

COMMONWEALTH OF PENNSYLVANIA



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April 15, 2024

Via Electronic Filing

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

Re: Pennsylvania Public Utility Commission
v.
Columbia Gas of Pennsylvania, Inc.
Docket No. R-2024-3046519

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 on the parties as indicated in the enclosed Certificate of Service.

Respectfully submitted,

/s/ Melanie Joy El Atieh
Melanie Joy El Atieh
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Enclosures:

cc: The Honorable Jeffrey A. Watson (**email only:** jeffwatson@pa.gov)
Legal Assistant Mary Swarner (**email only:** mswarner@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 : Docket Nos. R-2024-3046519
 v. :
 :
 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. This document was filed electronically on the Commission’s electronic filing system.

Dated this 15th day of April 2024

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Dated: April 15, 2024

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos.
	:	R-2024-3046519
v.	:	C-2024-3047905
	:	C-2024-3047675
Columbia Gas Pennsylvania, Inc.	:	

PREHEARING CONFERENCE MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to the Prehearing Conference Order issued on April 10, 2024, in the above-captioned proceeding, by the Honorable Administrative Law Judge (ALJ) Jeffrey A. Watson, of the Office of Administrative Law Judge (OALJ) of the Pennsylvania Public Utility Commission (Commission), and pursuant to Section 333 of the Public Utility Code (Code), 66 Pa. C.S. § 333, and the Commission’s regulations at 52 Pa. Code §§ 5.221-5.224, the Pennsylvania Office of Consumer Advocate (OCA) submits, by and through its undersigned counsel, the following Prehearing Conference Memorandum.

I. INTRODUCTION AND PROCEDURAL HISTORY

On March 15, 2024, Columbia Gas of Pennsylvania, Inc. (Columbia Gas or the Company) filed Supplement No. 374 to its Tariff Gas – Pa. P.U.C. No. 9, in the above-captioned R docket, with the Commission. The Company proposes to increase rates to produce additional overall revenues of \$124.1 million per year, a 21.7% increase in overall distribution revenue requirement. Columbia Gas provides natural gas public utility service to approximately 445,000

residential, commercial, and industrial customers in portions of 26 counties in Western, Northwestern, Southern, and Central Pennsylvania.

Under the Company's proposal, the total bill for a residential customer purchasing 70 therms of gas per month would increase from \$118.16 to \$136.92, or by approximately 15.88%. Columbia Gas has also proposed an increase in the monthly residential customer charge from \$16.75 to \$26. Columbia Gas proposes a return on equity of 11.75% resulting in an overall rate of return of 8.71%, in conjunction with an equity-rich capital structure of 54.4% equity and 45.6% debt. Additionally, the filing requests approval of the following alternative rate mechanisms: (1) a proposed Revenue Normalization Adjustment (RNA) rider; (2) a proposed Weather Normalization Adjustment (WNA), and; (3) a new and novel Municipal Levelization Charge (MLC).

On March 20, 2024, the OCA filed a Formal Complaint, Public Statement, and Notice of Appearance in this proceeding to protect the interests of consumers in Columbia's service territory and to ensure that Columbia is permitted to implement only a level of rates that is just and reasonable and in accordance with sound ratemaking principles.

On March 18, 2024, the Pennsylvania Weatherization Providers Task Force, Inc. filed a Petition to Intervene. On March 21, 2024, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On March 27, 2024, the Office of Small Business Advocate (OSBA) filed a Complaint. On April 4, 2024, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a Petition to Intervene and Answer.

On April 4, 2024, the Commission issued an Order that initiated an investigation into the lawfulness, justness, and reasonableness of the proposed rate increase in this filing, in addition to the Company's existing rates, rules, and regulations, assigned this matter to the OALJ for further

proceedings as appropriate, and suspended the effective date of Supplement No. 374 until December 14, 2024.

II. ISSUES

Based upon a preliminary analysis of the Company's general rate increase filing, the OCA has compiled a list of issues and sub-issues which it anticipates will be included in its investigation of Columbia Gas's rate request. It is anticipated that other issues may arise and may be pursued once the answers to all the OCA's interrogatories have been received and analyzed. The issues and sub-issues set forth below, and others that may develop during discovery, will be analyzed and presented as appropriate by the OCA with the assistance of its expert witnesses:

A. Rate of Return

1. The OCA will perform a detailed analysis of the 11.75% cost of common equity claimed by Company as well as the overall rate of return as claimed by the Company. Also, the OCA will carefully examine the Company's methodologies and supporting data used to develop its final cost of common equity claim.

2. The OCA will examine whether the capital structure proposed by Company is representative of the period in which rates will be in effect and is otherwise appropriate for ratemaking purposes.

3. The OCA will examine the embedded cost of debt claimed by Company to determine whether it is reasonable and appropriate for ratemaking purposes.

4. The OCA will examine whether any company-specific adjustments proposed by Company are justified.

5. The OCA will examine the impact of Company's proposed alternative ratemaking mechanisms on its risk profile.

B. Rate Base/ Measure of Value

1. The OCA will examine the reasonableness and accuracy of Company's projections related to the utility plant in service at the time relevant to this proceeding.

2. The OCA will review the Company's claim for plant additions during the FTY and FPFTY.

3. The OCA will investigate whether the Company's adjustment to rate base for depreciation reserve is appropriate.

4. The OCA will examine the Company's projections of non-investor supplied funds, including but not limited to, customer deposits, customer advances for construction, and contributions in aid of construction.

5. The OCA will examine the Company's proposal to include unamortized balances in rate base.

6. The OCA will examine the Company's claim for materials and supplies.

7. The OCA will examine the Company's calculation and amount of cash working capital.

8. The OCA will examine the reasonableness and lawfulness of rate base claims for amounts paid to affiliates, in accordance with Section 2101 of the Public Utility Code. 66 Pa. C.S. § 2101 *et seq.*

9. The OCA will examine the Company's Accumulated Deferred Income Tax (ADIT) balances and excess ADIT balances.

C. Revenues and Expenses

1. The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues.

2. The OCA will seek to ascertain whether the Company's claimed expenses are supported, reasonable, and appropriate.

3. The OCA will examine whether the projected number of customers in the FTY and FPFTY are reasonable and accurate.

4. The OCA will examine whether the Company's claims of sales and revenues during the FTY and FPFTY are reasonable and accurate.

5. The OCA will examine whether the Company's projections of revenues in the future periods are reasonable and accurate including, but not limited to, its billed days adjustments, metered sales and the impact of conservation measures, and miscellaneous revenue adjustments.

6. The OCA will examine whether the Company's projections of number of employees, overtime, and incentive pay are reasonable and accurate.

7. The OCA will examine the costs associated with the accrual of retirement benefits other than pensions for the Company's employees or contributions to pension funds.

8. The OCA will examine the justness and reasonableness of the Company's Employee Healthcare Expense.

9. The OCA will examine the appropriateness of the Company's pro forma claim for rate case expense.

10. The OCA will examine the reasonableness of the Company's proposed purchased power expense claims.

11. The OCA will examine the Company's request for depreciation expenses to determine whether it is just and reasonable.

12. The OCA will examine the justness and reasonableness of the Company's claim for insurance costs.

13. The OCA will examine the justness and reasonableness of the Company's proposed expense amortizations.

14. The OCA will examine the justness and reasonableness of the Company's claim for regulatory commission costs.

15. The OCA will examine the justness and reasonableness of the Company's claims for other operations and maintenance expenses and the details of the Company's Miscellaneous Expense Adjustment.

16. The OCA will examine the justness and reasonableness of the Company's claims for service company expenses.

17. The OCA will examine the justness and reasonableness of the Company's claimed rate case normalization period.

18. The OCA will examine any cost savings identified in the recently completed Management and Operations Audit should be reflected, if relevant.

19. The OCA will examine the justness and reasonableness of the Company's claimed uncollectibles expense.

20. The OCA will examine the Company's claimed revenues and any adjustments to the level of revenues.

D. Taxes

1. The OCA will examine issues related to the calculation of taxes including, but not limited to, calculation of federal and state income taxes and the amount of those taxes included as expenses for ratemaking purposes and will examine whether the Company is in compliance including with Act 40 of 2016 (Act 40).

2. The OCA will examine the reasonableness of the Company's proposal regarding the tax repairs deductions, and its claims for income taxes, property taxes, and general assessments.

3. The OCA will examine the effect of the Tax Cuts and Jobs Act on the Company's tax expense and its ADIT accounts and the amount, if any, that needs to be returned to ratepayers as a result.

4. The OCA will examine the Company's level of PURTA and property tax expense.

5. The OCA will examine claims related to Company's acquisitions, including potential acquisitions that are included in its filing, and determine whether the potential acquisitions are sufficiently certain to occur in the FPFTY in order to justify Company's proposed tax expense claims in the FPFTY relating to such potential acquisitions.

E. Rate Structure/ Cost of Service / Rate Design/ Tariffs/ Alternative Ratemaking

1. The OCA will examine the reasonableness of Company's proposed distribution or allocation of the revenue increase among customer classes to determine whether the proposal meets all legal requirements and sound ratemaking principles.

2. The OCA will examine Company's cost of service studies, including the methodology used and the reasonableness of the allocations.

3. The OCA will examine the reasonableness and appropriateness of the Company's proposed tariff changes, including all proposed surcharges and revenue adjustment mechanisms, as well as all proposed changes in the terms and conditions of service. This includes the Company's existing and proposed Weather Normalization Adjustment (WNA), without the existing three percent deadband, the proposed Revenue Normalization Adjustment (RNA), the proposed to combined the WNA and RNA, and the proposed Municipal Levelization Charge (MLC) to charge customers residing in certain municipalities an MLC to reflect the impact of municipal costs incurred by the Company in performing its public service obligations.

4. The OCA will review the Company's alternative ratemaking proposals, WNA and RNA. The proposed WNA, RNA, and combination thereof, which may be unjust, unreasonable, and in violation of law; may be contrary to the provisions of prior Commission orders; and otherwise, may be contrary to sound ratemaking principles and public policy.

5. The OCA will review the Company's MLC proposal, which may be unjust, unreasonable, and in violation of law; may be contrary to the provisions of prior Commission orders; and otherwise, may be contrary to sound ratemaking principles and public policy.

6. The OCA will examine all other cost allocation and rate design proposals.

F. Low-Income Programs

1. The OCA will analyze current and proposed Company operations, practices, procedures and outreach related to serving low-income customers.

2. 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.

3. The OCA will examine how Company's proposed rate increase, rate structure and proposed new alternative ratemaking and new surcharges will affect low-income and/or low-usage customers.

4. The OCA will review the Company's current bill discount programs, arrearage management programs, or lack thereof, and any proposed changes to the program.

5. The OCA will review Company's affordability analysis.

G. Quality of Service

1. The OCA will review the Company's quality of service to ensure that it is providing safe, adequate, and reliable service that is consistent with the requirements of Section 1501 of the Public Utility Code.

2. The OCA will investigate the quality of service complaints by Company customers.

H. Customer Service

1. The OCA will review the Company's consumer protection policies and programs in order to ensure compliance with Chapter 14 of the Public Utility Code and Chapter 56 of the Commission's regulations.

2. The OCA will examine the Company's customer service, including performance trends, internal training, management oversight, policies, and programs.

3. The OCA will examine the Company's consumer education programs, particularly with regard to changes in billing and collection rights and remedies, and complaint processes.

4. The OCA will examine the Company's compliance and reporting as required in the last rate case concerning service and service quality.

5. The OCA will examine the Company's request for management performance and rate of return in light of the Company's customer service performance.

6. The OCA will examine the Company's response to the most recent Commission Management Audit.

I. Other Issues

1. The OCA will examine any relevant issues that arise as a result of the Company's operations.
2. The OCA will investigate to ensure that the Company is complying with all prior orders.
3. The OCA reserves the right to examine other issues affecting the Company's revenue requirements, rates, charges, and other tariff provisions as they are identified through discovery.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimonies, as may be necessary, of the below witnesses. Each witness will present testimony in written form and will attach various exhibits, documents, and explanatory information, as may be necessary. In order to expedite the resolution of this proceeding, the OCA requests that copies of all interrogatories, testimony, and answers to interrogatories be mailed and/or emailed directly to the OCA's group email formed particularly for this proceeding.

Regulatory Policy Issues and Alternative
Ratemaking

The OCA is investigating whether an expert witness in the area of regulatory policy, including but not limited to alternative ratemaking, is needed in this case and will notify the parties immediately upon obtaining such a witness.

Revenue Requirement / Accounting

Greg Meyer
Brubaker & Associates, Inc.
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Chesterfield, MO 63017
OCA2024COLGASBRC@paoca.org

Depreciation

Brian Andrews
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Cost of Service/Rate Structure/Rate
Design/Alternative Ratemaking

Jerry Mierzwa
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Rate of Return

Christopher Walters
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Affordability of Service / Low-Income
Customers Assistance Programs

Roger Colton
Fisher, Sheehan, & Colton
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Customer Service / Tariff / Quality of Service

Nicholas A. DeMarco
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The OCA specifically reserves the right to call additional witnesses, as necessary, and retains the flexibility to have the witnesses above address other areas of this case as the case proceeds. If the OCA determines that additional witnesses will be necessary for any portion of its case, it will notify all parties of record immediately.

IV. PROPOSED SCHEDULE

The OCA has worked to reach agreement with the Company and the parties on a procedural schedule, which is a reasonable compromise of the parties' competing interests within the time afforded for litigation of this matter.

Public Input Hearings: 4 Public Input Hearings over the two days (2 during day and 2 during evening)	To be determined
Other Parties' Direct Testimony	June 14, 2024
Opposing Party Supplemental Direct Testimony Regarding Public Input Hearings	May be needed depending on timing of public input hearings and other party direct testimony
Rebuttal Testimony (all parties and all issues)	July 10, 2024
Surrebuttal Testimony (all parties and all issues)	July 25, 2024
Written Rejoinder or Outlines	July 30, 2024, Noon
Evidentiary Hearings (including oral rejoinder)*	July 31, August 1, 2, 2024
Main Briefs	August 20, 2024
Reply Briefs	August 30, 2024

The OCA also supports a schedule with a later due date for direct testimony but, in that event, seeks to ensure there is adequate time to prepare surrebuttal testimony, which the OCA anticipates will be required for most or all of its six to seven witnesses.

*The OCA is in the process of seeking an expert witness in the area of regulatory policy and alternative ratemaking. Based on the potential witness's availability, the witness may need to attend the hearing telephonically.

The OCA requests that the dates included in any litigation schedule in this matter be considered “in-hand” dates and that electronic service on the due date will satisfy the “in-hand” requirement.

V. PUBLIC INPUT HEARINGS

Given the magnitude of the requested rate increase and the customer opposition and complaints received thus far in this matter, the OCA respectfully requests that both in-person and telephonic public input hearings be held for Columbia’s consumers in this matter. The OCA further requests that telephonic public input hearings be conducted with four public input hearings being held over two days, one during the morning/afternoon and one in the evening on each day. 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 in a local newspaper and on the Company’s website. Other methods of informing its customers of the public input hearings, including social media and the Company’s website, should be directed as well.

VI. DISCOVERY

In conjunction with its proposed schedule, the OCA proposes the following modifications to the Commission's procedural rules regarding discovery. The OCA requests that the Presiding Officers direct that the modifications will take effect when addressed during the on the record prehearing conference and apply to all future discovery requests served as of the day of the prehearing conference.

- A. Answers to written interrogatories and requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days of service.
- B. Objections to interrogatories and/or requests for production shall be communicated orally to the propounding party within three (3) calendar days of service of the interrogatories; unresolved objections shall be served in writing to the propounding party within five (5) calendar days of service of the interrogatories and/or requests for production.
- C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of written objections.
- D. Answers to motions to dismiss objections and/or answering of interrogatories and/or requests for production shall be filed within three (3) calendar days of service of such motions.
- E. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
- F. Answers to on-the-record data requests shall be served in-hand within five (5) calendar days of the requests.
- G. Any discovery or discovery-related pleadings (such as objections, motions, and answers to same) served after served after 4:30 p.m. Monday through Thursday or after 1:30 p.m. on a Friday or the day before a holiday will be deemed to have been served on the next business day for purposes of calculating the due date for any responsive filing.

After rebuttal is served, the OCA proposes that the deadlines should be reduced as follows:

- A. Answers to interrogatories and responses to requests for document production, entry for inspection, or other purposes shall be served within five (5) calendar days of service of the interrogatories or requests for production.
- B. Objections to interrogatories and/or requests for production shall be communicated orally to the propounding party within two (2) calendar days of service; unresolved objections shall be served on the propounding party in writing within three (3) calendar days of service of the interrogatories and/or requests for production.
- C. Motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within two (2) calendar days of service of written objections.
- D. Answers to motions to dismiss objections and/or direct the answering of interrogatories and/or requests for production shall be filed within two (2) calendar days of service of such motions.
- E. Requests for admission shall be deemed admitted unless answered or objected to within three (3) calendar days of service.
- F. Discovery requests and discovery related pleadings (such as objections, motions, and answers to same) served after 4:30 p.m. Monday through Thursday or after 1:30 p.m. on a Friday or the day preceding a holiday shall be deemed to have been served on the next business day.

VII. SERVICE ON THE OCA

The OCA will be represented in this case by the attorneys listed below. Ms. El Atieh will act as the lead attorney for the purposes of participating in the Prehearing Conference. All documents should be served on the OCA as follows:

Melanie J. El Atieh, Deputy Consumer Advocate
Christy M. Appleby, Senior Assistant Consumer Advocate
Harrison W. Breitman, Assistant Consumer Advocate
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Phone: (717)783-5048
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VIII. SETTLEMENT

The OCA will participate in settlement discussions in this matter.

Respectfully submitted,

/s/ Melanie Joy El Atieh
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Counsel for:
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DATED: April 15, 2024