

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 9, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

RE: Pennsylvania Public Utility Commission
Office of Small Business Advocate
Daniel Killmeyer
Office of Consumer Advocate

v.

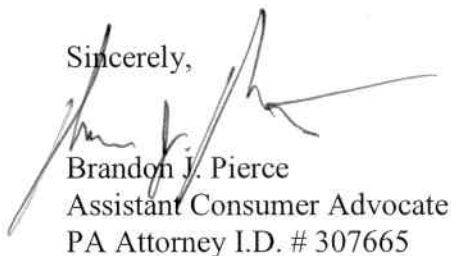
The Peoples Natural Gas Company
1307(f)-2013 proceeding
Docket Nos. R-2013-2350914,
C-2013-2354071, C-2013-2355180,
C-2013-2355226

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Prehearing Memorandum in the above referenced proceeding.

Copies have served as indicated on the enclosed Certificate of Service.

Sincerely,



Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. # 307665

Enclosures

cc: Hon. Conrad A. Johnson
Hon. Jeffrey Watson
Certificate of Service

167327

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2013-2350914
	:	
The Peoples Natural Gas Company	:	

PREHEARING MEMORANDUM
OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333 and in response to the and the Prehearing Conference Order issued on April 2, 2013, the Office of Consumer Advocate (OCA) provides the following information:

I. INTRODUCTION

On March 1, 2013, pursuant to 52 Pa. Code Sections 53.64 *et seq.*, the Peoples Natural Gas Company (Peoples or Company) submitted its Pre-filing information in anticipation of its annual 1307(f) tariff filing. The Pre-filing contains information in support of its annual reconciliation of purchased gas cost (PGC) rates. Peoples submitted its Definitive Filing on April 1, 2013.

The Commission assigned the Company's filing to Administrative Law Judges Conrad A. Johnson and Jeffrey Watson for investigation to determine whether Peoples' gas costs comply with the standards set forth in the Public Utility Code. On March 29, 2013, the OCA filed a Formal Complaint in this proceeding and on April 2, 2013, ALJs Johnson and Watson issued a

Prehearing Conference Order in the above-referenced matter. The OCA files this Prehearing Memorandum in response to that Order.

II. ISSUES AND SUB-ISSUES

Based upon a preliminary analysis of Peoples' filings, the OCA has compiled a list of issues and sub-issues that it anticipates will be included in its investigation of the Company's proposed rate changes. It is anticipated that the OCA will identify other issues upon further review of Peoples' filing, and that other issues may arise and may be pursued after the answers to all of the OCA's interrogatories have been received and analyzed.

As soon as the OCA has completed its review of the Company's filing, including issuing discovery and review of the Company's responses, it is expected that informal discovery meetings can be scheduled. At those meetings, the OCA will be able to narrow the scope of information requests. After the discovery process has been completed, the OCA will file its direct testimony, which will set forth the specific issues to be addressed in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following list sets forth issues the OCA anticipates it may raise:

1. Reasonableness and prudence of historic purchased gas costs, and assessment of compliance with Commission Orders in prior 1307(f) cases;
2. Reasonableness and accuracy of estimating gas costs during the interim and prospective periods;
3. Reasonableness and prudence of the Company's gas supply mix, including purchases of local gas supplies, the use of LNG, and price volatility risk management programs and policies;

4. Reasonableness and prudence of the Company's mix of demand entitlements, storage and local production, to include an assessment of the reasonableness of the Company's estimate of design day requirements;
5. Reasonableness and prudence of contracts with pipelines and suppliers, and in particular, long-term contracts that provide for special reservation charges, minimum take commitments, or other fixed contract requirements, especially in light of any other subsidies or unreasonable discrimination between customer classes;
6. Reasonableness and prudence of the Company's use of capacity release, off-system sales and interruptible sales, and the crediting of such revenues to PGC ratepayers and the Company;
7. Assessment of the value of the purchased gas cost incentive mechanisms as components of a least cost fuel procurement policy. These may include incentive mechanisms for off-systems sales and capacity release;
8. Reasonableness of sales volumes projections;
9. Technical issues pertaining to the gas cost recovery mechanism, including computation of quarterly adjustments to purchased gas costs, treatment of supplier refunds, provision of carrying costs associated with gas in storage, interest on gas overcollections, and proper computation of the E-factor and migration riders; and
10. Reasonableness of hedging transactions and strategies entered into under the terms of previous PGC settlements.

The OCA reserves the right to raise additional issues as discovery proceeds and as discussions take place.

III. WITNESSES

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of Jerome D. Mierzwa in this proceeding. Mr. Mierzwa will present testimony in written form and will also attach various exhibits, documents, and explanatory information that 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 mailed directly to its expert witness at the following address, as well as mailing a copy to counsel for the OCA:

Jerome D. Mierzwa
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Columbia, MD 21044
Telephone: 410-992-7500
E-mail: jmierzwa@exeterassociates.com

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, all parties of record will be notified.

IV. SERVICE ON THE OCA

The OCA will be represented in this case by Assistant Consumer Advocates Aron J. Beatty and Brandon J. Pierce. Two copies of the documents should be served on the OCA as follows:

Aron J. Beatty
Brandon J. Pierce
Assistant Consumer Advocates
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17101-1923
Telephone: (717) 783-5048
Fax: (717) 783-7152

E-mail: ABeatty@paoca.org
BPierce@paoca.org

The OCA requests that any documents served electronically also be directed to the OCA's consultant, Mr. Mierzwa, and to our Legal Assistant, Cammie Shoen at CShoen@paoca.org.

V. PROPOSED REVISED RULES / DISCOVERY

Because time for preparation of complainant testimony is limited, the OCA submits that a shortened discovery response time in this proceeding is necessary to enable complainant parties to have adequate time to investigate the Company's claims and present testimony. The OCA, therefore, requests the following modifications to the timeframes specified by the Commission's regulations for discovery matters on a going-forward basis.

1. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service of the interrogatories;
2. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served on the parties, with a certificate of service filed with the Secretary's Bureau, within five (5) days of service of the interrogatories;
3. 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;
4. Answers to motions to dismiss objections or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions;
5. Rulings over motions shall be issued, if possible, within seven (7) calendar days of the filing of the motion;
6. Responses to requests for document production, entry for inspection, or other purposes shall be served in-hand within ten (10) calendar days;

7. Requests for admission shall be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service of the requests; and
8. Answers to on-the-record data requests shall be served in-hand within seven (7) calendar days of the requests.
9. The OCA proposes that any discovery served after 12 noon on a Friday will be deemed to have been served on the following business day for purposes of tracking due dates.
10. The OCA proposes that the due dates be “in-hand” and that electronic or fax service on the due date will satisfy the “in-hand” requirement, where such service is immediately followed by a hard copy sent by first-class mail.

The OCA notes that all time periods established in the foregoing proposed changes to the rules should be calculated using calendar days.

VI. PUBLIC INPUT HEARINGS

The OCA is unaware of any specific consumer requests for public input hearings in this matter to date. If the OCA becomes aware of substantial consumer interest, however, the OCA will promptly notify the Administrative Law Judges and parties to request a public input hearing.

VII. PROPOSED SCHEDULE

The OCA’s proposed Procedural Schedule is attached hereto as Appendix A.

VIII. SETTLEMENT DISCUSSIONS

At present, settlement discussions have not been scheduled. The OCA will fully participate in any proposed settlement discussions throughout the course of this proceeding.

Respectfully Submitted,



Aron J. Beatty
Assistant Consumer Advocate
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Brandon J. Pierce
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PA Attorney I.D. # 307665
E-Mail: BPierce@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

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Dated: April 9, 2013

00167591

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	Docket Nos.	R-2013-2350914
Office of Small Business Advocate	:		C-2013-2354071
Daniel Killmeyer	:		C-2013-2355180
Office of Consumer Advocate	:		C-2013-2355226
	:		
v.	:		
	:		
The Peoples Natural Gas Company	:		
1307(f)- 2013 Proceeding	:		

I hereby certify that I have this day served a true copy of the foregoing 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 9th day of April 2013.

SERVICE BY E-MAIL & INTER-OFFICE MAIL

Carrie B. Wright, Esquire
Richard A. Kanaskie, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

SERVICE BY E-MAIL & FIRST CLASS MAIL, POSTAGE PREPAID

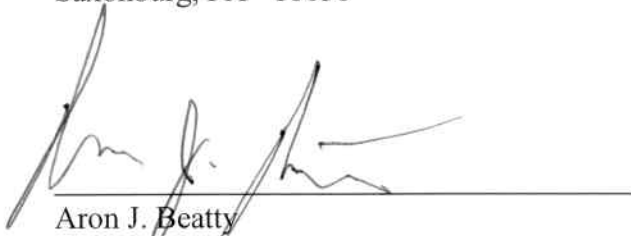
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Andrew P. Wachter
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375 North Shore Drive, Suite 600
Pittsburgh, PA 15212

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Daniel Killmeyer
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Saxonburg, PA 16056

A handwritten signature in black ink, appearing to read 'Aron J. Beatty', is written over a horizontal line. The signature is stylized and cursive.

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