.

4. On November 8, 2022, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearance, Public Statement, Verification, and Formal Complaint in the 2022 Base Rate Case, which was docketed at Docket No. C-2022-3036655.

5. On November 9, 2022, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearance, Public Statement, and Formal Complaint in the 2022 Base Rate Case, which was docketed at Docket No. C-2022-3036725.

6. On November 15, 2022, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed its Notice of Appearance in the 2022 Base Rate Case.

7. Also on November 15, 2022, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) filed a Petition to Intervene and Answer.

8. On December 1, 2022, the Pennsylvania Weatherization Providers Task Force (“Providers Task Force”) filed a Petition to Intervene in this proceeding.

9. On December 8, 2022, the Commission issued an Order initiating an investigation of Supplement No. 248 and suspending Supplement No. 248 by operation of law until July 27, 2023, unless otherwise directed by order of the Commission.

10. Also on December 8, 2022, the Commission issued a Prehearing Conference Notice and a Prehearing Conference Order, which: (1) scheduled a telephonic prehearing conference for December 14, 2022, at 10:00 AM before Administrative Law Judge Mary D. Long (the “ALJ”); and (2) directed the parties to file Prehearing Conference Memoranda on or before 3:00 p.m. on December 12, 2022.

11. Pursuant to 52 Pa. Code § 5.224(c) and the December 8, 2022 Prehearing Conference Order, National Fuel hereby submits this Prehearing Conference Memorandum.

III. ISSUES

12. National Fuel intends to demonstrate that its request for an overall annual distribution revenue increase of approximately \$28.1 million for the fully projected future test year ending July 31, 2024,¹ and proposed allowed rate of return on equity of 11.20 percent is just and reasonable and should be approved by the Commission.

13. National Fuel also intends to demonstrate that one primary contributor to its need for rate relief is significant capital investment in its distribution system. In addition to modernizing facilities, National Fuel is replacing its non-contemporary infrastructure at an accelerated pace, as described in its recently-filed Long Term Infrastructure Improvement Plan (“LTIIIP”).² Furthermore, this case incorporates a number of necessary annual wage and salary increases, required to attract, maintain, and promote a highly qualified work force. Moreover, while National

¹ As noted above, and explained in the Company’s direct testimony, the Company has also proposed a new EE pilot program that would recover an additional \$1.2 million from residential customers annually in a separate rider.

² Docket No. P-2022-3034957.

Fuel has generally experienced declining levels of O&M expense, this trend has recently begun to reverse and National Fuel has been impacted generally by the inflationary pressures that currently challenge the economy.

14. The principal reasons for National Fuel's request for rate relief are: (1) to allow it to earn a fair return on investments used and useful to continue to provide safe and reliable service to the public; (2) to support its infrastructure replacement programs designed to enhance safety and reliability; (3) to recover higher levels of certain operating expenses, including increased employee compensation costs, necessary for the provision of safe and reliable gas distribution service; (4) to implement a Weather Normalization Adjustment ("WNA") tariff rider, which limits the variability of over- or under- collections of revenues due to weather; and (5) to implement an Energy Efficiency ("EE") pilot program, the costs of which will be recovered from residential customers through a separate reconcilable rider.

15. National Fuel intends to demonstrate that its proposed 11.20 percent return on equity is the minimum required for the Company to attract the capital needed to make system investments that will enhance the reach and capacity of its distribution system and to replace older, obsolete facilities, each of which is prudent to ensure continued system reliability, safety, and customer service performance. National Fuel intends to demonstrate that the proposed return on equity is particularly appropriate in view of the Company's management effectiveness.

16. National Fuel further intends to demonstrate that its proposed class cost allocation study is reasonable and consistent with long-standing Commission precedent and that its proposed allocation of the requested revenue increase is just, reasonable, non-discriminatory, and consistent with principles established by the Commonwealth Court in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006). The Company's proposed revenue allocation will move all rate classes toward the overall system average rate of return.

17. National Fuel also intends to demonstrate that its proposed WNA tariff rider is designed to stabilize customers' bills and the Company's distribution revenue from weather variability. The Company has demonstrated that the WNA addresses the criteria set forth in the Commission's policy statement regarding alternative ratemaking mechanisms at 52 Pa. Code § 69.3302 and should be approved.

18. National Fuel further intends to demonstrate that its proposed EE pilot program, and its proposal to recover the costs of this program on an annual basis through a separate reconcilable rider, is reasonable and should be approved.

IV. WITNESSES

19. National Fuel presently intends to offer the following witnesses to testify in this proceeding on the following subject matters:

Statement No.	Witness	Subjects Addressed
1.	Brian M. Welsch Assistant Vice President National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Rate Filing Overview Key Drivers of Rate Relief Management Effectiveness and Performance Introduction of Witnesses
2.	Donald N. Koch Rate Analyst III National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Revenue Requirement Operating Revenues and Expenses Tariff Riders
3.	Anthony T. Formato Manager of Finance National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	O&M Expense Budget Process

4.	Valerie L. Hawthorn General Manager of Human Resources National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Labor Market Employee Retention
5.	Michael P. Weidner Assistant General Manager, Human Resources National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Employee Benefits Retirement Benefits (Pension and OPEB)
6.	Tracy L. Wesoloski Assistant Manager, Rates & Regulatory Affairs National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Rate Base Working Capital Lead/Lag Study Net Plant
7.	Karen L Metzger Assistant Manager, Accounting National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Balance Sheet Historic O&M Expense
8.	John J. Spanos President Gannett Fleming Valuation and Rate Consultants, LLC 207 Senate Avenue Camp Hill, PA 17011	Depreciation Net Salvage
9.	Mark C. Schaefer Assistant General Manager, Engineering Services National Fuel Gas Distribution Corporation 110 State Street Erie, PA 16501	Capital Budget System Reliability and Safety Environmental
10.	Paul R. Moul Managing Consultant P. Moul & Associates 251 Hopkins Road Haddonfield, NJ 08033-3062	Fair Rate of Return

11.	Shannon M. Buffington Manager of Finance National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Financial Data Capital Structure Cost of Debt
12.	James A. Rizzo Vice President, Tax, Purchasing and Account Payable National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Income Taxes
13.	Gregory D. Harts Rates Analyst III National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Test Year Sales Volumes and Accounts
14.	Jeremy R. Barber Assistant Manager, Rates & Regulatory Affairs National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Fully Projected Future Test Year Revenues Future Test Year Revenues Historic Test Year Revenues
15.	Janine M. Ward Senior Manager, Rates & Regulatory Affairs National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Tariff Changes Gas Costs
16.	Jason Scouten Superintendent, Pennsylvania Division Operations National Fuel Gas Distribution Corporation 225 Wayne Street Erie, PA 16507	System Overview Safety Programs/Initiatives Damage Prevention Emergency Response Leak Management Reliability Construction
17.	Elma Bico Consumer Business Manager National Fuel Gas Distribution Corporation 110 State Street Erie, PA 16501	Universal Service Programs Customer Initiatives

18.	Erik M. Solomon Area Manager, Energy Services National Fuel Gas Distribution Corporation 6363 Main Street Williamsville, NY 14421	Bypass Research, Development & Demonstration Marketing Initiatives Energy Efficiency Gas Expansion
19.	John D. Taylor Managing Partner Atrium Economics, LLC 10 Hospital Center Commons, Suite 400 Hilton Head Island, SC 29926	Cost of Service Study Rate Design Weather Normalization Adjustment

As part of its 2022 Base Rate Case filing, National Fuel previously filed copies of the written direct testimony listed in the table above. The Company’s testimony and exhibits fully support National Fuel’s proposed rate increase, allocation of that increase among the customer classes, and design of rates to recover that increase from customers.

20. National Fuel also reserves the right to call and present additional witnesses to address any issues that may arise during the course of the proceeding.

V. DISCOVERY

21. To date, National Fuel has received a number of discovery requests from other parties in this proceeding and has been diligently preparing and serving responses.

22. Based on the litigation schedule to be adopted in this proceeding, National Fuel proposes the following modifications to the standard timelines for discovery set forth in the Commission’s regulations as necessary or appropriate.

(a) Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. After the service of written rebuttal testimony, answers to written interrogatories shall be served in-hand within seven (7) calendar days of service.

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

- (c) Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
- (d) Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served 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 in writing within six (6) days of service of the interrogatories.
- (e) 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.
- (f) 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.
- (g) 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.

23. Finally, National Fuel proposes the use of electronic service of discovery responses. Specifically, National Fuel proposes to post all discovery responses to a Microsoft OneDrive site operated by Post & Schell, P.C. National Fuel will file and serve a letter notifying the parties when the applicable discovery responses have been posted to the OneDrive site. Once posted, parties will be able to access, review, download, and/or print the discovery responses as needed. To date,

all parties that have appeared or intervened in this proceeding have agreed to receive discovery responses in this manner.

VI. LITIGATION SCHEDULE

24. National Fuel has discussed the schedule with the parties that have intervened in the 2022 Base Rate Case as of the time of this writing. Based on these discussions, National Fuel proposes that the following schedule be adopted for resolution of this matter:

Filing	October 28, 2022
Prehearing Conference	December 14, 2022
Direct of Other Parties	January 24, 2023
Rebuttal	February 21, 2023
Surrebuttal	March 3, 2023
Written Rejoinder or Outlines	March 6, 2023
Evidentiary Hearings	March 7-10, 2023
Main Briefs	March 30, 2023
Reply Briefs	April 13, 2023

With respect to the evidentiary hearing dates, National Fuel proposes that rate of return witnesses testify on the March 7, 2023 hearing date and that customer service issue witnesses testify on the March 10, 2023 hearing date, to accommodate the schedules of OCA witnesses. National Fuel's understanding is that this proposed schedule is acceptable to OCA; however, the parties are still actively negotiating a procedural schedule. Further, National Fuel is willing to work with the parties to accommodate potential scheduling conflicts for the parties' witnesses to attend and testify at the evidentiary hearings.

VII. PUBLIC INPUT HEARINGS

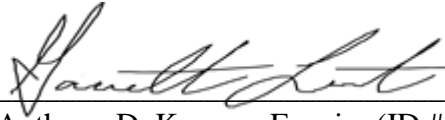
25. National Fuel proposes that any public input hearings to be held in this proceeding be telephonic and live-streamed from the Commission offices, rather than held on multiple dates in multiple locations throughout National Fuel's service territory.

26. The Commission's use of telephonic and live-streamed public input hearings has been successful in prior cases and promotes transparency in public proceedings.

VIII. SETTLEMENT

27. As of this time, no settlement discussions have been held. National Fuel remains open and available for settlement discussions with the other parties and would support initiatives to begin settlement discussions at the earliest possible date.

Respectfully submitted,



Anthony D. Kanagy, Esquire (ID # 85522)
Garrett P. Lent, Esquire (ID # 321566)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101
Phone: 717-731-1970
E-mail: akanagy@postschell.com
E-mail: glent@postschell.com

Dated: December 12, 2022

Counsel for National Fuel Gas Distribution
Corporation