

Case 16-G-0257 Rebuttal Testimony of Michael P. Weidner

1 Q. Please state your name and business address.

2 A. My name is Michael P. Weidner. My business address is 6363 Main
3 Street, Williamsville, New York, 14221.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by National Fuel Gas Distribution Corporation
6 ("Distribution" or "the Company") in the position of Manager within
7 the Financial Accounting Department.

8 Q. Have you testified previously in this case?

9 A. Yes. I provided Direct Testimony, Exhibits and workpapers
10 concerning historical financial data and the Company's claim for
11 Pension and OPEB cost recovery. In addition, I described
12 Distribution's accounting methodology for its investment in gas stored
13 underground.

14 Q. What is the purpose of your Rebuttal Testimony?

15 A. The purpose of my Rebuttal Testimony is to update the Company's
16 claim for its Pension and OPEB cost recovery.

17 Q. What is the basis for the update?

18 A. There are three updates. First, the O&M expense percentage of
19 65.81% that was initially developed by Company witness Barber has

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1 now changed to 58.30%. This is more fully outlined Mr. Barber's
2 Rebuttal Testimony.

3 Second, certain assumptions underlying the development of
4 the Company's projections of expense calculated using the
5 methodology as set forth in the Accounting Standards Codifications
6 ("ASC") No. 715 (formerly known as Statement of Financial
7 Accounting Standards No. 87 – Employers' Accounting for Pension
8 (herein referred to as "FAS 87") and Statement of Financial
9 Accounting Standards No. 106 – Employers' Accounting for
10 Postretirement Benefits Other Than Pension (herein referred to as
11 "FAS 106") have changed since the measurement date (September
12 30, 2015) used in the development of cost recovery noted in my
13 Direct Testimony (Exhibit ___(MPW_3) Schedule 1 Sheets 1 and 2.

14 Q. What has changed in the assumptions and what is the impact?

15 A. The discount rates for the plans decreased by 75 basis points
16 between September 30, 2015 and June 30, 2016. In addition, the
17 assumed long-term rate of return on assets decreased by 25 basis
18 points. These decreases have the effect of increasing FAS 87 and
19 FAS 106 expense. These changes are a result of updated capital

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1 market conditions and expectations after consultation with the
2 Company's actuary. The Company's actuary revised its FAS 87 and
3 FAS 106 projections based on these updates.

4 Q. What are the results of these changes and the change of the O&M
5 percent?

6 A. As a result of the updates, the Rate Year Allowance for Pensions
7 (Exhibit ___(MPW-4) Schedule 1 Sheet 1) is \$26,943,370 (rounded to
8 \$26,943,000) and the Rate Year Allowance for OPEBs (Exhibit
9 ___(MPW-4) Schedule 1 Sheet 2) is \$6,713,822 (rounded to
10 \$6,714,000). After applying the updated O&M percentage of 58.30%,
11 the Pension and OPEB Rate Allowances become \$15,708,000 and
12 \$3,914,000, respectively (after rounding). These represent upward
13 adjustments of \$715,000 (Pension) and \$1,049,000 (OPEBs) from
14 the initial filed for \$14,993,000 for Pensions and \$2,865,000 for
15 OPEBs as shown in Exhibit ___(MPW-3) Schedule 1 Sheets 1 and 2,
16 respectively (after rounding).

17 Q. Please describe your third update.

18 A. In accordance with the statement of policy in Case 91-M-0890, In the
19 Matter of the Development of a Statement of Policy Concerning the

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1 Accounting and Ratemaking Treatment of Pensions and
2 Postretirement Benefits Other than Pension (herein referred to as
3 “Policy Statement”), Distribution defers the differences between the
4 rate allowance and the FAS expense. In Exhibit ___(MPW-3)
5 Schedule 1 Sheets 1 and 2, the original forecast of Over Recovery
6 did not include the impact of amortization from the trial balance date
7 of December 31, 2015 through March 31, 2017, which was allowed
8 for in the settlement of Case 13-G-0136. This had the effect of
9 overstating the deferral and overall Pension and OPEB cost recovery.
10 The actual deferral balances have been updated through the trial
11 balance date of July 31, 2016. In addition, the deferral balances
12 include forecasted activity (which includes the aforementioned impact
13 of amortization from the trial balance date of July 31, 2016 through
14 March 31, 2017) along with the changes to FAS 87 and FAS 106
15 (discussed above) from July 31, 2016 through March 31, 2017. As a
16 result, the Amortization of Estimated Under Recovery Prior to Rate
17 Year per Policy Statement is now \$(1,024,000) for Pensions and
18 \$(1,825,000) for OPEBs. These represent downward adjustments of
19 \$(219,000) for Pensions and \$(294,000) for OPEBs from the filed for

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1 deferral amortizations of \$(805,000) for Pensions and \$(1,531,000)
2 for OPEBs as shown in Exhibit ____(MPW_3) Schedule 1 Sheets 1
3 and 2. There was no change to the Amortization of A/C 182353
4 Internal Reserve-Accrued Income-Pension.

5 Q. Please discuss the deferral amortizations.

6 A. Staff witness, Mr. Davi, states on page 11 that he has “no opinion on
7 the pre-rate year pension and OPEBs deferral balances.” He goes
8 on to state that “the pension and OPEB deferral balances are not
9 audited in full at this time and remain open for further review and
10 adjustment. As a result, Staff reserves the right to complete its
11 review of the pension and OPEBs deferral at a later date, using the
12 traditional deferral audit and review process, and will inform the
13 Company on any areas of disagreement. The final disposition will be
14 at the Company’s next rate proceeding.” He then goes on to state
15 that “my review will begin with deferral activity beginning with the rate
16 year ending December 31, 2008”.

17 Q. Do you agree with Mr. Davi as it pertains to the future audit of deferral
18 balances with the beginning point, subject to Staff’s review and
19 adjustment, is the beginning of the rate year ending December 31,

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1 2008?

2 A. No. In the Case 13-G-0136, the Order Adopting Terms of Joint
3 Proposal and Establishing Rate Plan, it states on pages 17- 18, "The
4 Joint Proposal expressly provides that all August 2013 deferral
5 balances remain subject to audit and open for further review....and
6 would be subject to disposition in the Company's next rate
7 proceeding".

8 Q. Did Mr. Davi make any adjustments to the August 2013 balances
9 included in the Joint Proposal?

10 A. No he did not.

11 Q. Is this docket, 16-G-0257 the Company's next rate proceeding after
12 Case 13-G-0136?

13 A. Yes it is.

14 Q, Did Mr. Davi follow the requirement in the 13-G-0136 Order?

15 A. Mr. Davi did not and now claims that the balances should continue to
16 remain subject to audit and open for further review and adjustment
17 subject to the Company's next rate case. This is in violation of the
18 13-G-0136 Order. Staff had two full years to comply with the 13-G-
19 0136 Order and should not be given the ability to audit the deferral

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1 balances prior to the 13-G-0136 Order.

2 Q. What is your recommendation?

3 A. The beginning point of any audit of deferral balances for Pension and
4 OPEBs would be September 1, 2013, which is consistent with the
5 language in the 13-G-0136 Order.

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8 Q. Does this conclude your Rebuttal Testimony?

9 A. Yes, at this time.