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November 15, 2022

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

**Re: Use of Fully Projected Future Test Year, 52 Pa. Code Chapter §§ 53.51-53.56a  
Docket No. L-2012-2317273**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's revised Fully Projected Future Test Year Rulemaking dated October 1, 2022 in the above-captioned proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Darsh Singh

DS/dml

Enclosures

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Use of Fully Projected Future Test Year, 52 : Docket No. L-2012-2317273**  
**Pa. Code Chapter §§ 53.51-53.56a :**

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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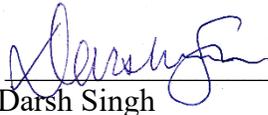
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Dated: November 15, 2022

  
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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Use of Fully Projected Future Test Year,        :**  
**52 Pa. Code Chapter §§ 53.51-53.56a            :**        **DOCKET NO. L-2012-2317273**

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**COMMENTS OF METROPOLITAN EDISON COMPANY,  
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA  
POWER COMPANY AND WEST PENN POWER COMPANY  
TO THE PROPOSED RULEMAKING ORDER ON  
AMENDMENTS TO 52 PA. CODE §§ 53.51-53.56**

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On June 17, 2021, the Pennsylvania Public Utility Commission (the “Commission” or “PUC”) entered a Notice of Proposed Rulemaking Order (“NOPR Order”) at the above-captioned docket soliciting comments on proposed amendments to its regulations at 52 Pa. Code §§ 53.51-53.56, which were appended to the Order as Annex A and Annex B. On May 12, 2022, the Commission entered an Order Clarifying the Notice of Proposed Rulemaking (“Clarifying Order”) that made thirteen revisions to the NOPR Order and to Annex A and Annex B, which the Commission deemed non-substantive. On August 24, 2022, the Commission entered a Clarified Notice of Proposed Rulemaking Order (the “Clarified NOPR Order”) which incorporated the revisions from the Clarifying Order and was accompanied by Clarified Annex A and Clarified Annex B. The Clarified NOPR Order explains that the rulemaking was initiated in response to an amendment to Section 315(e) of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 315(e),<sup>1</sup> which authorized the use of a fully projected future test year (“FPFTY”)<sup>2</sup> and also authorized the

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<sup>1</sup> Hereafter, references to a “Section” will be to a section of the Pennsylvania Public Utility Code (“Code”) unless stated, or the context indicates, otherwise.

<sup>2</sup> The amendment to Section 315(e) was one of several amendments made to the Code by Act 11 of 2012, Feb. 14, 2012, P.L. 72, No. 11 (“Act 11”).

Commission to adopt “rules and regulations regarding the information and data to be submitted when and if . . . a fully projected future test year is to be utilized.”

The Clarified NOPR Order (pp. 38-40) permits interested parties to file comments within 45 days of the publication of the proposed amendments to the Commission’s regulations in the *Pennsylvania Bulletin* and to file reply comments within 45 days after the deadline for comments.<sup>3</sup> The proposed amendments were published in the *Pennsylvania Bulletin* on October 1, 2022. Accordingly, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (individually, a “Company” and, collectively, the “Companies”) hereby submit their comments (“Comments”) to the proposed amendments to 52 Pa. Code §§ 53.51-53.56 together with proposed revisions to Clarified Annex A and B to the NOPR, shown in redlined form in Attachments A and B, respectively, to these Comments.

## **I. INTRODUCTION AND OVERVIEW**

The existing filing requirements for general rate cases exceeding \$1 million (i.e., “major” rate cases) had their genesis in an earlier statutory amendment. As noted in the Clarified NOPR Order (p. 7), as of October 7, 1976, Section 312 of the former Public Utility Law, which was the predecessor of current Section 315(e), was amended by Public Law No. 1057, No. 215, to permit utilities to employ a future test year (“FTY”) consisting of the twelve months immediately following a historic test year (“HTY”). That amendment authorized the PUC to adopt rules and regulations regarding the information and data to be submitted when a utility employs a FTY.

To comply with the 1976 amendment, the Commission adopted, subject to subsequent re-codifications and amendments, regulations delineating data filing requirements for major rate

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<sup>3</sup> By Secretarial Letter dated October 14, 2022, the Commission extended the due date for reply comments to January 31, 2023.

cases. *See Supporting Data Filed In Major Rate Cases*, 51 Pa. PUC 133, 1977 Pa. PUC LEXIS 68 (Oct. 6, 1977). The Commission also amended 52 Pa. Code § 53.56 to provide that a utility relying upon a FTY must also submit data for a HTY (“an experienced 12-month test period”).

The Commission initially adopted a single set of data filing requirements to be used for major rate cases by all utilities. However, as the Commission, utilities and other parties gained experience with the use of those filing requirements, the Commission approved proposals to establish utility-specific filing requirements for electric, water and wastewater and telecommunications utilities.<sup>4</sup> For each utility type, the utility-specific data filing requirements were the product of a collaborative effort among the utilities and various interested parties and stakeholders.

The next evolution in permissible test years occurred with Act 11’s authorization of FPFTYs that was memorialized by amending Section 315(e). While that provision mirrors the legislative text added when FTYs were authorized by directing the Commission to adopt rules and regulations to furnish guidance on the information and data to be submitted when a FPFTY is employed, the regulatory changes necessary for the Commission’s current data filing requirements to accommodate FPFTYs are far less substantial than those that were required for FTYs. The supporting data for HTYs were necessarily rooted in financial and operating results that had already been experienced (hence, “historical”). In contrast, at the time of filing, supporting data for a FTY typically includes nine or more months of projected data.<sup>5</sup> Consequently, the legislature’s directive in former Section 312 to adopt rules and regulations for

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<sup>4</sup> *See* 52 Pa. Code § 53.53(a).

<sup>5</sup> To illustrate, a rate filing employing a FTY ending December 31, 2022, would need to be filed no later than 120 days (approximately four months) after the close (December 31, 2021) of the underlying HTY, or near the end of April. Given the time needed to prepare a rate filing, experienced data would not generally be available for April and, therefore, effectively nine months of data would be projected. If a utility chose to file within 90 days of the close of the applicable HTY (as some utilities do), then supporting data would be projected for ten months.

the use of FTYs recognized the fundamental difference between the previously-prevailing use of historical data and the use of projected data that it was authorizing in 1976.

The legislative authorization to adopt rules and regulations for FPFTYs is less significant and consequential in its scope and impact than the development of FTY filing requirements because the latter addressed, for the first time, the use of projected data to support a rate increase request. Thus, the development of FPFTY filing requirements should build upon, and largely track, the FTY filing requirements with relatively modest revisions to synchronize the text of the filing requirements (e.g., references to “test year”) to the additional forward-looking test period authorized by Act 11. As explained below, after Act 11 became effective, utilities and other parties accomplished that task on their own by making reasonable interpretations of the existing filing requirements to accommodate the use of FPFTYs.

The Commission addressed the implementation of Act 11 in its Final Implementation Order issued on August 2, 2012.<sup>6</sup> In that Order, the Commission stated that it saw merit in one utility’s suggestion “to initiate a separate rulemaking proceeding to promulgate regulations regarding the use of a fully-projected future test year” and, therefore, it stated that it would “not go into great detail about the aspects of a utility using a fully-projected future test year to satisfy its burden of proof in a rate case.”<sup>7</sup> However, Act 11 was effective 60 days after its enactment on February 14, 2012. As a consequence, utilities began to file base rate cases employing FPFTYs not long after Act 11 went into effect<sup>8</sup> and, since then, dozens of major base rate cases supported by FPFTY data have been filed by electric distribution companies (“EDCs”), natural gas distribution companies (“NGDCs”) and water and wastewater utilities.

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<sup>6</sup> *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Aug. 2, 2012).

<sup>7</sup> *Id.*, p. 7.

<sup>8</sup> *See Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2012-2321748 (filed September 28, 2012).

As noted, the utilities that filed base rate cases with FPFTY supporting data and the parties to the ensuing rate proceedings were able to reasonably interpret and adapt the existing FTY filing requirements to accommodate one additional year of projected supporting data. The discovery issued by non-utility parties in those cases was not materially different in scope or quantity than the discovery undertaken before FPFTYs had been authorized.<sup>9</sup> This is understandable because, as previously explained, rate cases based on FTYs also employed nine or more months of projected data, and utilities and other parties had decades of experience in presenting, analyzing, and assessing projections of revenues, expenses, plant additions and other financial and operational metrics relevant to FTY rate proceedings.

In short, existing filing requirements are working well in furnishing FPFTY data and other information needed to examine and assess utility rate filings, just as those filing requirements had done for rate cases based on FTY projected data since 1976. Therefore, as a practical matter, the existing filing requirements, as reasonably interpreted by utilities and other litigants, are already satisfying Section 315(e)'s directive that the PUC establish rules and regulations to guide utilities and other parties in the filing and use of FPFTYs. The substantial hands-on, real-world experience gained from filing, analyzing and litigating (or settling) actual FPFTY base rates eliminated the urgency to initiate a separate rulemaking to establish rules and regulations to guide parties in the use of FPFTYs that the Commission initially contemplated in 2012 when the Final Implementation Order was issued.

As recited in the Clarified NOPR Order (pp. 2-3), the Commission revisited the prospect of a separate rulemaking proceeding in 2017 when it entered an Advanced Notice of Proposed Rulemaking Order. As that initiative evolved, the Commission determined, based on stakeholder

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<sup>9</sup> In fact, the experts engaged on behalf of parties, including statutory advocates, continued to issue many of the same standard interrogatories they had employed before FPFTYs were employed simply by updating the time periods involved.

input, that there would be merit in convening stakeholder meetings to address the possible need to amend the existing filing requirements to accommodate FPFTY filings seeking increases exceeding \$1 million. The Commission's decision was memorialized by Secretarial Letters issued in 2018 and 2019. Stakeholder meetings were held in 2018 and 2019, with the last meeting held on October 30, 2019.

On June 19, 2021, the Commission, relying on the authority granted by Act 11's amendment of Section 315(e), issued the NOPR Order and initiated the instant rulemaking to solicit comments on: (1) proposed amendments to its regulations at 52 Pa. Code §§ 53.51-53.56, set forth in Annex A to the NOPR Order; and (2) a new Exhibit E to 52 Pa. Code § 53.53, set forth in Annex B to the NOPR Order. Clarified versions of the NOPR Order and Annexes were issued by the Commission on August 24, 2022.

As previously explained, the need for guidance on the use of FPFTYs had significantly diminished in importance given the intervening eight years of experience with actual FPFTY filings. However, in the NOPR Order and subsequent Clarified NOPR Order, the Commission expanded the rulemaking beyond the scope envisioned by Section 315(e) (i.e., furnishing guidance on the use of FPFTYs) and stated that it was initiating the rulemaking to:

- “standardize and streamline the filing requirements” for major rate cases;
- “develop consistency in filing requirements across utility types;”
- “incorporate the appropriate standard discovery requests;” and
- “eliminate the filing of unnecessary information.”<sup>10</sup>

Both the NOPR Order and Clarified NOPR Order delineate the benefits the Commission is seeking to achieve by revising its regulations, as follows:

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<sup>10</sup> NOPR Order, p. 9; Clarified NOPR Order, p. 9.

- “[f]or public utilities . . . to reduce the regulatory burden and costs associated with preparing and litigating general rate increase cases;” and
- [f]or other stakeholders . . . to lessen the regulatory burden and costs associated with reviewing and litigating general rate increase cases brought by public utilities.”<sup>11</sup>

As explained hereafter, the Companies believe that the proposed amendments to the Commission’s regulations in Clarified Annex A and B will not fulfill the goals or furnish the benefits envisioned by the Commission. Accordingly, the Companies are providing these Comments and accompanying Attachments A and B to identify and explain the revisions they believe are necessary to further the Commission’s stated goals and garner the benefits the Commission hopes to achieve.

Subsequent sections of the Companies’ Comments discuss in detail their issues with the amendments set forth in Clarified Annex A and B and the reasons for the Companies’ proposed revisions. However, to place the Companies’ Comments and proposed revisions in context, the Companies offer the following summary of their principal concerns, which focus largely on the data filing requirements set forth in Clarified Annex B (proposed new Exhibit E) as currently drafted.

At the outset, Clarified Annex B would not, in its current form, achieve the Commission’s goals to “streamline” the filing requirements and “reduce the regulatory burden and costs” for public utilities. For example, comparing the portions of Clarified Annex B applicable only to EDCs to the current data filing requirements for electric utilities in Exhibit C to 52 Pa. Code § 53.53(a), Clarified Annex B contains approximately 110 more data requests

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<sup>11</sup> NOPR Order, p. 10; Clarified NOPR Order, p. 10.

(from approximately 70 currently to over 180, as proposed) or an increase of nearly 160%. While the Companies appreciate that the Commission expressed the desire to incorporate appropriate (but undefined) “standard discovery requests” into the data filing requirements (a topic discussed separately hereafter), the dramatic increase in the number of proposed data filing requirements moves in the opposite direction to the Commission’s goal of streamlining the filing requirements and reducing regulatory burdens and costs.

The significant increase in the sheer quantity of information that *all* utilities would be required to file every time a rate case is submitted is not warranted. In fact, the Companies’ review of Clarified Annex B identified a number of instances where essentially the same information is requested in the same or very similar form in several questions, or where multiple questions seek largely overlapping data. For example, compare Exhibit E, Section III., D. No. 12 and No. 17; Exhibit E, Section III., D. No. 18 and Section III., K. No. 8; Exhibit E, Section III., L., No. 10 and Nos. 22, 29 and 33.<sup>12</sup> Additionally, information is requested that is no longer relevant given changes in the Code, such as Exhibit E, Section III., L., No. 34, which consists of eight subparts dealing largely with data pertaining to the calculation of consolidated tax adjustments. As the Commission is aware, its authority to make consolidated tax adjustments in utility rate proceedings was eliminated by the enactment of Act 40 of 2016, which added Section 1301.1 to the Code. And, while one of the Commission’s goals for the rulemaking is to “eliminate the filing of unnecessary information,” Clarified Annex B falls short of doing so. In fact, it appears that Clarified Annex B is entirely accretive; it adds to existing filing requirements without any discernible reductions.

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<sup>12</sup> It appears that the repetition exhibited by Clarified Annex B may be the result of trying to incorporate existing, separately-stated filings requirements for different utility types into a single Exhibit E.

The appearance in Clarified Annex B of multiple requests for the same or similar data and for data that is no longer relevant given changes in the Code appears to be indicative of a broader issue. As an initial effort at developing revised filing requirements, Clarified Annex B appears to proceed on the theory that “more is better” and, therefore, over-inclusiveness would “lessen the regulatory burden and costs [*for non-utility parties*] associated with reviewing and litigating general rate increase cases.” However, there is no basis for that assumption. In fact, actual experience furnishes evidence to the contrary, specifically, that even existing data filing requirements produce, in many instances, an over-abundance of data and information, much of which is neither directly relevant to contestable utility claims nor particularly useful to other parties and their experts in vetting such claims. Simply stated, separating wheat from chaff becomes harder for reviewing parties if the Commission’s filing requirements generate ever-larger quantities of chaff. Expanding the quantity of data presented with a rate filing will not necessarily assist reviewing parties and, in fact, could hinder their efforts to identify critical issues that, once identified, can be the subject of properly focused discovery designed to elicit information the parties and their experts actually need to analyze a utilities’ claims in a particular case.

Evidence that the existing data filing requirements (let alone the substantially expanded filing requirements in Clarified Annex B) hinders the non-utility parties and their experts by regenerating peripheral, non-essential or, indeed, superfluous information can be found in the Companies’ actual experience. Notwithstanding the submission of supporting data required by the Commission’s filing requirements, along with supplemental information furnished in exhibits and schedules accompanying the direct testimony of Company witnesses and the detailed explanations furnished in that testimony, the Companies routinely receive (typically, shortly after a rate case is filed) extensive “standard” interrogatories that are the same from one case to

another and the same or similar to discovery issued to other Pennsylvania utilities. Often the information sought has already been provided, or can readily be derived from, information, data and testimony that has been furnished with the filing, and the Companies' discovery responses largely consist of citations to their responses to the data requirements.

This observation is not offered as criticism of how other parties choose to develop their positions; they should be free, consistent with the Commission's discovery regulations, to ask for relevant, non-privileged information. Rather, it indicates that the amount of discovery undertaken by other parties is *not* a function of the quantity of information and data that accompanies and supports a rate filing. For the same reason, the Commission's assumption that incorporating "standard" data requests into its filing requirements will ease the "burden and costs" to review and litigate a rate filing is unsupported and, indeed, contradicted by the experience of the Companies, which is shared by other utilities. To use the previous analogy, adding more chaff does not make it easier for parties to separate the wheat.

Finally, for the same reason, expanded data filing requirements will not eliminate discovery by non-utility parties, nor should they be expected to do so. Discovery is a vitally important tool that is available to all parties in a rate proceeding. Expanding filing requirements in an attempt to reduce discovery will not achieve the Commission's stated goal of lessening regulatory burdens and costs for utility and non-utility parties. In fact, it would be counter-productive and would produce the opposite of the Commission's desired effect.

The Commission cannot foresee – nor should it be expected to "standardize" – the issues likely to arise in connection with specific rate filings by specific utilities in future rate cases. Discovery is the appropriate means to probe those issues through interrogatories directed to actual issues, in actual cases, for individual utilities – issues that differ, often markedly, from one utility to another and for the same utilities in different cases. It is not possible, before any case is

filed, to anticipate, in data filing requirements, what such issues are likely to be or to identify the data and information that may be needed to analyze those issues. If the Commission intends to pursue this unattainable goal, the Companies believe that those efforts will be unavailing and likely will frustrate the reasonably-achievable goals of the Clarified NOPR Order.

## **II. COMMENTS ON THE PROPOSED AMENDMENTS SET FORTH IN CLARIFIED ANNEX A OF THE CLARIFIED NOPR ORDER**

In the following Sections, the Companies discuss the specific amendments to the filing requirements that the Commission has proposed. The Companies' proposed revisions are set forth in the redlines attached to these Comments (Attachments A and B).

### **A. § 53.51(a), (a.1)**

The revisions made by the Clarifying Order have corrected the deficiencies in these sections that were introduced by changes in Annex A as originally issued with the NOPR Order. The Clarifying Order's revisions properly expand the definition of "public utility" to include entities that are not comprehended by the statutory definition of that term but are subject to rate regulation by the Commission.

The Clarified NOPR Order seeks comments with regard to §§ 53.51-53.56 only. However, it should be noted that §§ 53.1-53.45 also set forth requirements concerning "filing regulations," "form and content of tariffs," "public notice of tariff changes," and "posting of tariffs and notices" that, in their current form, apply to a "public utility." The Commission may wish to consider, in the appropriate procedural context, revising those sections to encompass, as applicable, entities in addition to a "public utility" (as defined in Section 102) that are also subject to regulation by the Commission.

**B. § 53.51(b)**

The Companies proposes revising § 53.51(a) to conform the regulations to the Commission’s current practice of requiring both a paper and PDF copy of filings.

**C. § 53.51(d)**

Unlike the other expressly named parties (Office of Small Business Advocate (“OSBA”), the Office of Consumer Advocate (“OCA”), the Commission’s Bureau of Investigation and Enforcement (“BI&E”) and the Commission’s Bureau of Technical Utility Services (“TUS”)), “low-income advocates” are not statutorily-created offices or bureaus within Commonwealth government. Organizations or associations that intervene in base rate proceedings in a representational capacity on behalf of low-income residential customers do so in private (i.e., non-governmental) capacities. Moreover, the specific organizations or associations that seek party status as low-income advocates differ from one utility’s service area to another and, in some cases, more than one such organization or association may intervene. There is no basis for selecting any one organization or association to receive service of a rate filing, even if the potential low-income advocates were known at the time of filing, which they are not. Furthermore, as a practical matter, the Companies are generally aware of organizations and associations in its service area that have advocated for low-income customers in the past, and it reaches out to those entities at the time of filing a base rate case in order to open lines of communication and provide copies of its rate filing materials, if requested. Accordingly, the requirement to serve the rate filing on “low-income advocates” should be eliminated.

**D. § 53.51a. Definitions**

**1. EMOF – Emergency maintenance and operation fund**

The definition is specific to small water and wastewater utilities and, therefore, should be moved to § 53.54, which sets forth the comprehensive procedures for rate filings by such entities.

## 2. FPFTY - Fully projected future test year

The definition set forth in the draft filing requirements repeats the language of 66 Pa.C.S. § 315(e), but adds the word “full” between “first” and “month.” The Commission cannot, by regulation, change the language of a statute.

Section 315(e) defines a FPFTY as “the 12-month period beginning with the first month that the new rates will be placed in effect after application of the full suspension period permitted under section 1308(d).” “First month” has been interpreted, with the Commission’s approval, to mean the first calendar month during which new rates would be in effect for the entire month. *See Pa. P.U.C. v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2012-2321748 *et al* (May 23, 2013).<sup>13</sup> Applying the terms of Section 315(e) in this fashion generally creates a gap of approximately one month between the end of a public utility’s FTY and the beginning of its FPFTY.

While Section 315(e) permits FPFTYs ending thirteen months, or more, after the end of a FTY, “first month” has been interpreted as the thirty-day period following the end of the FPFTY. Based on that interpretation, some public utilities have submitted supporting data for a period of twelve consecutive months immediately following the end of their FTY, which eliminates the gap of one month or more between the end of the FTY and the beginning of the FPFTY. The Commission has accepted base rate filings that employ FPFTYs in this fashion. *See, e.g., Pa. P.U.C. v. PECO Energy Co. – Gas Division*, Docket No. 3018929 (June 22, 2021); *Pa. P.U.C. v. Pennsylvania-American Water Co.*, Docket No. R-2017-2595853 (Dec. 7, 2017); *Pa. P.U.C. v. Metropolitan Edison Co., et al*, Docket Nos. R-2016-2537349 *et al* (Jan. 19, 2017).

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<sup>13</sup> Columbia Gas of Pennsylvania, Inc. (“Columbia”) filed the first base rate case employing a FPFTY on September 28, 2012 based on a HTY ended May 31, 2012, a FTY ending May 31, 2013 and a FPFTY ending June 30, 2014. The end of the suspension period in that case was June 27, 2013. Consequently, the FPFTY employed by Columbia covered the twelve months beginning July 1, 2013 and ending June 30, 2014.

Adding the word “full” between “first” and “month,” as proposed in the draft filing requirements, may be interpreted as signaling the Commission’s intent to preclude public utilities from filing base rate cases employing a FPFTY that begins immediately following the end of their FTY. The Companies believe the Commission should not eliminate the flexibility for public utilities to voluntarily choose to file supporting data based on a FPFTY that concludes earlier than the “first full month” gloss to Section 315(e) may allow. This flexibility should be available to any public utility without the need to request a “waiver,” and should not be limited to city natural gas operations or an Authority, as the Clarifying Order (p. 6) appears to suggest.

The draft filing requirement also adds to the definition of FPFTY the modifying language “reflecting estimated results of operations of the public utility.” The definition of a FPFTY, or any test period, should focus upon demarcating the time period(s) encompassed by the defined terms. Criteria regarding the nature of the supporting data that a public utility is required to submit or the supplemental data it chooses to submit, is outside the scope of such definitions and should be addressed (as they are) elsewhere in the proposed filing requirements.

### **3. FTY – Future test year**

The draft filing requirement adds to the definition of FTY the modifying language “reflecting in part estimated results of operations of the public utility based on adjustments to HTY amounts for known and measurable changes or other adjustments as supported by data.” As noted in The Companies’ comment regarding the definition of FPFTY, the definition of a test period should focus upon demarcating the time period encompassed by the defined term, and criteria regarding the nature of the supporting data a public utility should submit are outside the scope of such definitions and should be addressed (as they are) elsewhere in the proposed filing requirements.

### **4. HTY – Historic test year**

The draft filing requirements note that small water and small wastewater utilities may submit supporting data for a HTY ending not more than 180 days prior to a rate filing, but fail to state that a similar period is provided to municipal corporations in § 53.52(b)(2). The Companies' proposed changes correct that oversight.

The definition proposed in the draft filing requirements also introduces criteria purporting to specify the nature of the supporting data to be furnished for a HTY: "The experienced 12 consecutive month period that reflects actual results of operations of a public utility based on book values . . ." As noted in comments on the proposed definitions of FPFTY and FTY, criteria specifying the nature of the supporting data to be submitted for a given test period are out of place in a definition of that test period and, in any event, such criteria are addressed with more precision elsewhere in the draft filing requirements. Additionally, the language quoted above erroneously suggests that supporting data for a HTY consist only of "book" data reflecting the "actual results of operations." While book data (the historical results of operations shown by amounts actually recorded in the public utility's books of account) are presented for the HTY, public utilities are permitted to adjust book data to set forth their revenue requirement for the HTY on a ratemaking basis by, for example, annualizing changes in revenue and expenses as of the end of the HTY, eliminating non-recurring items, and amortizing revenues and expenses that were incurred during the HTY for an amount that will not recur on an annual basis. The better approach is to simply remove the extraneous language purporting to characterize the nature of the supporting data for a HTY and limit the definition to demarcating the time period involved.

#### **5. Reserve account**

The definition of reserve account is specific to small water and wastewater utilities and, therefore, should be moved to § 53.54, which sets forth the comprehensive procedures for rate filings by such entities. Additionally, including this definition among the "General" provisions

suggests that a public utility cannot establish any “reserve account” unless it meets the terms set forth in the definition, which is not the case.

## **6. Test year**

There are two principal reasons for the Companies’ proposed revision to the definition of “test year” in the draft filing requirements. First, the definition should be revised to clearly state that “test year” is a generic term that, in context, may refer to either a HTY, FTY or FPFTY.

Second, and more importantly, the definition proposed in the draft filing requirements incorrectly assumes that a public utility must elect to meet its “burden of proof” based on a specifically designated “test year” if it chooses to file supporting data for a FTY or both a FTY and FPFTY in addition to the supporting data required for a HTY. Section 315(e) specifically provides that “[i]n discharging its burden of proof the utility *may* utilize a future test year or a fully projected future test year . . .” (emphasis added). If a public utility chooses to submit supporting data for a FTY or a FPFTY and a HTY, it is not required to elect a particular test year as the sole basis for meeting its “burden of proof” to establish its need for a rate increase. Thus, if a public utility submits supporting data for a FTY and FPFTY in addition to a HTY, all of the supporting data submitted for those test years is available, and may be relied upon, by the public utility to support its need for a rate increase and, similarly, may be relied upon by the PUC to support its findings of fact underlying its final decision on the public utility’s rate request. However, consistent with current practice, public utilities will continue to specify in their rate filing and accompanying testimony the test year on which they principally rely to support their proposed rate increase.

### **E. § 53.52(c)**

The Companies propose to change “close of” to “end of” in this section for consistency with other test year language in Clarified Annex A (see, e.g., the definition of “future test year”).

**F. § 53.53(a.1)**

The Companies proposes changes to §53.53(a.1) for two principal reasons. First, as explained in the Companies' comments on the definition of "test year," the draft filing requirement incorrectly assumes that a public utility must elect to meet its "burden of proof" based on a specifically designated "test year" if it chooses to file supporting data for either or both of a FTY and FPFTY. Nothing in Section 315(e) requires a public utility to choose a specific test year to meet its "burden of proof;" all of the supporting data filed by a public utility are available to support a public utility's proposed revenue increase and may be relied upon by the Commission to support its findings of fact and final decision on the public utility's rate request. The Companies' revisions do require, however, that a public utility identify the test year upon which it principally relies to support its proposed revenue increase.

Second, the Companies have revised the draft of §53.53(a.1) to capture more clearly what appears to be the intended purposes of the changes made in the draft filing requirement. For the most part, this involves adding additional specificity in order to remove potential ambiguity.

**G. § 53.53(c)**

The Companies have proposed revisions to the draft of §53.53(c) to clarify and simply the requirements for direct testimony. In particular, the proposed changes add clarity and specificity to the portions of the paragraph discussing how a public utility's witnesses should address adjustments to HTY data. The Companies' proposed changes make explicit that a public utility's witnesses should address differences in the components of a public utility's revenue requirement for each test year employed by the public utility as well as explaining adjustments that are made to set forth test-year claims on a ratemaking basis by, for example, removing or amortizing non-recurring amounts and annualizing changes that occur during a test year.

Additionally, the Companies propose that the draft of §53.53(c) should be changed to state the reasonable expectation that a public utility's direct testimony address the "principal reasons for material differences." It is not reasonable to expect that all year-to-year changes in elements of revenue requirement must be explained irrespective of materiality. Public utilities are fully aware that they have the burden of proof to demonstrate the reasonableness of their claims and, therefore, have strong incentives to provide complete, detailed testimony explaining how they developed those claims. Although filing requirements, in general, and direct testimony, in particular, should furnish a sound understanding of a public utility's claims, it is not reasonable to expect that a public utility's responses to data filing requirements and its witnesses' direct testimony constitute the entire universe of data or information that other parties may seek or should expect. The responses to filing requirements and information furnished in direct testimony can, and undoubtedly will be, supplemented by discovery that can be tailored to the specific lines of inquiry, interests, objectives and policy goals of each of the various parties to a base rate proceeding.

**H. § 53.56(a)**

The last sentence of this paragraph suggests that use of a FTY is not available if a public utility files for a rate increase of \$1 million or less in gross annual revenues. The proposed revision makes clear that a FTY may be employed to support base rate increases at or below the \$1 million threshold for submitting the additional supporting data required by Exhibit E. Other minor changes to this paragraph are for clarity and consistency.

**I. § 53.56(a.1)**

The first sentence should be eliminated. The purpose of conducting a rate proceeding is to determine whether the public utility's supporting data, including estimates used to develop the

public utility's FTY claims, are "fully substantiated." Public utilities, as the parties with the burden of proof, are incentivized to fully substantiate all of their supporting data, including estimated amounts. Additionally, by stating the requirement at such a high level of generality, there is no objective standard for the Secretary's Bureau of the Commission to use to assess whether, or to what extent, a public utility's filing satisfies the stated goal and should be deemed perfected pursuant to 52 Pa. Code § 53.51(c) ("[T]he Secretary will notify the sender, within 30 days after the filing, that the filing is not perfected, and will, in the notice, set forth specifically the deficiencies in the filing.")

The second sentence has the benefit of using more specific, objective terms to delineate the criteria that should be met by supporting data, including estimated values. The beginning of the second sentence substitutes "supporting data" for "estimates." This change makes it clear that public utilities would not necessarily be submitting estimated data for a "HTY" because HTY supporting data are based on amounts actually booked for an experienced 12-month period, subject to appropriate ratemaking adjustments, such as annualization or amortization of non-recurring costs or revenues. Therefore, asking a public utility to submit "estimates" for its FTY of "the same or similar type, quantum and nature as required to be submitted for a HTY" creates a potential internal contradiction. The second phrase of the sentence has been revised to state specifically what must be provided (a description of the "methodology, data and material") when estimated values are used in supporting data.

**J. § 53.56(c)**

The proposed filing requirement does not set forth any data or information that should be, or even could be, submitted with a public utility's rate filing. Instead, it purports to establish requirements for submitting data *after* a base rate proceeding has been completed and a final order issued by the Commission. In prior base rate proceedings where a public utility employed

a FPFTY, the parties have reached agreement on actual data the public utility should submit, which generally consisted of: (1) actual plant additions and retirements for the FTY and FPFTY, to be filed and served on the parties by the end of the first quarter following the close of each test year; and (2) a comparison of actual expenses to the public utility's projections for the FPFTY, to be included with the public utility's next base rate filing. However, in prior cases, the descriptions of the data to be provided were tailored to the facts and circumstances of each case and were set forth with greater specificity than the general and needlessly broad request for "actual results experienced in the FTY" in the proposed filing requirement. The existing practice of permitting the parties to address the comparison of actual plant and expense data to the public utility's projections for the FTY and/or FPFTY, as applicable, has worked well and should not be preempted by a filing requirement. Accordingly, this requirement should be eliminated.

**K. § 53.56a(a)**

The proposed revision makes clear that a FPFTY may be employed to support base rate increases that are at or below the \$1 million threshold for submitting the additional supporting data required by Exhibit E. Other minor changes to this paragraph are for clarity and consistency.

**L. § 53.56a(b)**

The Companies propose the same revisions to this filing requirement as it proposed to §53.56(a.1) for the reasons set forth in its comments on §53.56(a.1), which are incorporated herein by reference.

**M. § 53.56a(c)**

The Companies propose deleting this paragraph for the same reasons it has proposed deleting §53.56(c), which are incorporated herein by reference.

### **III. COMMENTS ON THE PROPOSED CHANGES SET FORTH IN CLARIFIED ANNEX B OF THE CLARIFIED NOPR ORDER (EXHIBIT E TO 52 PA. CODE § 53.53)**

#### **A. Exhibit E, Section II. Definitions**

*Billing determinant* – The definition in the proposed filing requirements is not accurate or complete. Billing determinants consist of more than “usage data per unit of consumption.” The Companies has added a definition to more accurately describe what billing determinants encompass.

*Customer class* – The definition in the proposed filing requirements is not accurate or complete. The revised definition offered by The Companies is designed to address those deficiencies.

*Customer charge* – The definition in the proposed filing requirements is not accurate or complete. The revised definition offered by The Companies is designed to address those deficiencies.

*Pro forma* – The definition has been revised to more clearly express the common understanding of “pro forma” and to specifically delineate both the kinds of assumptions made to develop pro forma financial statements and the reasons why such assumptions are made (i.e., to more accurately depict the results of operations based on the most likely expected outcomes).

*Public utility* – The revision made by the Clarifying Order has addressed the concerns The Companies had with the definition of “public utility” in the originally-issued NOPR. By referring to a “filing entity,” the definition of “public utility” should now cover the additional entities identified in § 53.51(a).

*Rate schedule* – The definition in the proposed filing requirements does not accurately explain the nature or purpose of a rate schedule. The Companies has proposed revisions to address those deficiencies.

*Tariff* – The Public Utility Code defines “tariff” and, therefore, there is no need to try to add a non-statutory definition. Furthermore, the last sentence of the definition in the proposed filing requirements is not accurate. Whether a filing is a “tariff” is not a function of “approval” by the Commission. As 66 Pa.C.S. §1308(d) states, a proposed rate increase must be initiated by filing a “tariff” (not a “proposed tariff”), although such a tariff must be filed with an effective date that is 60 days in the future. *See* 66 Pa.C.S. §1308(a) (“after 60 days notice”). The tariff a utility must file to initiate a general rate increase is subject to suspension by the Commission or, more properly, is subject to suspension by operation of law under 66 Pa.C.S. §1308(d) if the Commission does not enter an order within the 60-day notice period allowing the proposed rates to go into effect. A tariff filed with the Commission setting forth proposed rates is included in the record of filed “tariffs” maintained by the Secretary’s Bureau of the Commission. For that reason, the effective date of a tariff setting forth proposed rates must be “suspended” for seven months, during which time the Commission’s rate investigation takes place. Similarly, the Commission’s order initiating an investigation of a rate increase always includes instructions for the utility to file a suspension supplement postponing the effectiveness of its filed tariff containing proposed rates to a date seven months in the future.

*USoA – Uniform System of Accounts* – The Commission’s regulations prescribe the systems of accounts that must be used by electric, gas and water utilities. For electric and gas utilities, the Commission’s regulations refer to applicable Uniform Systems of Accounts specified by the Federal Energy Regulatory Commission (“FERC”), which differ based on the “class” of the electric utility and whether a gas utility is a “major” or “non-major” “natural gas company.” Water utilities are not regulated by the FERC and, therefore, the system of accounts used by water utilities is not established by the FERC.

**B. Exhibit E, Section III.A. (General)**

3. The Companies have proposed revisions to this filing requirement to remove the suggestion that a public utility is required to elect a single test year as the basis for supporting its proposed rate increase. As explained in the Companies' comments on the definition of "test year" in §53.51a, there is no such requirement in 66 Pa.C.S. §315(e), and all of the supporting data presented by a public utility for the test years it employs are available to support its proposed claims.

5. Paragraphs 5.a-c. should be eliminated. Subparagraph 5.a requires a public utility to file, as part of its supporting data, the "data for the HTY and the first year that new rates were in effect" for its "immediately preceding base rate case" if those data are not already comprehended by the test years the public utility is employing (and one or both would not be irrespective of the cycle of base rate filings a public utility employs). This provision essentially requires the presentation of data for two additional test periods. Public utilities have been filing base rate cases for many years without having to provide this "supplemental" information. Experience shows that parties did not seek this information nor have they seen a legitimate need for such information to be provided in every case in order to review a public utility's claims. Moreover, this rulemaking was initiated to revise the Commission's filing requirement to reflect the reasonable expectation that public utilities will rely on forward-looking information – FPFTYs – to support their claims. Requiring two additional years of historical information to be presented in every case as part of an initial filing is unlikely to be particularly relevant to reviewing forward-looking claims and, in any event, any slight relevance such data might have is far outweighed by the burden of producing that information. Just as important, historical data can be explored by discovery properly directed to specific issues and claims, which the parties to rate cases have been doing for many years without the need to impose a blanket requirement to present data for two additional test years in virtually every case.

Subparagraph 5.b, while part of a purportedly “general” requirement, introduces an entirely new, and unprecedented, approach to presenting supporting data for a base rate proceeding. Specifically, this provision would require a public utility, as part of its initial filing, to provide a comprehensive “bridge” that identifies and explains the differences between “projections and adjustments” in its “immediately preceding base rate case” and those in its current filing. This is a blanket requirement that would be imposed in every case regardless of either potential relevance or the period of time since the public utility’s last base rate case. This proposed filing requirement is also stated at such a high level of generality that a good faith effort to comply with it would be extraordinarily burdensome with no evidence (from historical rate case experience or otherwise) that imposing such a burden in every case is warranted. Additionally, a public utility may have “projections and adjustments” in a prior base rate case that have no counterpart in its current filing. To the extent that comparisons of “projections and adjustments” in the past may be relevant to reviewing claims in a new filing, those comparisons can be pursued by discovery that is properly targeted at the specific claims and particular issues presented by the utility’s claims in its current case. Requiring a public utility to prepare and present such a massive amount of comparative data in its initial filing as a matter of course in every case regardless of the relevance or potential usefulness of those data is not justified.

Subparagraph 5.c. is vague and ambiguous and, therefore, poses challenges to public utilities that would have to provide a response. At the outset, it is not clear what “reconciliations and adjustments” this filing requirement purports to address. The proposed filing requirement requests information about “reconciliations and adjustments made relative to the immediately preceding base rate case” that are “expected to be rolled into base rates in the current base rate case.” Claims made in a base rate case are not generally subject to “reconciliation” or to “adjustments” between base rate cases. Also, costs and revenues “rolled into base rates” arise

from rate adjustment clauses, such as the State Tax Adjustment Surcharge (“STAS”) or the Distribution System Improvement Charge (“DSIC”), and do not originate in a “preceding base rate case.” If this filing requirement is intended to request that public utilities identify costs recovered, and revenues billed, under a rate adjustment mechanism, such as the STAS or DSIC, the provision, as drafted, does not make that clear. However, public utilities already provide information on the roll-in to base rates of costs recovered, and revenues billed, under rate adjustment clauses. In fact, for the DSIC, the roll-in to base rates is set forth by statute and, for the STAS, by regulation. *See* 66 Pa.C.S. §1358(b) and 52 Pa. Code §69.55.

Additionally, Section III, H.1.h. already requires a break-out of all surcharge revenues by revenue category. Thus, in addition to its other deficiencies described above, subparagraph c. is duplicative and, therefore, not necessary.

**8.** Revisions to paragraph 8 are proposed to more clearly delineate the schedules for which electronic copies must be submitted. The catch-all provision tacked on at the end (“all schedules provided in response to these Filing Requirements”) is excessively broad and unnecessary. The proposed revision properly focuses on providing electronic copies of schedules of supporting data used to develop revenue requirement, pro forma revenues, the proposed revenue increase, the fully-allocated class cost-of-service study and the allocation of revenues and proposed revenue increase among rate schedules. In prior base rate proceedings, when electronic copies of public utility schedules are requested, those schedules encompass the areas that have been identified in the Companies’ proposed revision to the draft filing requirement, and there has not been any indication that electronic copies of all of the schedules comprising a public utility’s supporting data would be desired or useful to other parties. Moreover, if any party were to decide that it needed or desired electronic copies of schedules of

data or information other than those encompassed by the revised filing requirement, those schedules can be provided in discovery.

The proposed revision also addresses the likelihood that certain electronic schedules that are “linked” and have “formulas intact” are part of computer models, such as revenue requirement models and cost-of-service study models that are proprietary to either the public utility or a third-party consultant or vendor. The proposed revision makes clear that copies of such proprietary electronic models are to be filed on a confidential basis and need not be served on parties or other persons until appropriate stipulated protective agreements or protective orders are in place.

**C. Exhibit E, Section III. B. (Summary of Filing)**

1. As the name of this section indicates, it is intended to provide “summary,” information that provides a reasonable overview of the filing, with detailed information provided in subsequent data requests. Consequently, as drafted, the request for “specific reasons for each adjustment” is inconsistent with the apparent purpose of this section and, if read literally, would require essentially the entire filing to be summarized in the response. The Companies have proposed a revision that would provide information appropriate for this section of the filing requirements, namely, a discussion of the principal reasons for the requested rate change and the revenue requirement effect of the major changes driving the need for the proposed rates.

3.d. The detailed multi-year information requested for the “balance sheet” is out of place in a section that is intended to provide a summary of the filing. Moreover, as drafted, the filing requirement seeks information that must be provided in detail in response to other filing requirements that call for information about the elements that underlie the balance sheet (such as changes in plant-in-service, accumulated depreciation, accumulated deferred income taxes, and changes in owners’ equity). Because all such information is provided in a form that is

appropriate for ratemaking purposes elsewhere in the filing requirements, the request for the same information rolled into elements of the balance sheet is redundant and does not serve any purpose.

**4.d.** This filing requirement requests the same balance sheet information as 3.d at proposed rates. The Companies propose eliminating this provision as well for the reasons set forth in the comments to 3.d., above.

**5.** “Tariff subdivisions” is vague and undefined. The Companies propose to substitute “rate classes.”

**6.** This information is already requested in 52 Pa. Code § 53.52(a)(11) and, therefore, need not be repeated here.

**7.** The request for a list of “reports, data or statements requested by and submitted to the Commission during the year immediately preceding the HTY through the current year” is vague and overbroad and, therefore, imposes a significant burden on the filing utility with little or no discernible value for reviewing a proposed rate case. Parties are familiar with the principal reports and submissions that may be relevant in rate cases, and discovery is available to probe these areas and to obtain the reports themselves.

**10.** As drafted, the filing requirement has no stated time period. The Companies propose to specify that the information is requested for the FTY and FPFTY, as applicable. Also, there is no need to provide the effect on “revenue, expense, taxes, income and revenue requirement” for adding or removing every major plant addition. There is no reason to require such information for “each” major addition or removal of plant in service. If that information is necessary, it can be provided in response to discovery, which can be focused on additions or retirements that are actually at issue and not all major additions or retirements.

**D. Exhibit E, Section III. D. (Rate Base)**

4. The Companies propose that 4.a. should either be eliminated or revised. As drafted, it is not clear what “methodology used to value materials and supplies” is referring to. If the question is asking about whether a last-in-first-out, first-in-first-out or average balance is used, additional specificity should be added. It is also not clear what information 4.d. is intended to elicit. It appears to seek information for fuel inventory at generation stations, which is no longer relevant since the restructuring of the electric industry. If the intent is to elicit information from NGDCs about gas in storage, the filing requirement should be redrafted to say that.

11. As drafted, this filing requirement is burdensome as it does not furnish any floor on the cost of an individual addition or retirement for which detailed information in subparts a. through h. is requested and, on its face, would appear to cover individual additions and retirements to mass property accounts (e.g., meters, service lines and each retirement unit of property added to or retired from plant in service). The filing requirement should set a threshold in a stated dollar amount for each addition or retirement, and The Companies have provided a reasonable amount (\$500,000) for each such addition or retirement. The Companies have also suggested revisions to subparts a. and c. through g. for clarity and a more precise description of information sought. Changes to subpart b. are proposed to properly reflect the relationship between a “project” and a “plant addition.” Not every plant addition is a “project” or is part of a “project.” Often, a “project” may consist of plant additions that will be recorded in more than a single plant account. The Companies have proposed a revision to properly reflect those concepts.

13. The filing requirement, as drafted, is vague and imprecise. Changes to the filing requirement are proposed to add clarity and precision and to cover both the percentages and actual dollar amounts of assets that are used for both jurisdictional and non-jurisdictional service

(such as an EDC's common or general plant that is used for PUC-jurisdictional distribution service and FERC-jurisdictional transmission service).

14. As explained in the preceding comment, The Companies propose moving the request for the dollar amount of jurisdictional and non-jurisdictional plant into No. 13. In addition to jurisdictional separation, a filing utility may provide more than one form of service (e.g., electric and natural gas; water and wastewater). The Companies propose revising this filing requirement to request the same information for two or more jurisdictional utility types as for jurisdictional and non-jurisdictional portions or plant in service.

15. The Companies propose revising 15.b. to eliminate “and public utility service lines.” Customer and developer advances for construction includes all such advances, whether used for “public utility service lines” or other plant. The addition of “public service lines” does not appear to be useful and may introduce ambiguity due to its redundancy.

17. The Companies propose revisions for clarity and to conform the terminology in this filing requirement to that in No. 18 (i.e., changing “reserves” to “accumulated depreciation”).

18. The Companies propose revisions to this filing requirement for additional clarity and precision.

**E. Exhibit E, Section III.E. (Rate of Return)**

1. The Companies propose revisions to more clearly delineate the information the filing requirement appears to be requesting (i.e., five years of actual data concluding with the HTY and projected data for the FTY and FPFTY, as applicable). Additionally, “consolidated group” has been changed to “on a consolidated basis” to make clear that capitalization data are requested on a consolidated basis and not for each company that is part of the consolidated group.

2. The Companies propose revisions to more clearly delineate the information that the filing requirement appears to be requesting and to clarify that the coverage on a consolidated basis is to be provided, not coverages for each company in the consolidated group.

3. The Companies propose revisions to more clearly delineate the time periods for which preferred stock coverages are requested.

4. The Companies propose revisions to more clearly define the information being requested and the time periods covered by the request.

5. The Companies propose revisions to eliminate the request for capital requirements and sources of capital for the public utility's parent and for the "consolidated group" and to remove the request for such information for years subsequent to the FPFTY. Sources and requirements for capital of entities other than the public utility would impose the burden of developing a large amount of information that is not relevant to establishing the public utility's rates. Such information, even for the filing utility, for periods beyond the FPFTY should not routinely be required for every filing. Discovery is available to obtain that information if it becomes relevant in a particular case, subject to applicable discovery rules and appropriate protection of the confidential and proprietary nature of such information.

6. The Companies propose a revision to eliminate "nominal cost" before "schedule" in the first sentence as subpart h. asks for the "coupon rate," which is the same as the "nominal" rate of interest, and other subparts ask for the "effective interest rate" and "effective cost rate" (i.e., something other than just the "nominal" interest rates suggested by the first sentence). The last sentence has been revised to use the accurate term "weighted average" for what is being requested and to clarify that weighted average cost rates would be calculated separately for debt and preferred stock.

7. The Clarifying Order has properly changed the reference from E.4 to E.6.

**8.** The Companies propose revisions to clarify the information requested and to more accurately delineate the time periods that it appears the question intends to encompass. Although The Companies have not proposed deleting the request for information on proposed future stock issuances, it notes that such information may be considered material, non-public information and, for that reason, may be subject to rigorous confidentiality restrictions. The Companies suggest that the request for prospective stock issuances could be deleted so that it need not be provided by every utility in every filing, while allowing parties to pursue that information, if it becomes relevant, through discovery after suitable confidentiality protection, such as a Protective Order or Stipulated Protective Agreements, is in place.

**12.** The Companies propose deleting “(per book)” following “HTY” because it does not appear that the subparts request information that is recorded “per books.”

**17.** As drafted, there is no time limit on the request for information on reacquired debt. The Companies propose to revise the filing requirement to request information on debt reacquired during the HTY and the two years preceding the HTY.

**19.** The word “reflect” is a typographical error and should be deleted. The Clarifying Order properly changes the reference from E.16 to E.18.

**21. and 22.** The Companies propose expanding No. 21 to include “parent company” and deleting No. 22, which asks for parent company information.

**23. and 24.** The Companies propose expanding No. 23 to include “parent company” and deleting No. 24, which asks for parent company information.

**25. and 26.** The Companies propose deleting Nos. 25 and 26, which request information about the securities issuances that the utility and parent company, respectively, may be projecting for “the next two years following the end of the test year” (presumably “test year” would be the FPFTY for a company filing on that basis). This request may furnish, or implicate,

material non-public information. For that reason, the request should not be made as a matter of course for all utilities in every filing, particularly since the information requested is of questionable relevance to the analysis of test year claims. Moreover, if such information were to become relevant in a particular case for a particular utility, given the specific facts of that case, it can be obtained through discovery subject to appropriate protection for confidential and proprietary information.

**27.** It is not clear what this filing requirement is seeking. The filing requirement requests the “actual cost of long-term debt for the HTY and the two years immediately preceding the HTY.” It is not clear what “actual cost” is referring to in this context. This term could refer to the effective interest rate or the effective cost rate (which are different values). Additionally, it is not clear if the filing requirement is seeking the requested information for each issue or the weighted average for all outstanding debt. The Companies propose revising the filing requirement to specify that the “effective cost rate” is requested for each outstanding issue and on a weighted average for all outstanding long-term debt.

**29.** The Companies propose revisions to better clarify this requirement.

**31. and 32.** The Companies propose expanding No. 31 to include “parent company” and deleting No. 32, which requests parent company information.

**F. Exhibit E, Section III.F. (Balance Sheet)**

**4.** The Companies propose to include a monetary threshold above which this filing requirement would apply. The Companies believe it is reasonable to focus the requirement on accounts that are more substantial in size, specifically, accounts with balances greater than \$500,000.

**G. Exhibit E, Section III.G. (Income Statement and Cash Flow Statement)**

4. The Companies propose revisions to clarify that information is being sought regarding changes between two periods of time. Specifically, the data requirement requests information about changes between: (1) two years prior to the HTY and one year prior to the HTY; and (2) one year prior to the HTY and the HTY.

**H. Exhibit E, Section III.H. (Operating Revenues)**

1. The Companies propose to consolidate subsections (c) and (d) and make clarifying changes to subsection (h).

4. The Companies propose striking the final sentence of this paragraph because it is duplicative of the requirement at Section III.M.1(b).

5. The Companies propose to include the word “monthly” in the first sentence to improve clarity and to strike the second and third sentences as unduly burdensome. Miscellaneous revenues in their entirety are typically not substantial. Developing explanatory narratives for individual year-to-year variations in miscellaneous revenues would require substantial utility effort but would be unlikely to produce information that is material to a base rate request. If a party is interested in specific variances in miscellaneous revenues, the party may issue discovery during the base rate proceeding.

7. The Companies propose striking this requirement. It is unclear what “growth patterns” means and the previous requirement (Section III.H.6) already addresses historical, FTY and FPFTY customer usage and customer-count information.

8. The Companies propose striking this requirement. A utility must support any allocation factors used in a base rate proceeding whether or not that utility is affiliated with another utility in a consolidated group.

10. The Companies propose striking this requirement as unreasonably broad and burdensome. If a party to a proceeding determines that additional information is necessary to

assess a utility's uncollectible expense claim, the party may issue discovery. The Companies also note that a requirement of this nature should be located in an expense-related section, not Operating Revenues.

11. The Companies propose striking this requirement as duplicative. The information requested could be found in a utility's tariff.

13. The Companies propose to modify the requirement to include two years immediately preceding the HTY instead of three years. This change would standardize the historic period used across other requirements (e.g., Section III.H.1, 5, 6).

14. The Companies request that the Commission explain what a "change" in the average usage per customer means in this context. For example, the Commission should identify the baseline period from which a change should be measured.

16. The Companies propose to modify the requirement to include a two-year historic period instead of three years. This change would standardize the historic period used across other requirements (e.g., Section III.H.1, 5, 6).

18. The Companies propose to delete this requirement as unnecessary in light of other requirements and also notes duplication and a lack of clarity between several subsections. Other portions of Exhibit E, Section H, require detailed operating revenues. For example, revenue categories such as forfeited discounts and miscellaneous revenues are already addressed in other requirements (e.g., Section III.H.1(e) and 1(f)). In addition, the Companies note that information on interest and dividend income and rental income are each requested twice in this paragraph (*see* Section III.H.18(e) and 18(k) as well as Section III.H.18(i) and 18(o)). Finally, it is unclear what the difference is between the categories identified in Section III.H.18(a) and 18(b) as well as Section III.H.18(c) and 18(d).

**I. Exhibit E, Section III.I. (Operating Expenses)**

1. The Companies propose inserting “by account” in the first sentence for completeness. The Companies also propose to modify the second sentence to explain that a utility may provide schedules and accompanying testimony to satisfy the requirement to explain the calculation of adjustments made for ratemaking purposes.

2. The Companies propose to strike certain language in this requirement as duplicative and unnecessary. Detailed information is already being provided in response to Section III.I.1. Additionally, as the parties with the burden of proof, utilities are incentivized to fully explain and document the calculations underlying their claims in their testimony and exhibits, and parties have the opportunity to request properly focused follow-up information and data, if necessary, through discovery.

4. The Companies propose edits to this requirement to address certain burdensome components. First, in Section III.I.4.c, the requirement for actual billings, invoices and contracts should be stricken. Such materials may not be available at the time a rate case is filed or may involve confidential or privileged information. Second, in Section III.I.4.d and e, the requested docket, litigation status and actual base rate case expense information should be limited to the base rate cases filed within the previous three years instead of the previous three base rate proceedings. Given the intervals between base rate cases for some utilities, information for three prior base rate cases may not be relevant but could be difficult to obtain.

6. The Companies propose striking the requirement to provide copies of contracts related to leasing equipment, computer rentals and office space. The request is burdensome because it would involve a multiplicity of contracts and is also not necessary in light of the information required in the remaining portions of Section III.I.6.

8. The Companies have proposed a non-substantive change to make subpart b. consistent with subparts a. and c.

9. The Companies propose striking Section III.I.9.c as unnecessary. It is unclear why information is being requested about employee contributions to insurance coverage when Section III.I.9 explicitly excludes information about employee benefits.

10. The Companies have proposed to include the word “membership” before “expenses” to clarify the scope of this requirement.

11. The Companies have proposed to change the reference in this paragraph from “FPPTY” to “FTY” because a utility would not seek FPPTY recovery of costs related to cancelled projects or obsolete inventory at the time that a base rate proceeding is filed.

**J. Exhibit E, Section III.J. (Payroll, Employee Benefits and Retiree Costs)**

The Companies have no comments and is not suggesting any changes to the filing requirements in this section.

**K. Exhibit E, Section III.K. (Depreciation)**

1. The Companies propose striking the requirement to “explain the impact of added DSIC projects on service lives.” The Companies do not separately track DSIC assets because such property is no different from any other plant included in the applicable property accounts. All DSIC property is eventually included in rate base and costs are recovered in base rates. The total amount of retirements and surviving property in an account forms the basis for determining its service life.

2. The Companies have proposed a clarifying edit to explain that the requirement applies to those property account for which an amortization method is employed.

3. The Companies request that the Commission clarify what is meant by the “original” survivor curves in this requirement in light of the fact that new service life studies are required at intervals of not more than five years.

4. The Companies propose striking the second sentence of Section III.K.4. The Companies do not separately track original cost and depreciation information by subcategories such as “contributions in aid of constructions” or “anticipated retirements” because such property is no different from any other property once it is placed in service.

7. The Companies have proposed striking the portion of Section III.K.7 that requests information about DSIC impacts. As explained in response to Section III.K.1, above, the Companies do not separately track DSIC assets because such property is no different from any other property included in the applicable property accounts.

8. The Companies propose to strike III.K.8.c. because the Companies do not maintain records of accrued depreciation by vintage.

9. The Companies propose to modify the requirement to include two years immediately preceding the HTY instead of three years. This change would standardize the pre-HTY look-back period used with other requirements (e.g., Section III.H.1, 5, 6).

**L. Exhibit E, Section III.L. (Taxes)**

1. The Companies propose to modify the requirement to include the most recent two years of tax returns instead of three years. This change would standardize the historic look-back period with other requirements (e.g., Section III.H.1, 5, 6). In addition, the Companies have proposed a clarifying edit to explain that the requirement applies only to tax returns which have already been filed. Finally, the Companies note that certain utilities may join in filing a consolidated federal income tax return instead of filing an individual tax return. If so, the consolidated tax return would be provided in response to this requirement.

2. The Companies request that the Commission clarify what it means by “sales and use tax” in this requirement. Public utilities are generally exempt from paying Pennsylvania sales and use tax for property used in furnishing public utility service. Additionally, the

Commission's assessment and similar assessments for statutory advocates are not taxes and are out of place in this filing requirement.

3. The Companies propose to modify the requirement to include two, instead of three, of the most recently filed tax reports and related determination. This change would standardize the historic period used across other requirements (e.g., Section III.H.1, 5, 6) and is consistent with the Companies' proposed revision to Section III.L.1.

6. With regard to Section III.L.6, the Companies note that, for ratemaking purposes, deductible long-term debt interest is synchronized with each Company's rate base and weighted average cost of debt. *See Pa. P.U.C. v. The York Water Co.*, R-850268, 1986 Pa. PUC LEXIS 26, \*83 (explaining that the interest synchronization adjustment is "routinely adopted"). Consequently, information required by this filing requirement should be limited to the data used to calculate the pro forma debt-interest that is synchronized with the filing company's rate base and weighted cost of long-term debt.

8. Regarding the information sought in Section III.L.8.a, the Companies have proposed edits to reflect the elimination of the consolidated tax adjustment pursuant to 66 Pa. C.S. § 1301.1(a) and the fact that the requirement to calculate the "differential" per 66 Pa. C.S. § 1301.1(b) expires as of December 31, 2025. The Companies have also proposed to strike Section III.L.8.b as duplicative because similar information was already requested in Section III.L.6 and III.L.7.

9. The Companies propose to modify the requirement to include two, instead of three, years of tax refund information. This change would standardize the historic period used across other requirements (e.g., Section III.H.1, 5, 6) and is consistent with the Companies' proposed revision to Section III.L.1.

**12.** The Companies have proposed to strike “and the resulting reduced federal income tax rate” from Section III.L.12a because the Commission uses the statutory rate to calculate pro forma tax expense, not the “effective” tax rate.

**16.** The Companies propose alternative language to improve the clarity and accuracy of this requirement.

**17.** The Companies recommend that the requirement in Section III.L.17, which addresses the utility’s policy on capitalization of “repairs maintenance,” be located prior to the requirement in Section III.L.16, which addresses deductible repairs expenses. Pursuant to the tax accounting method that the Companies have adopted, which changed the manner in which units of property are determined, “repairs [and] maintenance” that do not constitute the replacement of a unit of property expenses are deductible for income tax purposes in the year they are incurred, and, as such, are not subject to capitalization or depreciation. Consequently, there is not a “policy or practice” regarding the capitalization or depreciation/amortization of “repairs [and] maintenance” that constitutes deductible expenses for income tax purposes.

**18.** The Companies recommend that the requirement in Section III.L.18 be stricken as no longer relevant. The “Federal Surtax Credit” allocation referred to has not occurred since the implementation of the Tax Cuts and Jobs Act of 2017.

**19.** The terms “prepaid and deferred income taxes charges” and “other deferred income tax credits” need to be defined because it is not clear what those terms are referencing. While “prepaid . . . income tax charges” are reflected in the calculation of cash working capital, the reference to such prepayments in this portion of the filing requirements does not appear to be related to the calculation of income taxes for ratemaking purposes. If by “prepaid . . . income taxes,” the filing requirement intends to reference deferred tax assets, then the term “deferred tax assets” should be used.

20. For ratemaking purposes in Pennsylvania, prospective cost of removal is not included in the annual depreciation rate. Instead, recovery reflects actual post-retirement cost of removal less any salvage value (“net salvage”) by means of a five-year amortization of actual net salvage for the most recent five years. For book accounting purposes, net salvage associated with the retirement of a unit of property is deducted from accrued depreciation and the annual net salvage amount recovered by the five-year amortization is added to accrued depreciation, which maintains an approximate equilibrium with regard to the effect on accrued depreciation over time. Given Pennsylvania’s ratemaking methodology for recovering cost of removal, as previously described and recognizing that cost of removal is deductible for income tax purposes only when actually incurred and is not subject to the Internal Revenue Code’s normalization requirements, it is not clear what information the proposed filing requirement seeks to elicit by requesting the “reason” for the “use of cost of removal of any retired plant figures in the income tax calculations.” It should be noted that proposed filing requirement in Section III.K.9 already asks the filer to provide, by account, the “gross salvage, cost of removal, and net salvage for the HTY and the four years immediately preceding the HTY.” Accordingly, filing requirement in Section III.L.20 should be stricken as unnecessary, recognizing that no similar filing requirement exists in the current regulations and, if any issue were to arise concerning the relationship of cost of removal and the calculation of income taxes, those issues are more appropriately explored by interrogatories directed at the fact-specific circumstances of particular cases. If the proposed filing requirement is retained, it should be expanded to provide a specific explanation of the information it seeks to elicit and how that information might relate to calculation of utility income taxes given the PUC’s existing ratemaking procedures and practice for recovery of cost of removal.

**22.** The Companies propose to strike the requirements in Section III.L.22 a. and b. as duplicative and unnecessary. Subsection (a) is unnecessary because there was not a normalization requirement for property installed prior to 1970. Subsection (b) is duplicative because similar information is already requested in Section III.L.10.

**23.** The Companies propose edits to Section III.L.23 to improve the clarity of the requirement.

**24.** The Companies propose edits to Section III.L.24 to improve the clarity and accuracy of the filing requirement.

**26.** It is not clear what this filing requirement is referring to. It appears to be asking whether the interest component of a filer's AFUDC rate is calculated on a pre-tax basis (i.e., without reflecting tax savings for interest deductibility) or an after-tax basis (i.e., by reducing the AFUDC rate to reflect the tax savings for interest deductibility) and, if the former, how the tax saving is recognized, if at all, in establishing the base-rate revenue requirement. If this proposed filing requirement is, in fact, inquiring about tax savings from interest included in the AFUDC rate, it needs to specifically state its purpose and clearly delineate which of the four subsections relates to either the AFUDC rate or to the associated effect, if any, on the base-rate tax calculation from the deductibility of interest from debt financing of CWIP.

**28.** Regarding Section III.L.28.a, the Companies note that, at the time of filing a base rate increase, the utility will know the amount of estimated taxes actually paid for the HTY. The utility's final tax liability will not be known until a return is filed, although its return will still be subject to audit.

**29.** The Companies note that the requirement in Section III.L.29 appears to be duplicative of the data requests in Sections III.L.10 and III.L.22 and could, therefore, be stricken on that basis.

**30.** The Companies have proposed an edit to correct a typo in Section III.L.30.

**31.** The Companies request that the Commission more clearly specify the reconciliations being sought in this requirement. As this filing requirement is currently drafted, it is unclear which data sets should be reconciled with which other data sets. The Companies also note that the information concerning deferred taxes and normalization that would underlie the undefined reconciliations requested in III.L.31 would be provided in response to filing requirements that appear elsewhere in Section III.L.

**33.** The Companies propose to strike Section III.L.31 as duplicative of what is already requested elsewhere in Section III. (e.g., Section III.L.10, III.L. 19, III.L.27-30, III.L.32).

**34.** The Companies propose to strike this requirement in its entirety in light of the elimination of consolidated tax adjustments pursuant to 66 Pa.C.S. § 1301.1 and the fact that the requirement to calculate the “differential” per 66 Pa.C.S. § 1301.1(b) expires as of December 31, 2025. The Companies’ proposed modification to Section III.L.8 will require utilities to provide information about their differential calculation for base rate filings proposing rates to become effective prior to January 1, 2026. Additionally, information concerning any change in accounting method will have been provided in response to Section III.L.16.

**M. Exhibit E, Section III.M. (Rate Structure, Cost of Service Allocation, Bill Frequency Analysis and Special Rate Contracts)**

**1.** The Companies have proposed several revisions to this section to both improve clarity and address substantive concerns. Sections III.M.1.a and III.M.1.b have been revised to include a reference to proposed tariff supplements. Utility base rate filings may include a proposed tariff supplement instead of a proposed tariff.

The Companies’ proposed modifications to Section III.M.1.c include several clarifying changes and a substantive change to Section III.M.1.c.iii.c. The request to provide “estimated

tax surcharge revenues” if proposed rates are in effect is not possible. The surcharges are designed to adjust base rates for tax changes that occur between base rate proceedings. The tax changes reflected in those surcharges would already be rolled into proposed base rates. The Companies have revised Section III.M.1.c.iii.c to instead require a utility to provide the annualized tax surcharge revenues under present rates and the amount rolled into the proposed base rates.

Finally, the Companies have proposed revisions to Section III.M.1.c.iv to improve clarity and accuracy and reflect the categories of revenue typically presented by utilities in base rate proceedings.

2. The Companies have proposed both clarifying and substantive revisions to this requirement. For Section III.M.2.k, the Companies have proposed to better tailor the data request by using terms that are applicable to each utility type. The Companies also note that Sections III.M.2.i, III.M.2.j and III.M.2.l appear to each apply to a more limited subset of utilities (i.e., gas and/or water utilities). The Commission should consider whether such requirements should be moved to the gas and/or water-specific portions of the Exhibit. In the alternative, the Commission could modify the language of these requirements to specifically identify the utility types which must respond. Finally, the Companies have proposed a clarifying edit to Section III.M.2.g.

**N. Exhibit E, Section III.N. (Long-Term Infrastructure Improvement Plan (“LTIIIP”) and Annual Asset Optimization Plan (“AAO”))**

1. and 2. The Companies do not object to these requirements but would like the Commission to confirm that such requirements are not intended to indicate that a party may seek to reopen or relitigate a Commission-approved LTIIIP in a base rate proceeding.

3. The Companies propose striking this requirement because utilities are unlikely to have the necessary data to identify and quantify granular impacts on reliability, safety and operational savings for LTIP and AAO investments only. The effects of LTIP and AAO investments will, however, be reflected in the test year data that is provided in a rate base filing. In addition, the Companies note that the requirement is not limited by any stated timeframe.

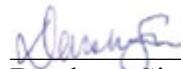
**O. Exhibit E, Section IV (Industry-Specific Filing Requirements)**

The industry-specific filing requirements deal only with water, wastewater and stormwater utilities and NGDCs. The Companies have no comments on the filing requirements in Section IV.

#### IV. CONCLUSION

The Companies appreciate the opportunity to comment on the Clarified NOPR Order and accompanying Clarified Annex A and Clarified Annex B and ask that the Commission consider the foregoing Comments and recommendations and adopt the revisions shown as redlined changes to Clarified Annex A and Clarified Annex B provided in Attachments A and B to these Comments. The Companies look forward to working with the Commission and other stakeholders as the NOPR process continues.

Respectfully submitted,



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Date: November 15, 2022

Clarified Annex A

FirstEnergy's proposed changes are shown in MS Word Track Changes format to the Clarified Annex A issued with the Commission's Order entered August 24, 2022. The Commission's additions and revisions continue to be shown in bold and deletions in brackets.

TITLE 52  
PUBLIC UTILITIES  
PART I. PUBLIC UTILITIY COMMISSION

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Subpart C. Fixed Services Public Utilities

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Chapter 53. Tariffs for Non-Common Carriers Filing Regulations

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INFORMATION FURNISHED WITH THE FILING OF RATE CHANGES

§ 53.51. General.

(a) In order that the Commission may be concurrently advised of the net effect of a proposed change in rates upon the customers and the revenues of a public utility, as well as the *prima facie* reasonableness of the proposed rate changes, the data called for in [this chapter] §§ 53.51 – 53.56a, as appropriate, shall accompany the filing of the proposed rates.

(a.1) Each of the following jurisdictional entities listed in §§ 53.51(a.1)(1) – (a.1)(4) are subject to §§ 53.51 – 53.56a. For purposes of providing the data called for in §§ 53.51 – 53.56a to accompany the filing of proposed rates, each of the entities described in (a.1)(2) – (a.1)(4) are subject to the same filing requirements as a public utility, as such term is used in the singular or plural throughout §§ 53.51 – 53.56a.

(1) A public utility, as such term is defined in 66 Pa.C.S. § 102 (relating to definitions), that owns or operates in this Commonwealth equipment or facilities for at least one of the following activities:

(i) Producing, generating, transmitting, distributing or furnishing natural or artificial gas, electricity or steam for the production of light, heat or power to or for the public for compensation.

(ii) Diverting, developing, pumping, impounding, distributing or furnishing water to or for the public for compensation.

**(iii) Wastewater collection, treatment or disposal for the public for compensation.**

**(iv) Conveying or transmitting messages or telecommunications, except as a canal, turnpike, tunnel, bridge, wharf company and the like, by telephone or telegraph or domestic public land mobile radio service including, but not limited to, point-to-point microwave radio service for the public for compensation.**

**(2) A city natural gas operation, as such term is defined in 66 Pa.C.S. § 102 and used in the provision of 66 Pa.C.S. § 2212 (relating to definitions).**

**(3) An Authority, as such term is defined in 66 Pa.C.S. § 3201 (relating to definitions) and used in the provisions of 66 Pa.C.S. §§ 3202-3209.**

**(4) A municipal corporation furnishing or rendering public utility services or facilities beyond its corporate limits, but only to the extent of its services or facilities furnished, rendered, or extended beyond its corporate limits, consistent with the jurisdiction conveyed to the Commission in 66 Pa.C.S. § 1501 (relating to character of service and facilities).**

(b) [Utilities] **Public utilities** shall file with the Commission's Secretary the tariff or tariff supplement setting forth their proposed changes in rates, rules and regulations (tariff or tariff supplement) and all of the accompanying supporting data required by §§ 53.51-53.56 and, as applicable, Exhibits A-E to § 53.53 (supporting data), as follows: (1) on compact disc in portable document format (pdf) capable of being up-loaded to the Commission's electronic docket; and (2) one paper copy of the tariff or tariff supplement and supporting data. an original of the proposed rate changes and of the data required under this chapter. If necessary or appropriate, the public utility shall provide additional copies of its tariff or tariff supplement and supporting data to the Commission's Secretary, as the Secretary may request. shall request additional copies.

**Commented [A1]:** These revisions are proposed to conform the Commission's regulations to current practice.

(c) No tariff or tariff supplement will be deemed perfected for filing purposes until all supporting data required by this chapter to accompany the tariff or tariff supplement **[is]** **are** filed with the Commission. A tariff or tariff supplement not accompanied by the required supporting data ~~and required to be so accompanied~~ is not perfected for filing purposes and will be rejected unless the Commission, by order and for good cause shown, allows the tariff or tariff supplement to be filed. **[; however, the submission of data regarding trended original cost referred to by this chapter shall be at the option of the public utility]. [In the event that] If** a tariff or tariff supplement filing is deemed not perfected and is rejected **[for the reason that] because** it is not in compliance with this chapter, the Secretary will notify the sender, within 30 days after the filing, that the

filing is not perfected, and will, in the notice, set forth specifically the deficiencies in the filing.

(1) Whenever a tariff or tariff supplement filing is rejected in accordance with this subsection, the sender, in submitting an amended filing, shall submit a new proposed effective date, not earlier than 60 days after the amended filing is perfected, for the tariff or tariff supplement.

(2) Notwithstanding this subsection, if the Secretary fails to notify the sender within 30 days that a tariff or tariff supplement is not perfected because it is not accompanied by the required data, with deficiencies specifically set forth in the notice, the tariff or tariff supplement will be deemed perfected for filing purposes and will be filed as of the date it was first filed with the Commission.

(d) Each **public** utility filing with the Commission a tariff or tariff supplement and accompanying supporting data for proposed changes in rates, rules or regulations, as provided in § 53.51(b), filing a proposed rate change with the Commission shall serve a copy of the tariff or tariff supplement and supporting data proposed rate change and supporting data required by this chapter upon the Office of Consumer Advocate, the Office of the Small Business Advocate, the low-income advocates for the service territory, the Commission's Bureau of Investigation and Enforcement and the Commission's Bureau of Technical Utility Services. [Verification of service of this information upon the Office of Consumer Advocate shall be filed with the Commission.] Additionally, the public utility shall file with the Commission a certificate of service evidencing service of its tariff or tariff supplement and supporting data upon the offices and bureaus set forth above. this information with the Commission.

**Commented [A2]:** There are no officially designated "low-income advocates" for any public utility's service territory. Please refer to FirstEnergy's Comments for further discussion of this point.

#### **§ 53.51a. Definitions.**

**The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:**

**Artificial gas—A manufactured gaseous fuel created from coal, oil, and the like, as differentiated from natural gas.**

**EMOF—Emergency maintenance and operation fund—An expense claim, by a small water public utility or a small wastewater public utility, in lieu of a cash working capital claim which may be allowable in anticipation of emergencies [such as extraordinary repairs and maintenance, drought conditions, extraordinary environmental and physical damages to sources of supply, floods, storms, freeze-ups or other health and welfare-threatening situations. An EMOF is] as a restricted reserve account.**

**Commented [A3]:** This definition should be moved to § 53.54 dealing with small water and wastewater utilities because it only applies to those entities. It is out of place in the "General" provisions.

**FPFTY—Fully projected future test year—A 12-consecutive-month period beginning with the first full month that the new rates will be in effect after the application of the full suspension period permitted under section 1308(d) of the Public Utility Code, 66 Pa.C.S. § 1308 (relating to voluntary changes in rates), and reflecting estimated results of operations of the public utility.**

**FTY—Future test year—A twelve 12 consecutive-month period beginning the day after the end of the HTY, and reflecting in part estimated results of operations of the public utility based on adjustments to HTY amounts for known and measurable changes or other adjustments as supported by data.**

**HTY—Historic test year—The experienced 12-consecutive-month period a that reflects actual results of operations of a public utility based on book values, corresponding to one of the following time frames:**

**(1) For a small water or small wastewater public utility or municipal corporation, the experienced 12-consecutive month period ending no later than 180 days prior to the rate filing.**

**(2) For a public utility not subject to (1), either:**

**(A) The public utility’s most recent experienced 12-consecutive month fiscal period ending prior to the rate filing; or**

**(B) The experienced 12-consecutive month period ending no later than 120 days prior to the rate filing.**

**Reserve account—A segregated account of a small water or a small wastewater public utility, to be funded by customer contributions collected by a small water or a small wastewater public utility through base rates for the purpose of making capital improvements to utility plant pursuant to a long-range plan developed in conjunction with the Commission or the Department of Environmental Protection or as required to assure compliance with State or Federal safe drinking water statutes or regulations.**

**Small wastewater public utility—A jurisdictional wastewater public utility with average gross annual revenue of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction and advances for construction). The term also includes a municipal corporation providing jurisdictional wastewater service outside of its corporate limits with average gross annual revenue for such service of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction, advances for construction, and non-jurisdictional operating**

**Commented [A4]:** The reasons for FirstEnergy’s proposed revisions and deletions are set forth in the narrative portion of its Comments

**Commented [A5]:** This definition should be moved to § 53.54 dealing with small water and wastewater utilities because it only applies to those entities. It is out of place in the “General” provisions.

revenue). Average gross annual revenue is calculated as an average of gross annual operating revenue for the last three calendar years.

**Commented [A6]:** This definition should be moved to § 53.54 dealing with small water and wastewater utilities because it only applies to those entities. It is out of place in the “General” provisions.

Small water public utility—A jurisdictional water public utility with average gross annual revenue of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction and advances for construction). The term also includes a municipal corporation providing jurisdictional water service outside of its corporate limits with average gross annual revenue for such service of less than \$250,000 (in all cases, annual revenue excludes contributions in aid of construction, advances for construction, and non-jurisdictional operating revenue). Average gross annual revenue is calculated as an average of gross annual operating revenue for the last three calendar years.

**Commented [A7]:** This definition should be moved to § 53.54 dealing with small water and wastewater utilities because it only applies to those entities. It is out of place in the “General” provisions.

Test year—12 consecutive month period used by the public utility in discharging its burden of proof under 66 Pa.C.S. § 315(a) (relating to burden of proof, reasonableness of rates). When used in lieu of “HTY,” “FTY,” or “FPFTY,” the generic term “test year” shall refer to the test year upon which a public utility principally relies as the basis to support its proposed change in base rates.

**Commented [A8]:** The reasons for FirstEnergy’s proposed revisions and deletions are set forth in detail in the narrative portion of its Comments

**§ 53.52. Applicability; public utilities other than canal, turnpike, tunnel, bridge and wharf companies.**

(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall **[submit to] file with** the Commission, **[with the tariff, revision or supplement,]** statements showing all of the following:

- (1) The specific reasons for each change.
- (2) The total number of customers served by the **public** utility.
- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.
- (4) The effect of the change on the **public** utility’s customers.
- (5) The direct or indirect effect of the proposed change on the **public** utility’s revenue and expenses.
- (6) The effect of the change on the service rendered by the **public** utility.

(7) A list of factors considered by the **public** utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This **[subsection] paragraph** does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).

(8) Studies undertaken by the **public** utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.

(9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.

(10) Plans the **public** utility has for introducing or implementing the changes with respect to its ratepayers.

(11) FCC, FERC or Commission orders or rulings applicable to the filing.

(b) **[Whenever] When** a public utility other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall **[submit] file with the Commission** in addition to the requirements of subsection (a) **[, to the Commission, with the tariff, revision or supplement,]** statements showing the following:

(1) The specific reasons for each increase or decrease.

(2) The operating income statement of the **public** utility for **[a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing] the HTY.**

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

(c) If a public utility files a tariff, revision or supplement which it is calculated will increase the bills of a customer or a group of customers by an amount, when projected to an annual basis, exceeding 3% of the operating revenues of the **public** utility—**[subsection] § 53.52(b)(4)** divided by the operating revenues of the **public** utility for **[a 12-month period] the HTY [as defined in subsection § 53.52(b)(2)—]** or which it is calculated will increase the bills of 5% or more of the number of customers served by the **public** utility—**[subsection] § 53.52(b)(3)** divided by **[subsection] § 53.52 (a)(2)**—it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by **[subsection] §§ 53.52(a)** and (b), all of the following information:

(1) A statement showing the **public** utility's calculation of the rate of return or operating ratio (if the **public** utility qualifies to use an operating ratio under § 53.54 (relating to small water and wastewater **[utilities] public utilities**)) earned in the **[12-month period referred to in subsection (b)(2),] HTY** and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense plus depreciation as referred to in § 53.54(b)(2)(B).

(2) A detailed balance sheet of the **public** utility as of the **close-end** of the **[period referred to in subsection (b)(2)] HTY**.

(3) A summary, by detailed plant accounts, of the book value of the property of the **public** utility **[at the date of the balance sheet required by paragraph (2)] as of the close-end of the HTY**.

(4) A statement showing the amount of the depreciation reserve, at the **[date of the balance sheet required by paragraph (2)] close-end of the HTY**, applicable to the property, summarized as required by paragraph **(c)(3)**.

(5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts **[for the 12-month period ending on the date of the balance sheet required by paragraph (2)] at the close-end of the HTY**.

(6) A brief description of a major change in the operating or financial condition of the **public** utility occurring between the **[date of the balance sheet required by paragraph (2)] end close of the HTY** and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the

operating or financial condition of the **public** utility [from that] **as** reflected in paragraphs (1)—(5).

(d) If a **public** utility renders more than one type of public service, such as electric and **natural or artificial** gas, information required by §§ 53.51—53.53 (relating to information furnished with the filing of rate changes), except § **53.52**(c)(2), relates solely to the kind of service to which the tariff or tariff supplement is applicable. In § **53.52**(c)(2), the book value of property used in furnishing each type of public service, as well as the depreciation reserve applicable to the property, shall be shown separately.

**§ 53.53. Information to be furnished with proposed general rate increase filings in excess of \$1 million.**

(a) When a public utility, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff or tariff supplement seeking a general rate increase within the meaning of 66 Pa.C.S. § 1308(d) (relating to voluntary changes in rates), and the general rate increase exceeds \$1 million in gross annual revenues, in addition to the data required by other provisions of this chapter, the tariff or tariff supplement shall be accompanied by responses to the data requests contained in the following exhibits which apply to the **public** utility types, **as** indicated.

(1) Exhibit A—[Utilities except communications, electric, water and wastewater utilities.] **Reserved.**

(2) Exhibit B—[Communications] **Telecommunications public** utilities.

(3) Exhibit C—[Electric utilities.] **Reserved.**

(4) Exhibit D—[Water and wastewater utilities.] **Reserved.**

**(5) Exhibit E— Filing Requirements For Public Utilities Seeking A General Rate Increase Above \$1 Million In Annual Gross Revenues**

**(a.1) A public utility's answers to data requests contained in Exhibit E will vary depending upon the test year(s) employed by the public utility. If a public utility elects to use a FTY, it must provide the data and information requested for the HTY and the FTY but not for a FPFTY (see § 53.56(a)). If a public utility elects to use a FPFTY, it must provide the data and information requested for the HTY and for the FTY in addition to the FPFTY (see § 53.56a(d)). If a public utility submits data for a FTY or for a FTY and FPFTY, it shall identify the test year supporting data upon which it intends to place principal reliance. If a data request seeks data or information for a test year and either does not specify the HTY, FTY or FPFTY, or specifies a test year other than the test year the public utility has identified as the**

test year on which it is principally relying, the data request shall be deemed modified to request data for information for the test year upon which the public utility is principally relying. If a data request seeks data or information for a specified number of years preceding or following a test year, the public utility shall provide such data and information for the specified number of years preceding or following the test year upon which it is placing principal reliance. In answering the data requests contained in Exhibit E, the public utility shall indicate the test year it has elected to use in discharging its burden of proof. If a public utility elects to use a FTY in discharging its burden of proof, it must provide the data and information requested for the HTY and the FTY but not for the FPFTY. If a public utility elects to use a FPFTY in discharging its burden of proof, it must provide the data and information requested for the HTY, the FTY and the FPFTY. In all cases, the public utility must also provide the data and information for any specified years preceding or following the applicable test year. If a public utility elects to place principal reliance upon supporting data for use an HTY or a FTY and a data request question in Exhibit E requests data or information for the year(s) immediately following the FPFTY, the public utility shall provide the information for the years immediately following the test year upon which it is principally relying FTY.

(b) In providing responses to these data requests, if the requested data have been previously filed with the Commission, they may be incorporated by reference. [Also, the term “historic test year” as used in these exhibits refers to the test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. “Historic test year,” as referred to in Exhibit D, is defined as book figures for the base test year. The term “future test year,” as used in Exhibit D, refers to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the utility’s final claimed supporting data.]

(c) [Initial utility direct testimony of a witness who shall testify in support of the utility’s position shall be provided as part of the filing materials. The testimony of the filing utility shall include a complete explanation and justification of claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The testimony shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates. The explanation and documentation of the proposed adjustments shall enable a reasonably informed party to determine how the amount was calculated and to understand why the amount is being claimed.] Testimony.

(1) — The public utility’s responses to the data requests in Exhibits A-E (as applicable) Filed materials shall be accompanied by include the direct testimony of each public utility witness who is testifying in support of the public utility’s position.

**Commented [A9]:** The reasons for FirstEnergy’s proposed revisions and deletions are set forth in detail in the narrative portion of its Comments.

The direct public utility's witness testimony of the public utility's witnesses shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates. The direct testimony of the public utility's witnesses shall include a complete explanation and justification of utility claims, which shall be adequate to enable a reasonably informed party to determine how the public utility's claims were calculated and to understand why the public utility included the specified amounts in its claims. Such explanations should also explain the principal reasons for material differences between the unadjusted amounts for the HTY and amounts claimed by the public utility, as applicable: (1) for the HTY, as adjusted for ratemaking purpose; (2) for the FTY, as adjusted for ratemaking purposes; and (3) for the FPFTY, as adjusted for ratemaking purposes.

(2) — If adjustments from the test year are proposed, the public utility's witness testimony shall also include a complete explanation and justification of any claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The public utility's witness testimony, explanation and documentation of the proposed adjustments shall enable a reasonably informed party to determine how the amount was calculated and to understand why the amount is being claimed.

**Commented [A10]:** The reasons for FirstEnergy's proposed revisions and deletions are set forth in detail in the narrative portion of its Comments.

**EDITOR'S NOTE:** THE COMMISSION IS PROPOSING TO AMEND 52 PA. CODE § 53.53 BY DELETING EXHIBITS A, C AND D, WHICH APPEAR AT 52 PA. CODE PAGES XXX TO XXX, SERIAL PAGES (000000) TO (000000), AND IS INQUIRING WHETHER THE PUBLIC UTILITIES IN EXHIBIT B SHOULD BE INCLUDED IN EXHIBIT E, AND IS PROPOSING TO ADD EXHIBIT E AS FOLLOWS:

- EXHIBIT A IS PROPOSED FOR DELETION BUT WILL NOT BE FORMATTED WITH BRACKETS AND RE-PRINTED TO BE SHOWN AS PROPOSED FOR DELETION.
- FOR EXHIBIT B, NO CHANGES ARE BEING PROPOSED AND ACCORDINGLY EXHIBIT B WILL NOT BE FORMATTED AND RE-PRINTED HERE.
- EXHIBIT C IS PROPOSED FOR DELETION BUT WILL NOT BE FORMATTED WITH BRACKETS AND RE-PRINTED TO BE SHOWN AS PROPOSED FOR DELETION.
- EXHIBIT D IS PROPOSED FOR DELETION BUT WILL NOT BE FORMATTED WITH BRACKETS AND RE-PRINTED TO BE SHOWN AS PROPOSED FOR DELETION.

- FOR THE NEWLY PROPOSED EXHIBIT E, SEE ANNEX B.

§ 53.54. Applicability; [Small] small water and small wastewater public utilities.

(a) *Procedures.*

(1) [Whenever] When a small water or small wastewater public utility desires to file a change in its tariff which increases annual revenues, it may [advise the Commission of its intention in letter form and request the necessary Commission] obtain copies of the applicable rate forms from the Commission's website. [When filing, the] The small water or small wastewater public utility shall set forth its proposed tariff changes and reasons for the changes, together with the [necessary] completed [Commission] forms. [If the utility is unable to fully complete the necessary forms, it may request assistance from the Commission staff.]

(2) [The small water utility or wastewater utility is required to fully cooperate with the Commission staff in providing the necessary information to complete these forms if the utility is unable to do so on its own.] Reserved.

(3) [Upon completion of the Commission forms in a manner satisfactory to the Commission staff, the] The small water or small wastewater public utility shall file a tariff or tariff supplement, [along with] including the completed forms if used, incorporating the proposed changes. The effective date of the proposed increase contained in the tariff or tariff supplements [may] shall not be less than 61 days after the filing, and customers shall be notified in accordance with § 53.45(b)(2) (relating to notice of new tariffs and tariff changes).

(4) On the basis of the tariff or tariff supplement filing, the accompanying data and completed forms if used, the Commission staff [shall determine] may prepare a report that includes staff-determined tentative allowable revenues [and submit a report to the Commission]. If this report forms the basis of any action by the Commission, the report shall be made public as an attachment to the Commission order as described in § 53.54(a)(5).

(5) If the proposed revenues exceed the tentative allowable revenues, the Commission will [suspend] enter an order suspending the supplement but with a “condition subsequent” added, to the effect that if the small water or small wastewater public utility within a specified number of days files a superseding tariff or tariff supplement which produces the allowable revenues found by the staff and which has a rate structure satisfactory to the Commission, the suspension and investigation orders of the Commission shall be deemed inoperative and terminated. However, if the small water or small wastewater public utility fails to meet the “condition subsequent,” or if

a customer files a formal complaint, the **small water or small wastewater public** utility may present the supporting data and the additional facts referred to in this section in formal proceedings. Additionally, in these formal proceedings, the **small water or small wastewater public** utility may agree to accept the most recent rate of return or operating ratio allowed a water or wastewater **public** utility by the Commission in a fully-litigated water or wastewater **public** utility rate case, but the agreement will not be binding on the Commission or any formal complainant.

(6) **[A water or wastewater utility with a gross revenue of less than \$250,000 annually shall be considered a small water or wastewater utility for purposes of short-form rate filings.] Reserved.**

**(7) When a small water or small wastewater public utility's operating revenues increase in such amounts that the public utility no longer meets the criteria of the definition of a small water or small wastewater utility at § 53.51a. (relating to definitions), the public utility shall continue to use previously Commission-approved EMOF, reserve account, and rates and reporting as required under this § 53.54 until the public utility is permitted by the Commission to change its EMOF or rates as a result of a base rate case filed with the Commission.**

(b) *Operating ratio methodology.*

(1) This ratemaking method develops a revenue requirement where little or no rate base exists. The operating ratio at present rates shall be calculated as a ratio of operating expenses to operating revenues, where the numerator shall include operations and maintenance expense, annual depreciation on non-contributed facilities, amortization of multiyear expenses and applicable taxes and the denominator shall consist of the **small water or small wastewater public** utility's operating revenues at present rates.

(2) The appropriate target operating ratio in a particular case shall be determined by considering at least the following factors:

- (i) The operating ratios of comparable water or wastewater **public** utilities.
- (ii) Coverage of actual hypothetical, or both, interest expense.
- (iii) A comparison of the cost of service with the cost of service of similar companies which do not employ an operating ratio rate methodology.
- (iv) Current market conditions, including price inflation.

(v) The quality of service and efficiency of operations.

(vi) The rate case history.

(vii) Whether there is any rate base and, if so, whether any depreciation expense is being claimed in the filing.

(viii) An acquisition adjustment, if any.

(ix) Financial resources.

(x) The fairness of the resulting return.

(3) An increase or decrease in operating revenues shall be determined by dividing the **small water or small wastewater public** utility's reasonable and legitimate operating expenses by the target operating ratio determined in paragraph (2)[,] and subtracting that amount from the test period operating revenues.

(4) The operating ratio methodology shall be available to **small** water [and] **or small** wastewater **public** utilities [with annual gross revenues (excluding current year Contributions In Aid of Construction (CIAC)) of less than \$250,000]. If a **small** water or **small** wastewater **public** utility [wishes] **chooses** to employ an operating ratio methodology in calculating its rates, it shall make this request in the context of a rate case[,], and shall bear the burden of proving all necessary elements thereof.

*(c) Purchased water cost adjustment **or purchased wastewater conveyance and/or treatment cost adjustment**—sliding scale of rates.*

(1) A **small** water or **small wastewater public** utility [with annual gross revenues of less than \$250,000,] may establish a sliding scale of rates under 66 Pa.C.S. § 1307 (relating to sliding scale of rates; adjustments) upon 60 days' notice to customers[,], to recover the cost of purchased water **or purchased wastewater conveyance and/or treatment** obtained from municipal authorities or entities which are not affiliated interests as defined in 66 Pa.C.S. § 2101 (relating to the definition of affiliated interest). The purchased water cost adjustment **or purchased wastewater conveyance and/or treatment cost adjustment** filing shall be accompanied [with a] **by:**

(i) **A** tariff or tariff supplement which establishes the new rates to be placed into effect[.];

(ii) A calculation showing the application of the new rate schedule to the [company's] **small water or small wastewater public utility's** average level of customer usage[.];

(iii) An income statement demonstrating the effect of the tariff or tariff supplement upon the small water or small wastewater public utility's revenues for the period in which the proposed tariffs would be in effect[.];

(iv) A copy of the notice provided to customers; and

(v) A verification that all customers have received notice of the proposed rate change.

(2) A purchased water cost adjustment or purchased wastewater conveyance and/or treatment cost adjustment shall be revised and refiled within 60 days of a decrease in purchased water costs or purchased wastewater conveyance and/or treatment costs [,] and shall be designed to pass through to customers the entire reduction in purchased water costs or purchased wastewater conveyance and/or treatment costs from the date the reduction becomes effective. A purchased water adjustment may be revised and refiled at any time after an increase in purchased water costs or purchased wastewater conveyance and/or treatment costs [,] and shall be designed to recover cost increases prospectively from the date of filing only.

(3) Within 30 days following the end of the calendar year, [every] a small water or small wastewater public utility utilizing a purchased water cost adjustment shall file the report prescribed by 66 Pa.C.S. § 1307(e) for the preceding 1-year period ending December 31st. These reports shall be reviewed by the Commission's Bureau of Audits, and, if no complaint or objection is raised within 45 days after filing, either by the Commission's Bureau of Audits or another person, the reports shall be deemed approved.

(d) *Emergency Maintenance and Operation Fund (EMOF).*

(1) *EMOF burden of proof.* [An expense claim in lieu of a cash working capital claim which may be allowable] A small water or small wastewater public utility may submit a claim for an EMOF in anticipation of emergencies such as extraordinary repairs and maintenance, drought conditions, extraordinary environmental and physical damages to sources of supply, floods, storms, freeze-ups, or other health and welfare-threatening situations. The burden of demonstrating that actual or proposed disbursements from the [fund] EMOF are reasonable and in the public interest shall be borne by the small water or small wastewater public utility.

(2) *Methodology.* The [Fund] EMOF expense may not exceed 45 days of average operating expenses, excluding taxes and [depreciation] non-cash operating expenses (for example, depreciation, amortization and bad debt expenses). If a claim for [Fund] EMOF expense is made, no additional claim for cash working capital shall be made or considered.

(3) *Procedures.* The amounts allocated for an EMOF shall be kept in a separate cash account, and disbursements shall be restricted to the uses in paragraph (1). The **small water or small wastewater public** utility shall report all disbursements from the **[Fund] EMOF** to the Commission within 10 days and shall provide a summary of each year's disbursements on its Annual Report. Disbursements from the **[Fund] EMOF** which are found by the Commission to have been made improperly, or in violation of a statute, regulation or order of the Commission or other Commonwealth agency shall be returned to the account or be refunded to ratepayers as the Commission may direct. A person or individual who makes, authorizes or directs disbursement from **[a Fund] an EMOF** which is improper or in violation of any statute, regulation or order of the Commission shall be subject to 66 Pa.C.S. § 3301 **[or § 3301]** (relating to civil penalties for violations) and **66 Pa.C.S. § 3302 (relating to** criminal penalties for violations).

(4) *Availability.* The Commission may authorize funding a **[Fund] EMOF** for **a small water [and] or small wastewater [utilities] public utility. [with annual gross revenues (excluding current year CIAC) of less than \$250,000.]**

(e) *Reserve account.*

(1) *Reserve account **burden of proof.*** **[A segregated account to be funded by customer contributions collected through base rates for the purpose of making capital improvements to utility plant pursuant to a long-range plan developed in conjunction with the Commission or the Department of Environmental Protection, or as required to assure compliance with State or Federal safe drinking water statutes or regulations.]** The burden of demonstrating that actual or proposed expenditures are reasonable and in the public interest shall be borne by the **small water or small wastewater public** utility.

(2) *Procedures.* The amounts to be allocated to the reserve account will be determined by the Commission after review of the **small water or small wastewater public** utility's proposed capital budget and the justification for that budget. Funds in the reserve account shall be kept in a separate interest[ ]-bearing cash account. Interest accrued shall be credited to the reserve account and shall become part of the corpus of the reserve account. Funds from the **reserve** account shall not be employed for a purpose other than those permitted under this section. Disbursements from the **[fund] reserve account** shall not be made without written authorization by the Commission upon petition, shall be restricted to the uses in subsection (d)(1), and shall be made in accordance with a capital budget submitted with the initial rate filing or as modified with the consent of the Commission. In proposing any modifications of the capital budget, the Commission or a party may solicit the advice or testimony of the Department of Environmental Protection. The **public** utility shall report all disbursements from the reserve account by written notice to the Commission and to other persons as the Commission may direct. Disbursements from the reserve account which are found by the

Commission to have been made improperly[,] or in violation of any statute, regulation or order of the Commission or other Commonwealth agency shall be returned to the **reserve** account or be refunded to ratepayers as the Commission may direct. A person who makes, authorizes or directs a disbursement from a reserve account without authorization by the Commission in accordance with these rules shall be subject to 66 Pa.C.S. § 3301 [or] **and** § 3302.

(3) *Accounting.* Plant capitalized by means of the reserve account shall be accounted for as a contribution in aid of construction.

(4) *Availability.* The Commission may authorize funding of a reserve account for **a small** water [and sewage utilities] **or small wastewater public utility.** [with annual gross revenues (excluding current year CIAC) of less than \$250,000.]

**§ 53.55. [Applicability; canal, turnpike, tunnel, bridge and wharf companies.] Reserved.**

**[(a) Whenever a canal, turnpike, tunnel, bridge or wharf company public utility files a tariff or tariff supplement which will increase or decrease the rates to any of its patrons, it shall submit to the Commission, with the tariff or tariff supplement, statements showing all of the following:**

**(1) The specific reasons for each such increase or decrease.**

**(2) The operating revenues of the utility for the latest 12-month period, the end of which shall not be more than 60 days prior to such filing.**

**(3) The estimated effect of each rate increase or decrease on the annual revenues of the utility.**

**(b) Whenever such a public utility files a tariff or tariff supplement which will increase its operating revenues for the latest 12-month period by more than 3% (subsection (a)(3) divided by subsection (a)(2)), it shall submit to the Commission with the tariff or tariff supplement, in addition to the statements required by subsection (a), all of the following information:**

**(1) A detailed balance sheet of the public utility as of the close of the period referred to in subsection (a)(2).**

**(2) A summary, by detailed plant accounts, of the book value of the property of the utility devoted to public service, as applicable, at the date of the balance sheet required by paragraph (1).**

(3) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (1), applicable to the property referred to in paragraph (2).

(4) A statement of operating income derived from public service, setting forth the operating revenues and expenses by detailed accounts, for the 12-month period covered by subsection (a)(2). Reserved.

**§ 53.56. Supporting data [for future test year] required if using a FTY.**

(a) In discharging its burden of proof under [section] 66 Pa.C.S. § 315[ of the act] (relating to burden of proof), a public utility may submit and use data for a [future test year] **FTY**. The submission of information and data for using a FTY shall be in addition to, and not in lieu of, other data or material required under this title, including the [submission] filing requirements for [an experienced 12-month test period] **the HTY**. [If a future test year is used, it shall be based on estimates for a period of 12 consecutive months, which begins on the day following the end of the required experienced 12-month period. The estimate for a future test year shall be of the same or similar type, quantum and nature as required to be submitted for an experienced test year and include the methodology, data and material used as the basis for the estimates.] Specifically for a general rate increase in excess of \$ 1 million in gross annual revenues, a the public utility employing a FTY shall provide the information and data required under § 53.53 Exhibit E for the HTY and the FTY. For general rate increases of \$1 million or less in gross annual revenues, in all other cases, the public utility shall provide the information and data required for the HTY under § 53.52 for the HTY and for the FTY if the public utility relies upon supporting data for a FTY.

(a.1) If a FTY is used, it shall be based on fully substantiated estimates. The estimates Supporting data for a FTY shall be of the same or similar type, quantum and nature as required to be submitted for a HTY, and the public utility shall describe the methodology, data and material used as the basis for the estimates employed in developing its supporting data.

(b) If a public utility submits and uses data for a [future test year] **FTY**, it shall, during the course of the proceeding, [submit for] file and serve on the parties of record the [results of its] actual results [experience] experienced in the [future test year] **FTY** for each quarter starting with the day following the end of the [required experienced 12-month period] **HTY**. The results shall be submitted within 30 days of the end of the quarter. [or] If the results are not then available, the public utility shall file a status report indicating when the results will be available and file the results as soon thereafter as available.

**Commented [A11]:** This revision makes clear that a public utility filing for a rate increase of \$1 million or less in annual gross revenue may rely upon supporting data for a FTY to meet its burden of proof.

~~(c) Following the completion of the rate proceeding, if the public utility's FTY data forms a substantive basis for the Commission's final rate determination, the public utility shall file with the Commission and serve on the parties of record in the same docketed proceeding in which the final rate determination was entered, the public utility's actual results experienced in the FTY. In this filing, the public utility shall provide appropriate data evidencing the accuracy of its estimates contained in the FTY. This filing shall be submitted within 30 days of the end of the last quarter of the FTY. If the results are not then available, the public utility shall file and serve on the parties of record a status report indicating when the results will be available and file the results as soon thereafter as available.~~

**Commented [A12]:** The reasons for FirstEnergy's proposed deletion of this paragraph are set forth in detail in the narrative portion of its Comments.

**§ 53.56a. Supporting data required if using a FPFTY.**

~~(a) In discharging its burden of proof under 66 Pa.C.S. § 315 (relating to burden of proof), a public utility may submit and use data for a FPFTY. The submission of information and data for using a FPFTY shall be in addition to, and not in lieu of, other data or material required under this title, including the filing requirements for a HTY and a FTY. Specifically for a general rate increase in excess of \$ 1 million in gross annual revenues, a the public utility employing a FPFTY shall provide the information and data required under § 53.53 Exhibit E for the HTY and FTY. In all other cases, for general rate increases of \$1 million or less in gross annual revenues, the public utility shall provide the information and data required for the HTY under § 53.52 for the HTY and, if the public utility relies upon supporting data for a FPFTY, for FTY and FPFTY, and the information and data required for the FTY under § 53.56.~~

**Commented [A13]:** This revision makes clear that a public utility filing for a rate increase of \$1 million or less in annual gross revenue may rely upon supporting data for a FPFTY to meet its burden of proof.

~~(b) If a FPFTY is used, it shall be based on fully substantiated estimates. The estimates Supporting data for a FPFTY shall be of the same or similar type, quantum and nature as required to be submitted for a HTY and a FTY, -and the public utility shall describe the methodology, data and material used as the basis for the estimates employed in developing its supporting data.~~

**Commented [A14]:** The reasons for FirstEnergy's proposed revisions and deletions are set forth in detail in the narrative portion of its Comments.

~~(c) Following the completion of the rate proceeding, if the public utility's FPFTY data forms a substantive basis for the Commission's final rate determination, the public utility shall file with the Commission and serve on the parties of record in the same docketed proceeding in which the final rate determination was entered, the public utility's actual results experienced in the FPFTY. In this filing, the public utility shall provide appropriate data evidencing the accuracy of its estimates contained in the FPFTY. This filing shall be submitted within 30 days of the end of the last quarter of the FPFTY. If the results are not then available, the public utility shall file a status report indicating when the results will be available and file the results as soon thereafter as available.~~

**Commented [A15]:** The reasons for FirstEnergy's proposed deletion of this paragraph are set forth in detail in the narrative portion of its Comments.

**Clarified Annex B**

**53.53**

\* \* \* \* \*

**Exhibit E**

**FILING REQUIREMENTS FOR PUBLIC UTILITIES SEEKING A GENERAL RATE INCREASE ABOVE \$1 MILLION IN ANNUAL GROSS REVENUES**

(Note: The following sections are proposed to be added and are shown in regular type to enhance readability.)

**I. Applicability.**

Exhibit E applies to a public utility filing for general rate increase pursuant to 66 Pa.C.S. § 1308(d) (relating to general rate increases) in excess of \$1 million in annual gross revenues. Subsection E.II provides definitions. Subsections E.III.A—E.III.N provide common filing requirements. Subsections E.IV.A—E.IV.D provide further filing requirements specific to a particular public utility industry.

**II. Definitions.**

The following words and terms, when used in this Exhibit E, have the following meanings, unless the context clearly indicates otherwise:

*AAO Plan—Annual asset optimization plan*—The term has the meaning prescribed in 66 Pa.C.S. § 1356 (relating to asset optimization plans).

*AFUDC—Allowance for funds used during construction*—The capitalized cost of debt and equity funds used to finance an addition of public utility plant to rate base while the plant is under construction.

*Affiliated company*—A company in any chain of successive ownership of stock or membership interest, regardless of the tier, under the parent company.

*Artificial gas*—A manufactured gaseous fuel created from coal, oil and the like, as differentiated from natural gas.

*Billing determinants*—~~The detailed customer usage data per unit of consumption by rate schedule needed to bill customers at present rates, for example, kWh for electric utilities, Mcf for gas utilities, or other unit of consumption for water or wastewater, as specified by a public utility in its tariff. All the data necessary to create a proof of revenue.~~

including, without limitation: units used to determine fixed (e.g. customer) charges, such as number of customers, number of meters by size, or number of fixtures (street lighting); commodity or energy, by rate block, used to determine commodity or energy charges, stated in the units appropriate for the applicable utility rate schedules, such as hundreds or thousands of gallons (water), Mcf or dth (natural gas), or kWh (electric); customer demand, by demand block, used to determine demand charges, stated in units appropriate for the applicable utility rate schedules (e.g. kW for electric demand).

*CWIP—Construction work in progress*—A holding account for capitalizing construction costs of public utility plant not yet ready to be placed in service.

*Commission*—The Pennsylvania Public Utility Commission.

*Consolidated group*—A public utility and its parent company and affiliated companies.

*Customer class*—A broad ~~rate~~ group, generally identified by the nature of its end use, such as that is used to allocate costs for rate design, such as residential, commercial, and industrial, municipal or resale, consisting of customers that are deemed to have reasonably similar usage characteristics such that they may be appropriated grouped together for purposes of analyzing a utility's cost of service, allocating revenues and revenue increases and designing rate schedules.~~classifications.~~

*Customer charge*—A ~~fixed flat~~ monthly charge imposed without regard to demand or usage that is designed to recover the fixed cost of meters, service lines and similar property used only to serve a single customer and the costs of meter reading, customer accounting, billing, collections and customer service (e.g., call centers). This definition is designed to explain, generally, the nature of a customer charge and is not intended to take the place of case-by-case assessments of the specific costs the Commission may determine to be appropriate for recovery in the customer charges of individual utilities in base rate proceedings.~~to cover fixed costs incurred to provide public utility service to a customer.~~

*DSIC—Distribution system improvement charge*—The term has the meaning prescribed in 66 Pa.C.S. § 1351 (relating to distribution systems definitions).

*FERC*—The Federal Energy Regulatory Commission.

*LTIP—Long-term infrastructure improvement plan*—The term has the meaning prescribed in 66 Pa.C.S. § 1352 (relating to long-term infrastructure improvement plan).

*Parent company*—The beneficial holder of the largest voting interest in a public utility or the company listed at the top of a corporate hierarchy structure with ultimate controlling

interest in the public utility. Includes the municipality if the public utility is a municipal utility subject to Commission regulation.

*Pro forma*—~~Calculations of financial results using certain projections or assumptions as delineated by the public utility which provide information about the public utility's potential financial performance in a test year. Financial statements that employ assumptions about conditions that occurred in the past or may occur in the future, which are used to project the most likely outcome for purposes of depicting the results of operations.~~

*Public utility*—For purposes of this Exhibit E, a filing entity seeking a general rate increase greater than \$1 million.

*Rate schedule*—~~A schedule, which is part of a public utility's tariff, that designates the rates, charges and other terms of service that apply to public utility service furnished to customers to whom the schedule applies as specified by the terms of such rate schedule. A customer class may comprise customers serviced under multiple rate schedules. specific rate group within a customer class defined in the public utility's tariff.~~

*Subsidiary company*—A company in which the public utility is the beneficial holder of the largest voting interest.

*Tariff*—~~A tariff as defined in 66 Pa.C.S. § 102 (relating to definitions). document, on file with and approved by the Commission, establishing the types of rates charged for specific public utility services and the general terms and conditions under which such services will be provided. Prior to approval, the document filed by a public utility in a rate case is a proposed tariff.~~

*USoA—Uniform System of Accounts*—~~The An-accounting systems prescribed by the Commission in 52 Pa. Code § 57.42 (for public utilities furnishing electric service), 52 Pa. Code § 59.42 (for public utilities furnishing gas service) and 52 Pa. Code § 65.16 (for public utilities furnishing water service). FERC and adopted by the Commission specifying the manner in which a public utility regulated by the Commission shall maintain its public utility accounts.~~

### **III. General Filing Requirements.**

#### **A. General.**

1. Provide a statement indicating that the public utility is subject to the Commission's jurisdiction.

2. Provide a statement of the total amount and percentage of the base rate increase being sought for recovery in rates under 66 Pa.C.S. § 1308(d) (relating to voluntary changes in rates).

3. Provide a statement indicating the test year the public utility is principally relying upon to meet its ~~using in discharging its~~ burden of proof under 66 Pa.C.S. § 315.

4. To the extent the public utility claims information required by this Exhibit E is confidential or proprietary, provide a summary statement indicating, with specificity, which Filing Requirement(s) have responses designated to be confidential or proprietary. A claim of confidentiality shall be subject to review by the presiding officer pursuant to 52 Pa. Code § 5.365 (relating to orders to limit availability of proprietary information).

5. ~~Provide the following supplemental information when providing the information required by this regulation and in response to each discovery request relative to the current base rate case proceeding, as applicable:~~

~~a. Provide the data for the HTY and the first year that new rates were in effect from the immediately preceding base rate case if the time periods for the data requested relative to the current base rate case do not include the HTY and first year under new rates from the immediately preceding base rate case.~~

~~b. Explain the difference in projections and adjustments made for the immediately preceding base rate case as compared to the projections and assumptions made relative to the current base rate case.~~

~~c. Provide details of any reconciliations and adjustments made relative to the immediately preceding base rate case and explain whether (and how) they would be expected to be rolled into base rates in the current base rate case or whether they are expected to arise relative to rates as may be established in the current base rate case.~~

6. Supplement the filing with the most recent information if more recent year-end information becomes available during the course of the current base rate case.

7. If a requirement calls for information for an immediately preceding year(s) or immediately following year(s) to a test year, provide information for the twelve (12) consecutive month period conforming to the test year dates (for example, January 1 through December 31 or October 1 through September 30).

8. Provide a working electronic copy of filing schedules in Microsoft Excel or similar electronic spreadsheet format, with all formulas intact, including existing links for linked spreadsheets, used to develop: (1) the public utility's supporting data for its claimed revenue requirement, pro forma revenues and proposed revenue increase for each

of the test years for which supporting data is submitted (thus, if a public utility employs a FPFTY, electronic copies should be provided for the HTY, the FTY and the FPFTY); the public utility's class cost of service study; and (3) the public utility's proposed allocation of revenues and allocation of revenue increase among rate schedules. It is anticipated that the electronic copies provided. It is acknowledged that the electronic copies requested in this requirement may consist of, or include, computer models that are deemed proprietary by the public utility or by the third-party consultant or vendor that prepared and owns such model(s). Accordingly, such proprietary models shall be filed with the Secretary's Bureau on a confidential basis and shall not be served on any party or person, including statutory parties, until an appropriate stipulated protective agreement and/or protective order is in place and the receiving party has acknowledged that it is subject to the terms thereof. that support the proposed revenue requirement, rate structure and cost allocation, including, but not limited to, all schedules provided in response to these Filing Requirements.

#### **B. Summary of Filing.**

1. Set forth the overall revenue effect, in dollars and as a percentage of current revenues, of the proposed rate change and Pprovide a summary discussion of the principal reasons for the requested rate change, including the request, including the total requested increase in dollars, and specific reasons for each adjustment. Provide a breakdown which identifies the revenue requirement effect value of the major changes driving the need for the requested rate change. items generating the requested rate change.

2. Identify the specific witnesses for each statement and schedule of revenues, expenses, taxes, cash flow, debt, debt coverage, property, valuation and the like and provide direct testimony supporting each element of the rate increase.

3. Provide the following schedules at present rates. In each schedule, provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

- a. Income Statement;
- b. Cash Flow Statement;
- c. Debt-Service Coverage Ratio schedule; and
- d. Balance Sheet, ~~showing individual columns for the following:~~

~~i. Actual amounts for each of the two years immediately preceding the HTY;~~

~~ii. HTY actual amounts;~~

- ~~iii. Pro forma adjustments between HTY and FTY, including the adjusted HTY for known and measurable changes between the HTY and FTY;~~
- ~~iv. FTY claimed amounts;~~
- ~~v. Pro forma adjustments between FTY and FPFTY, including twelve consecutive month period beginning with the first full month that new rates will be in effect after the application of the full suspension period permitted under Section 1308(d) amounts; and~~
- ~~vi. FPFTY claimed amounts.~~

4. Provide the following schedules at proposed rates. In each schedule, provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

- a. Income Statement;
- b. Cash Flow Statement;
- c. Debt-Service Coverage Ratio schedule; and
- d. Balance Sheet, ~~showing individual columns for the following:~~
  - ~~i. Actual amounts for each of the two years immediately preceding the HTY;~~
  - ~~ii. HTY actual amounts;~~
  - ~~iii. Pro forma adjustments between FTY and FPFTY claimed amounts; and~~
  - ~~iv. FPFTY claimed amounts.~~

5. Provide a schedule showing the number of customers by:

- a. ~~Tariff subdivision, Rate classes~~ whose bills will be increased; and
- b. ~~Tariff subdivision, Rates classes~~ whose bills will be decreased.

6. ~~Provide reference and citations to FERC and Commission orders or rulings directly applicable to the filing.~~

7. ~~Provide a list of reports, data or statements requested by and submitted to the Commission during the year immediately preceding the HTY through the current date.~~

8. Provide a statement of past and anticipated changes since the immediately preceding base rate case in major accounting procedures.

9. Provide an explanation of differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current base rate case and the basis or procedure that was used in the immediately preceding base rate case.

10. Identify each major addition to plant or facilities to be placed in ~~operating~~ service or removed from ~~operating~~-service during the FTY and FPFTY. The supporting documentation shall indicate the effect of the plant addition or removal from service upon the public utility's rate base, revenue, expense, tax, income and revenue requirement.

11. Provide revenues and expenses by the account classifications for the applicable industry's USoA.

**C. Description of Public Utility Operations.**

1. Provide a corporate history including the date of original incorporation and any subsequent merger or acquisition.

2. Indicate all counties, cities and other governmental subdivisions in which service is provided (including service areas outside this Commonwealth) and the total number of customers by customer class or billed units in each state and county, estimated if not known.

3. Provide an organizational chart explaining the public utility's corporate relationship to affiliated companies showing the consolidated group structure and indicating whether each affiliated company is a regulated public utility under the Commission's jurisdiction or under the jurisdiction of another state public utility commission or both.

4. Provide a list and brief description of the two most recent Commission-conducted audits with related docket numbers.

5. Provide a list and brief description of internal audit reports and independent audit reports for the most recent two-year period.

**D. Rate Base**

1. Provide a schedule showing the HTY rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Cross-reference claims made on this schedule to appropriate supporting schedules. Show pro forma adjustments for the FTY and the FPFTY.

2. If a claim is made for CWIP, provide the following:

- a. An exhibit with a description of each project;
- b. A summary of all work orders;
- c. Amount expended at the end of the HTY, the FTY, the FPFTY and at the completion of the project;

- d. Whether each project will be funded by the DSIC;
- e. Anticipated in-service dates; and
- f. If the project is revenue producing or expense reducing, identify the revenue or expense associated with the project.

3. If a claim is made for plant held for future use, provide the following:
- a. A brief description of the plant or land site and its original cost;
  - b. Expected date of use for each item claimed;
  - c. Explanation why it is necessary to acquire each item in advance of its date of use;
  - d. Date when each item was acquired; and
  - e. Date when each item was placed in the plant held for future use account.

4. If a claim is made for materials and supplies or fuel inventory, provide the following:
- a. ~~A description of the methodology used to value material and supplies;~~
  - b. The actual monthly balances of materials and supplies for each of the 13 months ending with the last month of the HTY~~13-month balances of the inventory of materials and supplies for the HTY.~~
  - c. The 13-month average for materials and supplies as of the end of the HTY; and
  - d. The type of fuel, and location, as in station, and the quantity and price claimed.

**Commented [A1]:** Appears to no longer be relevant to EDCs since the restructuring of the electric industry.

5. If a claim is made for cash working capital, provide a supporting schedule setting forth the method and data used to determine the cash working capital, requirement. Include a lead-lag study of working capital completed no more than 6 months prior to the rate increase filing.
6. Indicate if amortized expenses have been removed from the lead-lag study. If so, provide documentation showing such removal. If not, provide a list of such amortization expenses included.
7. In the cash working capital computation, either include sales for resale and related expenses in revenues and in expenses or exclude them from revenues and expenses. Explain procedures followed.
8. Provide schedules and data in support of the following working capital items:
- a. Prepayments—list and identify all items;
  - b. Federal Excise Tax accrued or prepaid;
  - c. Federal Income Tax accrued or prepaid;
  - d. Pennsylvania State Income Tax accrued or prepaid;
  - e. Pennsylvania Gross Receipts Tax accrued or prepaid;

- f. Pennsylvania Public Utility Realty Tax accrued or prepaid;
- g. State sales tax accrued or prepaid;
- h. Payroll taxes accrued or prepaid and
- i. Any adjustments related to the above items for ratemaking purposes.

9. Identify fund availability arrangements or terms which the public utility has with its banks with respect to deposits of customer checks.

10. If a claim is made for an additional item in rate base not otherwise addressed in these Filing Requirements, identify such claim and provide a statement, exhibit, or both, explaining in detail the appropriateness of such claim.

11. Provide a schedule that shows a breakdown of plant additions and retirements by plant account for the FTY and the FPFTY. For each individual plant addition that exceeds [\$500,000], showing the following:

- a. Account number(s) for the plant account(s) in which the cost of the addition will be recorded;
- b. Project number, if the addition itself constitutes a "project" or is part of a project consisting of more than the identified addition; ~~of each addition and each retirement;~~
- c. Completion date of each addition and the retirement date of any associated ~~each~~ retirements;
- d. Description of the addition;
- e. Addition amount of each addition; Original cost of the plant addition;
- f. Description of retirement, if applicable; and
- g. The amount to be deducted from plant in service for Retirement amount of each retirement, as applicable; and
- h. Totals of additions and retirements.

12. Explain how the plant balances for the FTY and the FPFTY were projected. Provide supporting workpapers and documentation.

13. If the public utility has included in rate base a portion of the cost of plant in service that is used in part, but not exclusively, for Pennsylvania jurisdictional service, identify such plant, including the applicable plant account numbers, provide the estimated percentages and amounts of such assets used for jurisdictional and non-jurisdictional service, and explain how those percentages and amounts were determined. Include any asset included in the plant in service claim not used exclusively for jurisdictional service.

14. If the public utility furnishes more than one type of Pennsylvania jurisdictional service and has included in rate base plant in service that is used for more

than one type of service, identify such plant, including the applicable plant account numbers, and provide the estimated percentages and amounts of such assets used for each type of jurisdictional service. Identify plant that will not be providing jurisdictional service and prepare a schedule listing those plant items identified by account. Explain why such plant is not being used and the anticipated future disposition of the plant. Indicate if plant is used to provide more than one mode of jurisdictional service.

15. Provide all workpapers and supporting documentation showing the derivation of the projected balances for the FTY and the FPFTY of:

- a. Contributions in aid of construction;
- b. Customer and developer advances for construction ~~and public utility service line~~; and
- c. Customer deposits.

16. Provide schedules supporting claimed amounts for plant in service by function and by account for the HTY, the FTY and the FPFTY.

17. Provide supporting schedules which indicate the procedures and calculations employed to develop the original cost of plant and applicable accumulated depreciation reserves included in the utility's claimed rate base for ~~to~~ the HTY, the FTY and the FPFTY, as applicable, as submitted in the current proceeding.

18. Provide a schedule showing details of the adjustments to plant in service and accumulated depreciation that were made to derive the amounts included in the utility's rate base claims adjustments for the HTY, the FTY and the FPFTY, as applicable.

#### **E. Rate of Return**

1. Provide the actual year-end capitalization and capitalization ratios for the five-year period concluding with the HTY ~~the last five year period~~ and the year-end capitalization and capitalization ratios projected for through the FTY and the FPFTY, as applicable (with short-term debt and without short-term debt) for the public utility, the parent company and on a ~~the~~ consolidated basis~~group~~.

2. Provide the most recent actual year-end interest coverage on both a before-tax and after-tax basis, taxes for the ~~last three-year~~ period ending with the HTY s and for the most recent available twelve-month period. The interest coverage should be calculated on both an at the most current, including indenture and Securities and Exchange Commission (SEC) basis; for the public utility, the parent company and on a ~~the~~ consolidated basis~~group~~.

3. Provide the year-end preferred stock dividend coverages on a charter and SEC basis for the three-year period ending with the HTY and the most recent available twelve-month period~~last three years and at most current date, including charter and SEC basis.~~

4. Provide for the public utility and its parent company: (a) report on Form 10-Q filed with the SEC for the four most ~~the most recent~~ quarters; (b) the most recent annual report and report on Form 10-K filed with the SEC; and (c) ~~by financial reports within the last year (for the public utility and for its parent company), stockholder's reports (for the public utility and for its parent company) and prospectuses for common stock, preferred stock or debt issued during the twelve months preceding the filing. ~~(for the public utility and for its parent company).~~~~

5. Provide actual and projected capital requirements and sources of capital for the public utility, ~~the parent company, and the consolidated group~~ for the HTY, the FTY, the FPPTY ~~and the two years immediately following the FPPTY.~~

6. Provide a ~~nominal cost~~ schedule of debt and preferred stock of the public utility, the parent company and the consolidated group as of the HTY year-end and most current date. Note projected new issues, retirements, and other major changes from the comparable historical data. Include the following details:

- a. Date of issue;
- b. Date of maturity;
- c. Amount issued;
- d. Amount outstanding;
- d. Amount retired;
- f. Amount reacquired;
- g. Gain or loss on reacquisition;
- h. Coupon rate;
- i. Discount or premium at issuance;
- j. Issuance expenses;
- k. Net proceeds;
- l. Sinking fund requirements;
- m. Effective interest rate;
- n. Dividend rate;
- o. Effective cost rate; and
- p. Total weighted average ~~weighted~~ effective cost rates for debt and preferred stock.

7. If a claim is made for a cost of debt that exceeds the cost of debt shown in the ~~nominal~~ cost schedule under E.6 because of, for example, convertible features, sale with warrants or other reason, provide a full statement of the basis for such claim.

8. Provide available details on ~~available~~ common stock offerings of the public utility, if publicly traded, and of the parent company, if publicly traded, for the five-year period including the HTY past five years to present and for including details of any planned issuances that occurred between the HTY and the filing date and planned for in the FTY and the FPFTY. The information provided should include, as follows:

- a. Date of prospectus;
- b. Date of offering;
- c. Record date;
- d. Offering period including dates and number of days;
- e. Amount and number of shares of offering;
- f. Offering ratio, if rights offering;
- g. Percent subscribed;
- h. Offering price;
- i. Gross proceeds per share;
- j. Expenses per share;
- k. Net proceeds per share in (8.i) and (8.j) above;
- l. Market price per share:
  - i. At record date;
  - ii. At offering date; and
  - iii. One month after close of offering;
- m. Average market price during offering;
  - i. Price per share; and
  - ii. Rights per share-average value of rights;
- n. Most current reported earnings per share at time of offering; and
- o. Most current reported dividends at time of offering.

9. Provide complete support for the claimed rate of return on common equity. Provide the actual earned return on common equity for the HTY and the two years immediately preceding the HTY.

10. Provide schedules of comparative financial data and ratios for the public utility for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY. Note changes in ratings by all applicable rating agencies covering the entity on the schedules. Include the rating agencies' write-ups of such changes if available. Provide the financial data and ratio schedules and ratings change information for the parent company if the data, schedules or information are not available for the public utility. Show the following:

- a. Earnings-price ratio (average);
- b. Times interest earned ratio on a pre-tax basis and a post-tax basis;
- c. Preferred stock dividend coverage ratio on a post-tax basis;
- d. Times fixed charges earned ratio on a pre-tax basis;

- e. Dividend payout ratio;
- f. AFUDC as a percent of earnings available for common equity;
- g. CWIP as a percent of net public utility plant;
- h. Effective income tax rate;
- i. Internal cash generation as a percent of total capital requirements;
- j. Times fixed charges earned ratio on a post-tax basis;
- k. Earnings per share;
- l. Dividend per share;
- m. Average dividend yield (52-week high/low common stock price);
- n. Average book value per share;
- o. Average market price per share;
- p. Market price-book value ratio;
- q. Earnings-book value ratio (per-share basis, average book value); and
- r. Debt-Service Coverage Ratio.

11. Provide an AFUDC schedule that includes the following:

- a. AFUDC rate charged by the public utility at the end of the HTY, the FTY and the FPFTY;
- b. How the AFUDC rates were as-calculated; and
- c. Explanation of the method used to calculate the AFUDC amounts; and
- d. ~~Cross reference to where each of the items in 11.a—11.c above is reflected in the current base rate case filing.~~

12. Provide the following information concerning bank notes payable for the HTY ~~(per book)~~:

- a. Line of credit at each bank;
- b. Average daily balances of notes payable to each bank, by name of bank;
- c. Interest rate charged on each bank note (prime rate, formula);
- d. Purpose of each bank note (for example, construction, fuel storage, working capital, debt retirement and the like); and
- e. Prospective need in the next 5 years for this type of financing.

13. If a claim is made for compensating bank balances, provide the following information:

- a. Name and address of each bank;
- b. Types of accounts with each bank such as checking, savings, escrow, other services, and the like;
- c. Average daily balance in each account from the start of the HTY through the date of filing;

- d. Amount and percentage requirements for compensating bank balances at each bank;
- e. Average daily compensating bank balance at each bank;
- f. Documents from each bank explaining compensating bank balance requirements;
- g. Interest earned on each type of account; and
- h. A calculation showing the average daily float for each bank.

14. If a claim is made for compensating bank balances, provide the amount of compensating bank balances required under each of the following:

- a. Annualized test year operations at pro forma present rates; and
- b. Operations under pro forma proposed rates.

15. Provide the charter and indentures provisions, if applicable, for the public utility and the parent company that describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

16. Provide copies of the summaries of the public utility's projected revenues, expenses and capital budgets for the FTY and the FPFTY.

17. Describe long-term debt reacquisition by issue by the public utility and the parent company [during the HTY and the two years preceding the HTY](#), as follows:

- a. Reacquisition by issue by year;
- b. Total gain or loss on reacquisitions by issue by year;
- c. Accounting for gain or loss for income tax and book purposes; and
- d. Proposed treatment of gain or loss on such reacquisition for ratemaking purposes.

18. Provide a schedule showing the major components of claimed capitalization and the derivation of the weighted costs of capital to support the claim. Include a descriptive statement concerning the major elements of changes in claimed capitalization, cost rates and overall return from comparable historical data.

19. Provide a schedule in the same format as the schedule provided in Filing Requirement E.18 above, except for the omission of the descriptive statement, for the most immediate comparable annual historical period prior to the HTY and the two calendar years most immediately preceding the rate of return claim period. Include ~~reflect~~ capital ratios with and without short-term debt regardless of whether the capitalization claimed on the schedule provided in Filing Requirement E.18 above, includes short-term debt.

20. Provide the capitalization data requested in Filing Requirements E.18 and E.19 above, for the parent company and the consolidated group.

21. Provide the bond rating history for the public utility and the parent company from the major credit rating agencies for the most recent five years.

~~22. Provide the bond rating history for the parent company from the major credit rating agencies for the most recent five years if applicable.~~

23. Provide copies of each presentation and report made by management and securities analysts on the public utility's and the parent company's behalf, including presentations of financial projections, in the past two years.

~~24. Provide copies of each presentation and report made by management and securities analysts on the parent company's behalf, including presentations of financial projections, in the past two years if applicable.~~

~~25. Provide a listing of all securities issuances for the public utility projected for the next two years following the end of the test year. Identify for each projected issuance:~~

- ~~a. Date;~~
- ~~b. Dollar amount;~~
- ~~c. Type of security; and~~
- ~~d. Effective cost rate.~~

~~26. Provide a listing of all securities issuances for the parent company projected for the next two years following the end of the test year if applicable. The response shall identify for each projected issuance:~~

- ~~a. Date;~~
- ~~b. Dollar amount;~~
- ~~c. Type of security; and~~
- ~~d. Effective cost rate.~~

27. Provide the effective cost rate actual cost of long-term debt for the HTY and the two years immediately preceding the HTY by outstanding issue and the overall weighted average for all outstanding long-term debt. Identify any plan by the public utility to refinance high-cost long-term debt or preferred stock.

28. Provide a listing of common equity infusions from the parent company to the public utility during the HTY if applicable. Indicate any common equity infusions made

or anticipated in the FTY and anticipated in the FPFTY calculations. Identify date, dollar amount and intended use of the funds for each infusion.

29. Identify by date and amount the dividends on public utility's common stock dividend payments paid by the public utility to the parent company for the HTY and the two years immediately preceding the HTY, if applicable.

30. Provide year-by-year financial projections for the public utility for the next three years beyond the end of the test year.

31. Identify the public utility's and the parent company's capital structure targets (percentages of capital types) for the FTY and the FPFTY. Explain the basis for the capital structure targets. Provide a schedule showing targets and actuals for the HTY and the two years immediately preceding the HTY.

~~32. Identify the parent company's capital structure targets (percentages of capital types) for the FTY and the FPFTY if applicable. Explain the basis for the capital structure targets. Provide a schedule showing targets and actuals for the HTY and the two years immediately preceding the HTY.~~

33. For each month of the most recent 24 months, provide the public utility's:

- a. Short-term debt balance;
- b. Short-term debt interest rate;
- c. Balance of CWIP; and
- d. Balance of CWIP which is eligible for AFUDC accrual.

34. Identify debt, other than instruments traded in public markets, owed to shareholders, corporate officers, members of the board of directors, affiliated companies, parent company or subsidiary companies.

35. Provide a summary statement of all stock dividends, splits or par value changes during the two-year calendar period immediately preceding the current base rate case filing.

36. Provide a schedule of purchases or retirements of stock of the public utility or its parent company during the two-year calendar period immediately preceding the current base rate case filing. Provide the details of any planned purchases or retirements of stock of the public utility or its parent company in the FTY and the FPFTY.

37. If the rate of return claim is based on the use of the capital structure or capital costs of the parent company or the consolidated group, state and support the reasons for

such a claim. If applicable, explain why a hypothetical or non-actual capital structure is being employed.

**F. Balance Sheet**

1. Provide the most current available balance sheet for the public utility, the parent company and the consolidated group.

2. Provide a comparative balance sheet for the HTY and the year immediately preceding the HTY.

3. Provide a detail of other physical property, investments in affiliated companies, and other investments for the HTY. Provide a schedule showing any anticipated changes for the FTY and the FPFTY, if applicable.

4. Supply the amounts and purpose of special cash accounts of all types [in excess of \\$500,000](#), such as:

- a. Interest and dividend special deposits;
- b. Working funds other than general operating cash accounts; and
- c. Other special cash accounts and amounts (*e.g.*, temporary cash investments).

5. Describe the nature, origin and amounts of notes receivable, accounts receivable and accounts payable to and from affiliates, and any other receivables or payables, other than customer accounts, which appear on the HTY balance sheet. Identify amounts that are greater than 15% of total receivables and payables respectively. Do not net receivables and payables unless there is a master agreement between the public utility and the third party that permits the netting of accounts receivable and accounts payable.

6. Provide the amount of accumulated reserve, method and rate of accrual, amounts accrued, and amounts written-off for uncollectible accounts in the HTY and the two years immediately preceding the HTY.

7. Provide a list of prepayments not otherwise identified elsewhere in response to the reporting requirement in connection with rate base.

8. Provide the following detail for each deferred asset and deferred liability on the HTY balance sheet:

- a. Description of each deferral;
- b. Date of origin for each deferral;

- c. Account name and number;
- d. Reference to Commission or other regulatory authority approval, including docket number(s);
- e. Amount contained on the balance sheet for each individual deferral and corresponding amount charged to operations for the HTY;
- f. Disposition policy (for example, method of determining yearly amortization); and
- g. Anticipated changes to each account through end of the FPFTY.

9. If the public utility is not publicly traded, supply the basis for injury and damages reserve and amortization shown on the HTY balance sheet. If the public utility is publicly traded, provide the independent audit report that includes an analysis of the reserve for injuries and damages.

10. Provide brief description and amount for any reserves outside the ordinary course of business appearing on the HTY balance sheet.

11. Provide an analysis of unappropriated retained earnings for the HTY and the two years immediately preceding the HTY.

12. Describe the purpose of each advance made by the public utility to the parent company and describe the terms and conditions associated with such advance for the HTY and the two years immediately preceding the HTY. Provide an estimate of future advances or repayments by the public utility to the parent company that are expected to occur in the FTY or the FPFTY or both.

#### **G. Income Statement and Cash Flow Statement**

1. Provide most current available income statement for the public utility, the parent company, and the consolidated group. If a claim is made for separate operating divisions of the public utility, an income statement must be shown for each operating division.

2. Provide copies of the summaries of the public utility's projected revenues, expenses, and capital budgets for the FTY and the FPFTY.

3. Provide a summary income statement showing the following:

- a. Per book income statement for the HTY;
- b. FTY adjustments to annualize and normalize revenue and expenses under present rates;
- c. Pro forma FTY income statement at present rates;
- d. FPFTY adjustments to revenues and expenses at present rates;

- e. Pro forma FPFTY income statement at present rates;
- f. Requested increase and corresponding iterative changes (*e.g.*, uncollectible accounts, assessments and income taxes) with increase;
- g. Pro forma FPFTY income statement at proposed rates; and
- h. References to schedules that contain supporting details for corresponding adjustments.

4. Provide comparative income statements for the HTY and the two years immediately preceding the HTY showing increases and decreases between the ~~two three~~ latter periods relative to the first. Provide explanations for variances that are greater than 15% of the summary level account type.

5. Provide operating income claims and rate of return on rate base for the HTY, the FTY and the FPFTY under:

- a. Present rates;
- b. Pro forma present rates; and
- c. Pro forma proposed rates.

6. If a cash flow analysis is provided with the filing, provide a cash flow statement under present rates showing:

- a. All cash inflows from customer rates;
- b. Depreciation;
- c. Deferred taxes;
- d. External financing;
- e. Investment income;
- f. All other sources of cash;
- g. All cash outflows used to pay for public utility operations, administrative and general expenses, taxes, capital investments and dividends; and
- h. All other cash outflows identifying the uses of funds.

7. If a cash flow analysis is provided with the filing, provide a cash flow statement under the FPFTY proposed rates showing:

- a. All cash inflows from customer rates;
- b. Depreciation;
- c. Deferred taxes;
- d. External financing;
- e. Investment income;
- f. All other sources of cash;

- g. All cash outflows to pay for public utility operations, administrative and general expenses, taxes capital investments, and dividends; and
- h. All other cash outflows identifying the uses of funds.

## H. Operating Revenues

1. Provide for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY the following by customer class:

- a. Customer count;
- b. Sales by unit;
- c. Revenues and, for FPFTY revenues, the change in revenue as a percentage and dollar amount;
- ~~d. Change in revenue expressed as a percentage and a dollar amount;~~
- e. Forfeited discounts;
- f. Detailed breakdown of miscellaneous revenues;
- g. Annualizing and normalizing adjustments, showing all calculations;
- h. Surcharge revenues segregated from recorded revenues and itemized by appropriate revenue category.

2. State the manner in which revenues are being presented for ratemaking purposes, and provide details, using one of the following methods:

- a. Unbilled Revenues;
- b. Billed Revenues; or
- c. Cash Revenues.

3. If unbilled revenue is recorded at the end of the public utility's fiscal period, provide unbilled revenue at the end of the HTY, at the year-end immediately preceding the HTY and at the beginning of the FTY. State whether recovery is reversed for ratemaking purposes and the impact on the FPFTY. Provide a detailed explanation of the procedures and methods used in developing unbilled revenues and the impact on the FTY and the FPFTY.

4. Provide a schedule of present rates and proposed rates showing dollar change and percent of change by customer class. Prepare a comparative schedule of monthly (or quarterly where applicable) billings at present rates and at proposed rates to demonstrate the impact of proposed rates over a range of usages. Identify any changes in rate design or any rate re-structure and provide supporting explanations. Provide a copy of the proposed tariff or tariff supplement on a red line basis to identify any proposed changes.

5. Provide a detailed monthly breakdown of miscellaneous revenues for the HTY and the two years immediately preceding the HTY. For the HTY, provide a monthly

~~breakdown and an explanation of monthly variances greater than 15%. Detail any anticipated variances in the FTY and the FPFTY.~~

6. Provide for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY the following by customer class:

- a. Monthly customer counts; and
- b. Monthly customer usage.

~~7. Provide growth patterns of usage and customer numbers by customer class, using historical and projected data.~~

~~8. If the public utility is affiliated with another public utility within a consolidated group, explain the effects, if any, upon allocation factors used in the current base rate case or in any recent rate increases allowed to the other public utility segment (or segments) of the consolidated group.~~

9. If the public utility has a curtailment rate in its current or proposed tariff, provide supporting data detailing curtailment adjustments, procedures, and policies.

~~10. Provide details of the public utility's attempts, since the immediately preceding rate case filing, to recover uncollectible and delinquent accounts.~~

~~11. Describe the procedures involved in determining whether forfeited discounts or penalties are applied to customer billing.~~

12. Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of the end of the test year.

13. Provide a schedule showing sales from all customer classes by unit per month for the HTY and for each of the ~~three~~ two years immediately preceding the HTY. Provide the projections for the FTY and the FPFTY.

14. Provide an analysis showing the average usage per customer by rate schedule in the operating revenue detailed in 13 above. If the public utility is projecting a change in the average usage per customer, provide the following for each rate schedule listed in the tariff:

- a. A monthly history of the average usage per rate schedule that the public utility is projecting will change covering at least 5 years; indicate if data are weather normalized;

**Commented [A2]:** Further explanation should be provided. See FirstEnergy's narrative comments on this filing requirement.

- b. A detailed description, analysis and rationale for historical or projected, or both, changes in usage per customer and support for such change by rate schedule;
- c. The proposed year-end usage per rate schedule that the public utility is projecting for the FPFTY;
- d. The change in volume in the HTY, the FTY and the FPFTY; and
- e. The dollar impact in the HTY, the FTY and the FPFTY.

15. If the public utility uses an alternative ratemaking mechanism, provide an analysis showing the alternative ratemaking mechanism's proposed impact on revenues in the FTY and the FPFTY. If the public utility is projecting an increase or decrease in the average usage per customer as a result of the alternative ratemaking mechanism, provide the following for each rate schedule listed on the tariff:

- a. The non-adjusted sales used in the calculation;
- b. The alternative ratemaking mechanism used;
- c. The proposed average usage per rate schedule that the public utility is projecting for the FPFTY;
- d. The change in volume in the HTY, the FTY and the FPFTY; and
- e. The dollar impact in the HTY, the FTY and the FPFTY.

16. If the public utility uses an alternative ratemaking mechanism adjustment in the tariff, provide the most recent ~~three~~ two-year calculation of the alternative ratemaking calculation used to adjust rates, summarizing the revenue received by the public utility or credited to the customers by rate schedule each year.

17. If the public utility's present tariff uses an alternative ratemaking adjustment, describe how the revenue received by the public utility or credited to customers was reflected in the filing.

18. ~~Provide a schedule that shows the actual monthly amount received from each source below for the HTY and the two years immediately preceding the HTY. State how revenues are presented for ratemaking purposes. Provide a breakdown of the amount projected to be received from each of the following sources that supports the amount reflected on the FTY and the FPFTY Income Statements:~~

- ~~a. Forfeited discounts;~~
- ~~b. Late payment fees;~~
- ~~c. Miscellaneous revenues;~~
- ~~d. Other revenues;~~
- ~~e. Interest and Dividend Income;~~
- ~~f. Other public utility Operating Income;~~
- ~~g. Revenues from merchandising, jobbing and contract work;~~

- ~~h. Revenues from non-public utility operations;~~
- ~~i. Rental income;~~
- ~~j. Equity in earnings of subsidiary companies;~~
- ~~k. Interest and dividend income;~~
- ~~l. AFUDC;~~
- ~~m. Miscellaneous nonoperating income;~~
- ~~n. Gain on disposition of property;~~
- ~~o. Rent from public utility property; and~~
- ~~p. Revenues from transporting water, gas or electricity for others.~~

## I. Operating Expenses

1. Provide a list of operating expenses by account for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY. Adjustment to operating expenses should be explained in the utility's testimony and additional schedule showing detail of the claimed expenses. Include explanations and calculations of adjustments made for ratemaking.

2. Provide a summary of claimed operating expenses for the HTY (with similar account breakdown to H.1 above), including annualizing and normalizing adjustments fully supported (including explanations, documentation and calculations) to arrive at adjusted future operating expenses for ratemaking, including supporting data for the FTY and the FPFTY.

3. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization (not included in cost of service when the gain or loss on this property has occurred or is likely to occur in the FTY or the FPFTY). Provide the proposed ratemaking treatment of extraordinary gains and losses. Provide supporting data including an explanation and breakdown of costs.

4. For the base rate case expense claim, provide the following:

- a. Detailed calculations of normalized base rate case expense, including supporting data for outside services rendered;
- b. Justification for the proposed normalization period for the current base rate case;
- c. Details and related dollar amounts by category of the base rate case expense claim. Include the actual billings or invoices and the applicable contracts in support of each category of base rate case expense;
- d. Docket numbers and filing dates, indicating fully litigated or settled, for base rate cases filed with the Commission during the immediately preceding three years; base rate cases filed with the Commission; and

e. Details and related dollar amounts by category of the utility's actual rate case expenses for base rate cases filed with the Commission during of the immediately preceding three years-base rate cases.

5. Provide a list by applicable industry's USoA of charges by affiliates (service corporations, and the like) to the public utility, grouped by the claimed operating expenses and capitalized amounts for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY. Include the following:

- a. Copy of contract(s) governing the services provided and charges, if any;
- b. Explanation of the nature of the services provided;
- c. Explanation of the basis on which charges are made; and
- d. If charges are allocated to the public utility, identify the affiliate provider of the charges, allocation factors, and dollar amounts used for all affiliated companies not receiving allocation and explain why there is no allocation.

6. For the HTY, the FTY and the FPFTY, describe costs relative to leasing equipment, computer rentals, and office space, including principal terms and conditions of ~~the leases~~ (including but not limited to, beginning and end date(s) of lease(s), monthly or annual dollar amount of payment(s)) ~~and copies of contracts for each.~~ Explain the method of calculating monthly or annual payments. If allocated from the parent company or an affiliated company, provide an explanation and supporting documentation for the method of allocation.

7. For the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY, provide detailed calculations of the cost by year resulting from storm damage. Explain the method and basis for estimates.

8. For the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY, submit schedules showing, by applicable industry's USoA, the claimed expenses incurred in the following expense categories:

- a. Miscellaneous general expenses;
- b. Outside service expenses;
- c. Regulatory commission expenses;
- d. Advertising expenses broken down by category for claimed amounts, including but not limited to advertising engaged in by trade associations whenever the public utility has claimed a contribution to the trade association as a ratemaking claim. Explain the basis for recovery;
- e. Research and development expenses, showing a list of major projects;
- f. Charitable and civic contributions, by recipient and amount, showing types of social and service organization memberships paid for, the cost

thereof, the accounting and tax treatment, and whether included in above-the-line claimed expenses. Explain the basis for recovery; and  
g. Lobbying expenses, including but not limited to amounts that are a portion of membership dues. Explain the basis for recovery.

9. For the HTY, the FTY and the FPFTY, provide a schedule showing insurance expense (other than employee benefits) for each type of insurance coverage. Include:

- a. A statement as to whether the public utility is self-insured or third-party insured;
- b. Amounts of any reserves for claims; and
- ~~c. Explanation of the extent to which employees contribute to such coverage; and~~
- d. Explanation of how insurance expense claims in the FPFTY are calculated.

10. For the HTY, the FTY and the FPFTY, show the amounts paid or claimed for industry or professional organizations' membership expenses. Include a description of each payee organization and its purpose.

11. Submit costs claimed for recovery in the ~~FTY FPFTY~~ associated with cancelled construction projects or obsolete inventory. Separately identify:

- a. Projects (including employee costs broken down by payroll and benefits) or inventory;
- b. All other expense categories; and
- c. Related amounts and explain the reason for the cancellation or obsolescence.

## **J. Payroll, Employee Benefits and Retiree Costs**

1. Provide the following information for employee counts for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY:

- a. Actual and projected month-end employee counts by union, nonunion and temporary employee categories; and
- b. Explanation of any material changes in employee counts.

2. Provide the following payroll expense information, by union, nonunion and temporary employee categories:

- a. Total annual payroll and overtime for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY;

b. Percentage and annual amount of payroll expense increases for the HTY, the FTY and the FPFTY. For increases not attributable to routine cost of living wage rate increases (1-3% increases) or union contracts, provide the percentage and annual amount of payroll expense increases for the two years immediately preceding the HTY;

c. Percentage and annual amount of payroll expense increases attributable to incentive plans or bonuses for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY;

d. Dates and percentages of pay increases for the two years immediately preceding the HTY in the same format for test year data provided in response to J.2.c above;

e. Document(s) or statement(s) verifying that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses) for the HTY;

f. Document(s) or statement(s) showing that the verification shown in J.2.e will be conducted for the FTY and the FPFTY. Indicating the procedures for addressing any material differences between estimated expenses and actual expenses for the FTY and the FPFTY; and

g. Copy of incentive compensation and bonus compensation plan documents.

3. Provide the following employee benefit information by union, nonunion and temporary employee categories:

a. Actual and projected expenses, by benefit type, for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY, separately identifying specific benefits and costs for executives and officers;

b. Total annual insurance premiums for each type of employee insurance coverage for the HTY, the FTY and the FPFTY, indicating whether the public utility is self-insured or third-party-insured;

c. Explanation of any projected increases in employee insurance expenses for the FTY and the FPFTY; and

d. Actual and projected total annual contributions by employees for insurance coverage for the HTY, the FTY and the FPFTY.

4. Provide capitalized percentages and amounts of payroll and employee benefit expense for the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY.

5. If deferred compensation is a part of the payroll and employee benefit expense claim, provide the actual and projected annual total of any deferred income paid to employees in the HTY, the two years immediately preceding the HTY, the FTY and the FPFTY.

6. Provide the following pension information for the HTY, the FTY and the FPFTY:

- a. Total annual pension expense claimed;
- b. Method used to develop the pension plan claim;
- c. Breakdown between capitalized and expensed pension amounts;
- d. Actual cash pension contribution amounts for the HTY and two years immediately preceding the HTY, and projected cash pension contributions for the FTY and the FPFTY;
- e. Most recent actuarial studies for the pension plan;
- f. Actuarial support, if any, for actual and projected pension cash contribution amounts for the FTY, the FPFTY and any additional future periods;
- g. Credit balance in the test year used to make the base rate claim. If not reflected in the claim, state why not;
- h. Copy of the pension funding policy;
- i. Copy of retirement plan documents; and
- j. If the pension cost figures include any unfunded pension costs, state the unfunded portion.

7. Provide for other post-employment benefits expense (OPEB) the following:

- a. Actual and projected OPEB expenses for the HTY, the FTY and the FPFTY;
- b. Explanation of the basis for the claim, for example, accrual, pay-as-you-go, some other method, or combination of bases;
- c. Most recent actuarial studies for OPEBs; and
- d. Documentation necessary to support the claimed amounts.

8. List and explain all non-recurring abnormal or extraordinary expenses related to employee costs incurred in the HTY which will not be present in the FTY or the FPFTY. List and explain all non-recurring abnormal or extraordinary expenses related to

employee costs expected to be incurred in the FTY or FPFTY which were not present in the HTY.

9. List and explain expenses related to employee costs included in the HTY, the FTY and the FPFTY which do not occur yearly but are of a nature that they do occur within an extended period of years.

### K. Depreciation

1. Provide a description of the depreciation methods used to calculate annual depreciation amounts and depreciation reserves, together with a discussion of the factors which were considered in arriving at estimates of service life and dispersion by account. Provide a comprehensive statement of any changes made in the method of depreciation since the immediately preceding base rate case ~~and explain the impact of added DSIC projects on service lives.~~

2. ~~For those property accounts for which an amortization method is employed,~~ provide a description of the amortization methods used to calculate annual amortization amounts and amortization reserves. Provide a comprehensive statement of any changes made in the method of amortization since the immediately preceding base rate case.

3. Provide an exhibit and charts depicting the original and estimated survivor curves and a table presenting the original life table plotted on the chart for each account where the retirement rate method of analysis is used.

**Commented [A3]:** This term needs to be clarified, as discussed in FirstEnergy's comments on this filing requirement.

4. Provide the surviving original cost at the HTY year-end by vintage by account and include applicable depreciation reserves and accruals. ~~Provide these calculations for plant in service as well as other categories of plant, including contributions in aid of construction and customers' advances for construction, and anticipated retirements associated with any CWIP claims, if applicable.~~

5. Provide a comparison of the calculated depreciation reserve used for ratemaking purposes compared to the book reserve by account at the end of the HTY, the FTY and the FPFTY.

6. Provide a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate and changes in annual accrual rates by account or by depreciable group:

- a. For the purposes of this current filing; and
- b. For the purposes of the immediately preceding rate increase filing prior to the current proceeding.

7. Provide a comprehensive statement of any changes made in method of depreciation and in the selection of average service lives and dispersion, ~~as a result of implementing the DSIC.~~

8. Provide a table showing the cumulative depreciated original cost by year of installation for public utility plant by asset type in service at the end of the HTY, the FTY and the FPFTY (depreciable plant only) as claimed in the measures of value. Formulate the table as follows:

- a. Column 1: Year installed;
- b. Column 2: Original cost;
- c. ~~Column 3: Accrued depreciation;~~
- d. Column 4: Depreciated original cost (which is original cost minus accrued depreciation); total this column;
- e. Column 5: Cumulative depreciated original cost, increased year by year; and
- f. Column 6: Cumulative depreciated original cost, year by year, divided by the total of column 4, shown as a percent.

9. Provide an exhibit showing, by account, the gross salvage, cost of removal, and net salvage for the HTY and the ~~two four~~ years immediately preceding the HTY.

#### L. Taxes

1. Provide a copy of the Federal Tax Returns and State Tax Returns and amended returns, including supporting schedules, for the ~~two~~ most recent ~~3~~ tax years for the public utility ~~for which returns have been filed.~~

2. Provide a schedule of Federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per book, pro forma at present rates, and pro forma at proposed rates, to include the following categories:

- a. Social Security;
- b. Unemployment;
- c. Public Utility Realty;
- d. Commission assessment;
- e. Other property;
- f. ~~Sales and use tax;~~ and
- g. Other taxes.

**Commented [A4]:** Clarification requested, as discussed in FirstEnergy's comments on this filing requirement.

3. Provide the ~~two three~~ most recently filed Pennsylvania Corporate Tax reports and any associated Pennsylvania Corporate Tax Determinations.

4. Submit a schedule showing the Gross Receipts Tax base used in computing Pennsylvania Gross Receipts Tax adjustment if applicable.

5. Submit details of calculations for taxes, other than income, where a public utility is assessed taxes for doing business in another state or on its property located in another state.

6. State amount of the debt interest used for income tax calculations and details of debt interest computations for each of the following:

- a. Actual HTY;
- b. Annualized HTY year-end;
- c. Claimed FTY year-end, using present rates and proposed rates; and
- d. Claimed FPFTY year-end, using present rates and proposed rates.

7. State amount of debt interest used for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, for each of the following:

- a. Actual HTY;
- b. Annualized HTY year-end;
- c. Claimed FTY year-end, using present rates and proposed rates; and
- d. Claimed FPFTY year-end, using present rates and proposed rates.

8. Provide the calculation of the differential, if any, that accrues to the public utility to determine compliance with 66 Pa.C.S. § 1301.1 for rate filings proposing base rates to become effective prior to January 1, 2026.~~Provide the following income tax data:~~

- ~~a. Consolidated income tax adjustments, if applicable; and~~
- ~~b. Interest for tax purposes (tax basis).~~

9. Provide a schedule showing for the last ~~two~~ three-years' income tax refunds, plus interest, net of taxes, received from the federal government due to prior year claims.

10. To account for the difference between tax depreciation and ratemaking depreciation:

- a. Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 public utility property that increases productive capacity, and accelerated depreciation rates (ADR) on property, separating between state and federal and rate used. Justify if based on the HTY.

**Commented [A5]:** See FirstEnergy's comment on this filing requirement. Interest is "synchronized" in calculating income tax expense for ratemaking purposes.

b. State whether tax depreciation is based on all rate base items claimed as of the end of the FTY, and whether it is the annual tax depreciation at the end of the FTY.

c. Reconcile any difference between the deferred tax balance as shown as a reduction to measures of value (rate base) and the deferred tax balance as shown on the balance sheet.

d. Make appropriate adjustment and projections for the FPFTY.

11. Provide a schedule showing a breakdown of the deferred income taxes by federal and state per book, pro forma, present rates, and under proposed rates.

12. Regarding Public Law No. 115-97, [known by the](#) short title the “Tax Cuts and Jobs Act of 2017” (TCJA), which became effective January 1, 2018, provide the following:

a. Explanation of the method used to return excess accumulated deferred income tax (ADIT) to ratepayers as a result of the TCJA ~~and the resulting reduced federal income tax rate~~;

b. Verification that the remaining excess ADIT balance is being subtracted from rate base in the FPFTY claim;

c. Breakdown between ADIT and excess ADIT (broken down by protected and unprotected) and explain how many years remain on the amortization; and

d. Amount of excess ADIT being flowed back to ratepayers in the HTY, the FTY and the FPFTY, indicating where this is accomplished in the base rate case filing schedules.

13. Submit a schedule showing a breakdown of accumulated investment tax credits (3%, 4%, 7%, 10%, and 11%), together with details of methods used to write-off the unamortized balances.

14. Submit a schedule showing the adjustments for taxable net income per book, including below-the-line items, and pro forma under present rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for ratemaking purposes.

15. Submit detailed calculations supporting taxable net income before federal and state income taxes where the income tax is subject to allocation due to the operations in

another state, or due to operation of other taxable utilities or non-public utility businesses, or by operating divisions or areas.

16. Submit detailed calculations ~~showing the derivation of the amortization of any adjustment made by the utility pursuant to Internal Revenue Code Section 481(a) due to a change in accounting method to reflect expenditures that are capitalized per books and treated as deductible repair expenses for federal income tax purposes. deferred income taxes for amortization of the repair allowance if such policy is followed.~~ Submit schedules for each accounting area if the public utility has more than one accounting area.

17. State the public utility's policy and practice on capitalization of repairs and maintenance. If the public utility has opted out of Treasury Regulations 1.162—1.263, submit a depreciation/amortization schedule to reflect depreciation as taken over the useful life of the asset(s).

18. ~~Provide details of the Federal Surtax Credit allocated to the Pennsylvania jurisdictional area if applicable.~~

19. Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.

20. ~~Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.~~

21. Submit the following data applicable to Pennsylvania Corporate Income Tax deferment:

- a. Amounts of straight-line depreciation and accelerated tax depreciation, indicating the difference between these categories, and explaining which category gave rise to the normalizing tax charged back to the HTY operating statement;
- b. Normalization for both federal and state income taxes; and
- c. Tax rates used to calculate tax deferment amount.

22. Provide the accelerated tax depreciation and the book depreciation used to calculate the HTY deferrals ~~in amounts segregated as follows:~~

- ~~a. Property installed prior to 1970; and~~
- ~~b. Property installed subsequent to 1969. Indicate increasing capacity additions and non-increasing capacity additions.~~

**Commented [A6]:** This filing requirement is more logically placed before No. 16, as explained in FirstEnergy's comments. "And" should be inserted between "repairs" and "maintenance," as shown.

**Commented [A7]:** Further explanation should be provided. See FirstEnergy's narrative comments on this filing requirement.

23. State whether all tax ~~effects savings~~ due to accelerated depreciation on property installed prior to 1970 have been ~~flowed-through passed through~~ to income. If not, explain why not.

24. Explain ~~whether how~~ the public utility ~~made an accounting method change to treat certain expenditures that are capitalized per books as deductible repair expenses and, if so, the first taxable year to which such change applied. Identify the amounts of per-book capital expenditures that are being deducted as repair expenses in calculating tax expense included in revenue requirement for the HTY and, as applicable, the FTY and FPFTY, handled the reduction in tax caused by the 2008 change in method for accounting for repairs in the HTY. Explain the future impact of the change in accounting method on taxable income relative to the FTY and the FPFTY.~~

25. Show any income tax loss/gain carryovers from previous years that may affect the HTY income taxes, the FTY income taxes or the FPFTY Income Taxes. Show loss or gain carryovers by years of origin and amounts remaining by years at the end of the HTY.

26. ~~State whether the public utility eliminates tax savings by the payment of actual interest on CWIP not in the rate base claim. If so, provide the following:~~

- a. Amount of construction claimed in this tax savings reduction. Explain the basis for this amount;
- b. Explanation of the manner in which the debt portion of this construction is determined for purposes of the deferral calculations;
- c. Interest rate used to calculate interest on this construction debt portion and the manner in which it is derived; and
- d. Details of calculation to determine tax savings reduction. State whether state taxes are increased to reflect the construction interest elimination.

**Commented [A8]:** Further explanation should be provided. See FirstEnergy's narrative comments on this filing requirement.

27. Provide a detailed analysis of taxes accrued per books as of year-end for the HTY and as anticipated for the FTY and the FPFTY. Provide the basis for the accrual and the amount of taxes accrued monthly.

28. ~~For the HTY as recorded on the HTY's operating statement, supply the following:~~

- a. Amount of federal income taxes actually paid;
- b. Amount of the federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation;
- c. Normalizing tax charge to federal income taxes for the 10% Job Development Credit during the test year;

**Commented [A9]:** Please refer to FirstEnergy's comment seeking clarification of this filing requirement.

- d. Amount of the credit of federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit; and
- e. Amount of the credit to federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the public utility's books.

29. ~~Provide the debit and credit in the HTY to the deferred taxes due to accelerated depreciation for federal income taxes.~~

30. Provide the debit and credit for the ~~e at~~ Job Development Credits for the HTY.

31. ~~Regarding responses to these filing requirements on income taxes paid on the HTY operating statement, reconcile data from both federal and state income taxes showing effects due to normalization, yearly write-offs of past years, income tax deferrals and normalization of investment tax and development credits.~~

**Commented [A10]:** Please refer to FirstEnergy's comment seeking clarification of what is requested.

32. With respect to determination of federal and state income taxes, provide the following:

- a. Income tax results of the annualizing and normalizing adjustments to the HTY and the FTY before any rate increase;
- b. Income taxes, annualized and normalized, for the HTY and the FTY;
- c. Income tax effect of the requested rate increase;
- d. Income taxes for the normalized and annualized test year after application of the full requested rate increase; and
- e. Projections for the FPPTY.

33. ~~In adjusting the HTY to an annualized year under present rates, explain any changes that may be due to book or tax depreciation changes and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds, or other items.~~

34. ~~State whether Section 1552 of the Internal Revenue Code (IRC) (26 U.S.C. § 1552) or 26 CFR 1.1552-1 (1983) apply to the public utility or the parent company or both. If these provisions are not applicable, state why they are not applicable. State whether the parent company has filed a consolidated income tax return for the consolidated group. Provide the following as applicable:~~

- a. ~~Statement on what option has been chosen by the consolidated group;~~

~~b. Amount of tax liability, in summary form, that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent three years for which data is available;~~

~~e. Schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return;~~

~~d. Total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members in the consolidated income tax return;~~

~~e. Most recent annual income tax return for the group;~~

~~f. Details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the most recent years for which data is available, together with a summary of the actual tax payments for those years;~~

~~g. Details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return on each of the members of the consolidated group for the three most recent years for which data is available, together with a summary of the actual tax payments for those years; and~~

~~h. Explanation of any changes in accounting method under IRC Sections 446 and 448 and the effects of such changes on the public utility's federal taxable income for the HTY, FTY and FPFTY.~~

## **M. Rate Structure, Cost of Service Allocation Study, Bill Frequency Analysis, and Special Rate Contracts**

### *1. Rate Structure*

a. Provide copies of ~~the all~~ present tariff(s) and proposed tariff(s) or tariff supplement(s).

b. Provide a redlined document showing the changes ~~to a tariff~~ between the present tariff(s) and the proposed tariff(s) or tariff supplement(s).

c. Provide a ~~summary~~ schedule showing of the individual rate effects of the proposed rates. ~~F~~ or each tariffed rate, ~~show~~ the following information for the FPFTY:

i. Rate schedule designation.

ii. At present rates:

- (a) Customers served as of end of FPFTY;
- (b) Annual sales per billing determinant;
- (c) Base rate revenues annualized at the rates in effect as of the end of adjusted for any changes in base rate application that may have occurred during the FPFTY;
- (d) Tax surcharge revenues;
- (e) Revenues received from other clauses or riders separately accounted for; and
- (f) Total of all revenues for FPFTY.

iii. At proposed rates:

- (a) Estimated number of customers whose charges for service will be increased or decreased as a result of this filing;
- (b) The increase or decrease in base rate revenues shown in annual dollar amount and the resulting percentage change;
- (c) Estimated tax surcharge revenues based on the assumption that the base rate changes proposed were in place. Annualized tax surcharge revenues under present rates and amounts rolled-into base rates;
- (d) Revenues received from other clauses or riders separately accounted for; and
- (e) The increase or decrease in total of all revenues shown in annual dollar amount change and percentage change.

iv. Provide a Supplement summary of total the-revenues summary to that shows utility revenue from all sources, including utility operating revenue (separately for sales and other operating revenue), revenue from non-jurisdictional sales, and non-utility revenue. a complete revenue statement of the public utility's business, that is, show delayed payments, other revenues, non-jurisdictional sales and revenues and all other claimed revenue items and adjustments.

v. Provide the grand total revenue requirement showing both total sales and revenues as adjusted and the various increases and decreases in rates, including percentage effects, at present and proposed rates.

## 2. Cost of Service Allocation Study.

- a. Provide a cost study allocating the claimed total cost of service, or revenue requirement, to each proposed tariff rate schedule. Tariff rate schedules may be combined for this purpose provided they are of a similar supply or end use nature. Provide a statement describing which rates were combined and the supporting explanations.
- b. Provide a comparative schedule showing the rate of return for each tariff rate schedule, customer class, and service area, if applicable, at both present rates and proposed rates. If the study considers revenue sources other than base rate revenues, provide an explanation of other revenue sources included and reasons therefor.
- c. Provide a description of the complete methodologies used in the cost of service allocation study.
- d. Provide a statement along with the necessary data showing how the rate structure is fair and equitable to all customer classes.
- e. Provide a complete description and back-up calculations for each allocation factor. Provide a description of the allocation method used, such as, peak responsibility, average and excess, or any other method.
- f. Provide a schedule of the allocated revenue requirement by customer class, and service area, if applicable, at both present rates and proposed rates.
- g. Indicate if the allocation method used for the current rate case is consistent with the [allocation method used in the](#) immediately preceding base rate case ~~study~~. Explain the impact of any changes.
- h. Provide a detailed cost analysis supporting the customer charges, showing all direct and indirect costs included.
- i. Supply the average day, the maximum day and the maximum hour deliveries to the system, adjusted for storage, for the HTY and the two years immediately preceding the HTY.
- j. Provide workpapers, analyses, comparative data or other documentation supporting the estimated maximum day and peak hour demands by customer class for the HTY, the FTY and the FPFTY.

**Commented [A11]:** See FirstEnergy's comments on this filing requirement, which notes that the request appears to be directed to NRGDCs and water utilities.

**Commented [A12]:** See FirstEnergy's comments and the preceding comment.

k. Explain the methodology used to distinguish between transmission and distribution or collection mains if applicable. For electric utilities, explain the method used to separate transmission and distribution assets. For gas utilities, explain the methodology used to identify [transmission or high-pressure] mains from distribution mains. For water utilities that maintain cost data that is shown separately for transmission and distribution mains, explain the methodology used to identify each category of mains. For wastewater utilities, explain the methodology used to separately identify collections mains and interceptor mains.

l. Provide a detailed explanation of how storage is used to meet base maximum day and maximum hour demands if applicable.

**Commented [A13]:** It appears this filing requirement is directed to water utilities that use the base/extra-capacity cost allocation method.

3. *Bill Frequency Analysis.*

a. Submit a bill frequency analysis for each tariffed rate schedule. The billing analysis may consist of the use of bill frequency distributions or individual customer billing records for the most recent annual periods available. Display all billing determinants. Apply the blocking and corresponding prices of the present rates and the proposed rates to the determinants to derive the base rate revenues under both present rates and proposed rates. Use the derived base rate revenues as the basis for measuring the annual base rate effect of the rates in question for the test year.

b. Supply a chart or tabulation of base rate bills for each rate schedule comparing the present rates to proposed rates. Show the dollar difference and the per cent increase or decrease.

4. *Special Rate Contracts.*

a. State whether the public utility has negotiated special rates not specified in the currently effective tariff.

b. Provide a listing of negotiated special rate contracts. Include a comparison of revenues for special rate contracts and under tariff rates.

**N. Long Term Infrastructure Improvement Plan and Annual Asset Optimization Plan**

1. Provide docket numbers for the most recent LTIIIP approved by the Commission as well as any pending LTIIIP filed by the public utility.

2. Provide docket numbers for AAO Plan(s) approved since the most recent approved LTIP and a copy of pending AAO Plan(s) filed by the public utility.

**Commented [A14]:** Please refer to FirstEnergy's comments on this filing requirements, which explains the Companies' request for clarification and amplification.

3. ~~Provide a schedule comparing the anticipated and experienced impact on service reliability, safety enhancements, and operational savings resulting from LTIPs and AAO Plans, such as, for example, reduced equipment failure related expenses, fewer field investigations for outages, fewer complaints.~~

#### IV. Industry-Specific Filing Requirements

##### A. WATER, WASTEWATER AND STORMWATER PUBLIC UTILITIES ONLY

1. *Private Fire Service.*

- a. Provide a breakdown of the number and size of private fire services according to the general service class of customers; and
- b. Provide a breakdown of the number and size of sprinkler systems serving municipal buildings.

2. *Public Hydrants.* List all public fire customers showing the number of public hydrants by size for each customer for the end of the HTY and projected for the FTY and the FPFTY.

3. *Base Cost per Billing Unit.* Provide a calculation of the public utility's base cost per billing unit of:

- a. Water,
- b. Wastewater, and
- c. Stormwater.

4. *Purchased water or purchased conveyance.* Furnish the name of each supplier, gallonage (estimated if not known) and expense for water purchased or wastewater or stormwater conveyance, treatment and/or disposal services purchased for the HTY and two preceding years. Provide projections for the FTY and the FPFTY.

5. *Resale.* Provide details of sales for resale, based on periods five years before and projections for five years after the FPFTY. List resale customers, units sold or projected to be sold, revenues received or projected to be received, source of units sold, contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information.

6. *Quality of Service.*

a. List violations since the completion of the immediately preceding base rate case of any provision of the Pennsylvania Safe Drinking Water Act (SDWA), 35 P.S. §§ 721.1—721.17, and 25 Pa. Code §§ 109.1—109.1413 (relating to safe drinking water); the Pennsylvania Sewage Facilities Act, 35 P.S. §§ 750.1—750.20a, and 25 Pa. Code §§ 71.1—71.83 (relating to administration of sewage facilities planning program); the Pennsylvania Clean Streams Law, 35 P.S. §§ 691.1—691.8, and 25 Pa. Code §§ 102.1—102.8 (relating to erosion and sediment control); or any rule, regulation or order, or any condition of any permit variance or exemption granted by the Pennsylvania Department of Environmental Protection (PA DEP), or its predecessor or successor.

i. Provide a copy of each public notification given regarding such violation.

ii. Provide a detailed explanation of actions taken to remedy such violation and to comply with the requirements prescribed by a variance or exemption.

iii. State whether any fines or penalties were assessed and indicate the amounts paid by the public utility.

b. List any violation since the completion of the immediately preceding base rate case of federal statutes or regulations implemented by the U.S. Environmental Protection Agency or otherwise relating to quality of service.

i. Provide a copy of each public notification given regarding such violation.

ii. Provide a detailed explanation of actions taken to remedy such violation and to comply with the requirements prescribed by a variance or exemption.

iii. State whether any fines or penalties were assessed and indicate the amounts paid by the public utility.

c. Provide information indicating whether the public utility is in compliance with SDWA provisions at 25 Pa. Code § 109.407 regarding general public notification requirements:

- i. Provide a copy of each public notification given in accordance with Section 109.407 since the immediately preceding rate proceeding.
  - ii. Provide a detailed explanation of all actions taken to remedy an acute violation and to comply with the requirements prescribed by a variance or exemption.
  - iii. State whether any fines or penalties were assessed by PA DEP and indicate the amounts paid by the public utility.
- d. Provide the most recent copies of all annual consumer confidence reports issued pursuant to SDWA Amendments of 1996 since the last rate proceeding.
- i. Provide any annual consumer confidence reports which reflect violations of State and Federal safe drinking water requirements.
  - ii. Explain how these violations were resolved.
- e. Indicate whether the public utility is in compliance with 52 Pa. Code § 65.6(d) regarding pressure surveys at regular intervals. Provide details of any non-compliance and actions to bring the public utility into compliance.
- f. Provide details on any water pressure problems lasting longer than 5 days which have occurred since the last rate proceeding in any part of the water transmission and distribution system and actions to prevent recurrences.
- g. Describe any action taken on a temporary basis and the long-term solutions developed to address any water pressure problems.
- h. Provide support to demonstrate that water or wastewater or stormwater service is being furnished on a continuous basis by supplying a summary of the public utility's records of each service interruption greater than 24 hours since the last rate proceeding.
- i. Indicate whether the public utility is in compliance with 52 Pa. Code § 65.4(b) regarding complete and current mapping of its entire distribution or collection system(s). If not in compliance, indicate what needs to be done to get into compliance and the docket numbers for any proceedings addressing non-compliance.

j. Provide a summary report demonstrating the public utility's efforts in water conservation, since the last rate proceeding, pursuant to 52 Pa. Code § 65.20.

k. Provide a discussion of the public utility's policy on tracking and responding to customer complaints. Include a copy of the policy if in written form.

l. Provide a summary report demonstrating the public utility's compliance with 52 Pa. Code § 65.3 regarding the full and prompt investigation of service or facility complaints and the recordkeeping requirements of such complaints.

m. Provide a discussion of the public utility's policy regarding meter requirements, replacements and testing. State if the public utility's procedures are in compliance with 52 Pa. Code § 65.8(b).

i. Provide meter test records as required in 52 Pa. Code § 65.8(c) for the 50 meters most recently removed from service.

ii. Provide a discussion on the public utility's policy and history of compliance with 52 Pa. Code § 65.9 regarding adjustments of bills for meter error within the last year.

iii. If not in compliance, indicate what needs to be done to get into compliance and the docket numbers for any proceedings addressing non-compliance.

7. *Cost of Service Allocation.* Provide all workpapers and supporting documentation for the fire flow requirement and duration used in the cost of service allocation study.

8. *Unaccounted-for Water.*

a. Provide a schedule that shows the amount and percentage of unaccounted-for water for each water distribution system for the HTY, the experienced portion of the FTY and two years immediately preceding the HTY.

b. Describe how the amount and percentage reported in IV.A.8.a were determined and explain any steps taken to reduce unaccounted-for water.

- c. Explain the basis for the non-revenue water reductions used in the calculation in 8.a—8.b above if applicable.
- d. Explain the impact on proposed rates.

9. *Wastewater Inflow and Infiltration.*

- a. Provide a schedule that shows the amount and percentage of inflow and infiltration for each wastewater or stormwater collection and conveyance system for the HTY, the experienced portion of the FTY and the two years immediately preceding the HTY.
- b. Describe how the amount and percentage reported in IV.A.9.b were determined and explain any steps taken to reduce inflow and infiltration.
- c. Explain the basis for the calculation in 9.a—9.b above if applicable.
- d. Explain the impact on proposed rates.

**B. NATURAL GAS PUBLIC UTILITIES**

1. *Lost and Unaccounted-for Gas.*

- a. Provide a schedule that shows the percentage of lost and unaccounted-for gas for the natural gas distribution system for the HTY and two years immediately preceding the HTY.
- b. Describe how the amount above was determined and explain any steps taken to reduce lost and unaccounted-for gas.

2. Supply an exhibit showing the gas deliveries to each customer class for the most recent 24-month period. Identify the source of the gas, such as “purchased” (pipeline), “production” (includes purchases from local producers), “storage withdrawal,” “propane/air,” and “unaccounted for.”

3. Provide, with respect to the scope of operations of the utility, a description of all property, including an explanation of the system’s operation, and plans for significant future expansion, modification or other alteration of facilities. Include the following and the like:

- a. If the public utility has multiple natural gas service areas, indicate if the service areas are integrated such that the gas supply is available to all customers.

b. Provide pertinent data regarding policy related to the addition of new consumers in the public utility's service area.

4. Explain how the public utility obtains its gas supply as follows:

- a. Explain how it stores or manufactures gas if applicable;
- b. State whether it has peak shaving facilities;
- c. Provide details of coal-gasification programs if any;
- d. Describe the potential and process for emergency purchases of gas;
- e. Provide the amount of gas in MCF supplied by various suppliers in the test year (include a copy of all contracts); and
- f. Provide the amount of gas in MCF supplied from public utility-owned wells during the HTY and projected for the FTY and FPFTY.

5. Plans for future gas supply:

- a. Supply details of anticipated gas supply from its near-term development of gas wells, if any; and
- b. Provide gas supply agreements and well development ventures and identify the parties thereto.

6. Indicate curtailments in the HTY and anticipated curtailments in the FTY and the FPFTY. Explain the reasons for the curtailments and the basis for projected the anticipated curtailments.

7. Provide current data on any FERC action or programs that may affect or tend to affect the natural gas supply to the public utility.

8. To the extent applicable, provide the annual recorded expenses by USoA for the HTY and as projected for the FTY and FPFTY by account. Identify all accounts used but not specifically listed in B.9 below.

9. Natural gas production expenses: To the extent applicable, provide the annual recorded expenses by USoA for the HTY and as projected for the FTY and FPFTY by the following accounts:

***Natural Gas Production and Gathering  
Operation***

750 Operation supervision and engineering

751 Production maps and records

752 Gas wells expenses

753 Field lines expenses  
754 Field compressor station expenses  
755 Field compressor station fuel and power  
756 Field measuring and regulating station expenses  
757 Purification expenses  
758 Gas well royalties  
759 Other expenses  
760 Rents  
Total \_\_\_\_\_

***Maintenance***

761 Maintenance supervision and engineering  
762 Maintenance of structures and improvements  
763 Maintenance of producing gas wells  
764 Maintenance of field lines  
765 Maintenance of field compressor station equipment  
766 Maintenance of field measuring and regulating station equipment  
767 Maintenance of purification equipment  
768 Maintenance of drilling and cleaning equipment  
769 Maintenance of other equipment  
Total \_\_\_\_\_

Total Natural Gas Production and Gathering \_\_\_\_\_

***Products Extraction***

***Operation***

770 Operation supervision and engineering  
771 Operation labor  
772 Gas shrinkage  
773 Fuel  
774 Power  
775 Materials  
776 Operation supplies and expenses  
777 Gas processed by others  
778 Royalties on products extracted  
779 Marketing expenses  
780 Products purchased for resale  
781 Variation in products inventory  
782 Extracted products used by the utility—Credit  
783 Rents  
Total \_\_\_\_\_

***Maintenance***

784 Maintenance supervision and engineering  
785 Maintenance of structures and improvements  
786 Maintenance of extraction and refining equipment  
787 Maintenance of pipelines  
788 Maintenance of extracted products storage equipment  
789 Maintenance of compressor equipment  
790 Maintenance of gas measuring and regulating equipment  
791 Maintenance of other equipment  
Total \_\_\_\_\_

Total Products Extraction \_\_\_\_\_

***Exploration and Development Expenses***

***Operation***

795 Delay rentals  
796 Nonproductive well drilling  
797 Abandoned leases  
798 Other exploration

Total Exploration and Development \_\_\_\_\_

***Other Gas Supply Expenses***

***Operation***

800 Natural gas well head purchases  
801 Natural gas field line purchases  
802 Natural gas gasoline plant outlet purchases  
803 Natural gas transmission line purchases  
804 Natural gas city gate purchases  
805 Other gas purchases  
806 Exchange gas  
807 Purchased gas expenses  
808 Gas withdrawn from storage—Debit  
809 Gas delivered to storage—Credit  
810 Gas used for compressor station fuel—Credit  
811 Gas used for other products extraction—Credit  
812 Gas used for other utility operations—Credit  
813 Other gas supply expenses

Total \_\_\_\_\_

Total Other Gas Supply Expenses \_\_\_\_\_

Total Production Expenses \_\_\_\_\_

***Underground Storage Expenses***

***Operation***

- 814 Operation supervision and engineering
- 815 Maps and records
- 816 Wells expenses
- 817 Lines expenses
- 818 Compressor station expenses
- 819 Compressor station fuel and power
- 820 Measuring and regulating station expenses
- 821 Purification expenses
- 822 Exploration and development
- 823 Gas losses
- 824 Other expenses
- 825 Storage wells royalties
- 826 Rents
- Total \_\_\_\_\_

***Maintenance***

- 830 Maintenance supervision and engineering
- 831 Maintenance of structures and improvements
- 832 Maintenance of reservoirs and wells
- 833 Maintenance of lines
- 834 Maintenance of compressor station equipment
- 835 Maintenance of measuring and regulating station equipment
- 836 Maintenance of purification equipment
- 837 Maintenance of other equipment
- Total \_\_\_\_\_

Total Underground Storage Expenses \_\_\_\_\_

***Other Storage Expenses***

***Operation***

- 840 Operation supervision and engineering
- 841 Operation labor and expenses
- 842 Rents
- 842.1 Fuel
- 842.2 Power
- 842.3 Gas Losses
- Total \_\_\_\_\_

***Maintenance***

- 843 Maintenance supervision and engineering
- 844 Maintenance of structures and improvements

845 Maintenance of gas holders  
846 Maintenance of purification equipment  
847 Maintenance of liquefaction equipment  
848 Maintenance of vaporizing equipment  
848.1 Maintenance of compressor equipment  
848.2 Maintenance of measuring and regulating equipment  
848.3 Maintenance of other equipment  
Total \_\_\_\_\_  
Total Other Storage Expenses \_\_\_\_\_

***Transmission Expenses***

***Operation***

850 Operation supervision and engineering  
851 System control and load dispatching  
852 Communications system expenses  
853 Compressor station labor and expenses  
854 Gas for compressor station fuel  
855 Other fuel and power for compressor stations  
856 Mains expenses  
857 Measuring and regulating station expenses  
858 Transmission and compression of gas by others  
859 Other expenses  
860 Rents  
Total \_\_\_\_\_

***Maintenance***

861 Maintenance supervision and engineering  
862 Maintenance of structures and improvements  
863 Maintenance of mains  
864 Maintenance of compressor station equipment  
865 Maintenance of measuring and regulating station equipment  
866 Maintenance of communication equipment  
867 Maintenance of other equipment  
Total \_\_\_\_\_

Total Transmission Expenses \_\_\_\_\_

**C. MANUFACTURED GAS PUBLIC UTILITIES**

Provide the annual recorded expense by accounts. Identify all accounts used but not specifically listed below.

***PRODUCTION EXPENSES—MANUFACTURED GAS PRODUCTION***

**Operation**

710 Operation supervision and engineering

**Production Labor and Expenses**

711 Steam expenses

712 Other power expenses

713 Coke oven expenses

714 Producer gas expenses

715 Water gas generating expenses

716 Oil gas generating expenses

717 Liquefied petroleum gas expenses

718 Other process production expenses

Total \_\_\_\_\_

**Gas Fuels**

719 Fuel under coke ovens

720 Producer gas fuel

721 Water gas generator fuel

722 Fuel for oil gas

723 Fuel for liquefied petroleum gas process

724 Other gas fuels

Total \_\_\_\_\_

**Gas Raw Materials**

725 Coal carbonized in coke ovens

726 Oil for water gas

727 Oil for oil gas

728 Liquefied petroleum gas

729 Raw materials for other gas processes

730 Residuals expenses

731 Residuals produced--Credit

732 Purification expenses

733 Gas mixing expenses

734 Duplicate charges--Credit

735 Miscellaneous production expenses

736 Rents

Total \_\_\_\_\_

**Maintenance**

740 Maintenance supervision and engineering

741 Maintenance of structures and improvements

742 Maintenance of production equipment

Total \_\_\_\_\_

Total Manufactured Gas Production \_\_\_\_\_

**D. STEAM PUBLIC UTILITIES**

Provide the annual recorded expense by accounts. Identify all accounts used but not specifically listed below.

***PRODUCTION EXPENSES—STEAM PRODUCTION***

***Operation***

- 700 Operation supervision and engineering
- 701 Operation labor
- 702 Boiler fuel
- 703 Miscellaneous steam expenses
- 704 Steam transferred--Credit
- Total \_\_\_\_\_

***Maintenance***

- 705 Operation supervision and engineering
- 706 Maintenance of structures and improvements
- 707 Maintenance of boiler plant equipment
- 708 Maintenance of other steam production Plant
- Total \_\_\_\_\_

Total Steam Production \_\_\_\_\_