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November 15, 2022

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

VIA E-FILING

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the Comments of Citizens' Electric Company of Lewisburg, PA, Wellsboro Electric Company and Valley Energy, Inc., regarding the above-referenced proceeding.

This filing has been served via email on the parties listed on the attached Certificate of Service. If you have any questions regarding this filing, please feel free to contact the undersigned. Thank you.

Very truly yours,

Pamela C. Polacek

By

Pamela C. Polacek

Counsel to Citizens' Electric Company of Lewisburg, PA,
 Wellsboro Electric Company and Valley Energy, Inc.

Enclosure

c: Certificate of Service

Louise Fink Smith, Assistant Counsel, Law Bureau (via email)

Melanie J. El Atieh, Assistant Counsel, Law Bureau (via email)

Erin Laudenslager, Manager, Bureau of Technical Utility Services (via email)

Karen Thorne, Regulatory Review Assistant, Law Bureau (via email)

RA-PC-FPPTY2317273E@pa.gov

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL

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Pamela C. Polacek

Pamela C. Polacek (PA ID No. 78276)

Dated this 15th day of November, 2022, in Venetia, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Use of Fully Projected Future Test Year : L-2012-2317273
52 Pa. Code Chapter 53.51-53.56a

**COMMENTS OF
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA,
WELLSBORO ELECTRIC COMPANY AND
VALLEY ENERGY, INC. TO
NOTICE OF PROPOSED RULEMAKING ORDER**

On June 17, 2021, the Pennsylvania Public Utility Commission (“Commission” or “PUC”) entered a Notice of Proposed Rulemaking Order (“NOPR”) to continue its work in adopting rules and regulations regarding the information and data to be filed in public utility rate filings when utilities use a fully projected future test year (“FPFTY”). The NOPR, as clarified, was published in the *Pennsylvania Bulletin* on October 1, 2022, with Comments due 45 days after publication.¹ Citizens’ Electric Company of Lewisburg, PA (“Citizens”), Wellsboro Electric Company (“Wellsboro”) and Valley Energy, Inc. (“Valley”) (collectively “C&T Companies”) hereby submit these Comments.

The C&T Companies are smaller PUC-regulated utilities that provide electric (Citizens’ and Wellsboro) and natural gas (Valley) service. Each of the C&T Companies serves approximately 5,500 to 7,300 customers. The C&T Companies’ service territories encompass areas in and around Lewisburg in Union County (Citizens’), Wellsboro in Tioga County (Wellsboro) and Sayre/Athens in Bradford County (Valley).

¹ 52 Pa. Bull. 6160 (Oct 1, 2022).

The stated purpose of the proposed regulations and regulatory changes contained in the NOPR is to “standardize and streamline the required filing information and data related to various ratemaking components of a public utility’s rates as based on the public utility’s claimed cost of service and proposed cost allocations to customer classes.” For public utilities, the Commission expects the “standardized and streamlined filing requirements ... to reduce the regulatory burden and costs associated with preparing and litigating general rate increase cases.”

The C&T Companies support the Commission’s goals for the NOPR. For any utility, the decision to undertake a base rate proceeding is pursued with recognition of the internal and external resources that will be needed to submit and litigate the filing. For smaller utilities where the regulatory responsibilities are shared among various members of the management team, rate cases result in substantial burdens that must be undertaken while continuing the normal day-to-day duties to provide safe and reliable service. Even under the streamlined Section 53.52 procedures, preparing a rate case and responding to initial discovery from the parties, which can easily exceed 300-500 questions, with subparts, becomes a proverbial “second job” for the personnel at the utility.

The C&T Companies also rely on outside regulatory experts and legal counsel to prepare and litigate the filing. Although those costs can be claimed in the rate case, the annual normalized rate case expense is an external cost that does not offset the increased costs of operating the system; rather, it is used to compensate third parties for their assistance in compiling and presenting the information to the Commission. In recent cases, the C&T Companies’ rate case expense claims have exceeded \$300,000, resulting in an annual normalized

amount of over \$100,000, which is 10% of the rate adjustment that can be requested under Section 53.52.²

The Commission's regulations establish three levels of filing requirements for base rate proceedings that vary according to the type of utility service and the overall revenue increase that the utility seeks. Section 53.54 applies only to small water and small wastewater public utilities. Section 53.53 applies to base rate increases in excess of \$1 million. Section 53.52 applies to all rate increase filings, including those for amounts of \$1 million or less.

Sections 53.52 and 53.53 both require the utility to submit information supporting the basic building blocks of establishing the utility's current and projected revenue requirement needs—rate of return at existing and proposed rates; rate base information, including original cost summaries; balance sheets; depreciation information; operating revenues and expenses; taxes; and, historic and projected sales to customers.³ Despite the common building blocks, the level of detail required for Section 53.53 is dramatically greater than the information required under Section 53.52.

Citizens', Wellsboro, and Valley collectively have filed seven rate cases in the last six years—Citizens' in 2016, 2019 and 2022; Wellsboro in 2016 and 2019; and Valley in 2019 and 2022. In three of those cases, the revenue requirement deficiency calculated in the initial filing exceeded \$1 million (Citizens' 2022; Wellsboro 2019; and Valley 2022). In 2019, Wellsboro petitioned for a waiver of the Section 53.53 filing requirements to enable it to seek the full

² The C&T Companies often file simultaneous rate cases and request for the proceedings to be consolidated so their rate case expenses for certain litigation activities and witnesses can be shared. In 2016, Citizens' and Wellsboro filed simultaneously; in 2019, Citizens', Wellsboro and Valley filed simultaneously; in 2022, Citizens' and Valley filed simultaneously. The rate case expense claim discussed in these Comments reflects the synergies of filing simultaneously and consolidating the proceedings.

³ One substantive difference between Sections 53.52 and 53.53 is whether a cost-of-service study is required. Citizens' and Wellsboro traditionally have submitted cost-of-service studies with the supporting information under Section 53.52. Valley has not performed a cost-of-service study and, instead, relies on an across the board allocation of the rate increase to customer classes (except for contract-based rates).

request. Wellsboro's request was denied, and Wellsboro was ordered to either: (a) submit a revised tariff supplement with rates producing \$1 million or less; or (b) submit the additional information required by Section 53.53. Due to the time and resources that would be expended to compile the additional information, Wellsboro chose to voluntarily limit the requested increase to just under \$1 million. When Citizens' and Valley filed rate cases earlier this year, they supported revenue requirement increases in excess of \$1 million; however, both chose to voluntarily limit the increase to just under \$1 million to enable the cases to proceed under Section 53.52.

When the C&T Companies voluntarily limit their rate increase to less than \$1 million in order to proceed under Section 53.52 rather than the extensively-detailed Section 53.53 requirements, our shareholders receive a return on equity that is lower than what our experts have demonstrated is necessary to produce the opportunity for a fair return. Although we may assess as part of a negotiated settlement that a rate increase of around \$1 million is fair given the variety of issues that may occur in the rate case, the cap in Section 53.53 essentially limits our ability to present a claim for our full needs to the Commission. It is not in the public interest to continually under-compensate utility shareholders for their investments in the utility systems. This also results in more frequent rate cases as higher costs (or declining sales) erode margins more quickly.

Based on our research, the current \$1 million threshold for the applicability of the more extensive filing requirements was adopted in the 1980s (or earlier) and has never been revisited. Since that time, the costs of operating utility systems have changed dramatically. The recent economic conditions have substantially increased those costs over the last three years alone. As discussed in the recent rate case, Valley analyzed a sampling of recurring material purchases in

2020, 2021 and 2022, which showed an average increase of 9.4%, with some outliers increasing as much as 178%. Attachment A is Citizens' analysis from its' recent rate case testimony of the increased costs and ordering lead times for various electric system components. Wellsboro has experienced similar increases.

In addition, to meet consumers' expectations and the Commission's regulatory requirements, utilities must invest much more heavily in system maintenance and upgrades, as well as customer service initiatives. The Commission and the Companies have appropriately emphasized activities such as storm hardening, vegetation management, natural gas line replacements and regulator stations to ensure safe and reliable service. The level of service that utilities provide in 2022 is much better than the service provided in 1980 because of those investments and technological advancements. The enhanced service results in greater system and labor costs in 2022 in comparison to 1980. Citizens', Wellsboro and Valley respectfully ask the Commission to increase the threshold as part of this rulemaking to reflect the changes since the 1980s.

As explained in the Energy Association of Pennsylvania ("EAP") Comments, it is appropriate and reasonable to modify the filing threshold for the applicability of the more stringent filing requirements. The C&T Companies support increasing the threshold from the current \$1 million to a new threshold in the range of \$3 million to \$5 million. This would reflect the general inflationary increases since the 1980s when the current threshold was adopted. Using the Bureau of Labor Statistics ("BLS") Consumer Price Index ("CPI") calculator, the \$1,000,000 threshold in January 1980 has the same buying power as \$3,800,000 in October 2022.⁴

⁴ The BLS calculator is available at the following link: https://www.bls.gov/data/inflation_calculator.htm

Increasing the threshold also is consistent with the Commission's overall goal in the rulemaking process to reduce and streamline the regulatory burdens for rate cases.

The EAP Comments and redline contain the following suggested new definition for the term "major rate increase filing":

"a proposed general rate increase that modifies the public utility's annual revenues from base rates subject to regulation under Section 1308 by more than [\$3- \$5] million."

The C&T Companies support the EAP's suggestion that the Commission adjust the preceding threshold (after opportunity for public comment) at least every five to ten years to reflect the impact of inflation on public utility industry costs. This will provide a scheduled and periodic review of how inflation is impacting the costs for small utilities that rely on Section 53.52 for rate case presentation, rather than waiting another thirty or forty years to revise the filing regulations.

Current Section 53.53 references the \$1 million threshold in multiple places. The new defined term of "major rate increase filing" can be substituted in each of those occurrences. This will make it possible to modify the threshold in the future without engaging in a wholesale revision of Section 53.53.

Finally, the C&T Companies also join in and support the additional changes suggested in the EAP's Comments and redline.

Respectfully submitted,

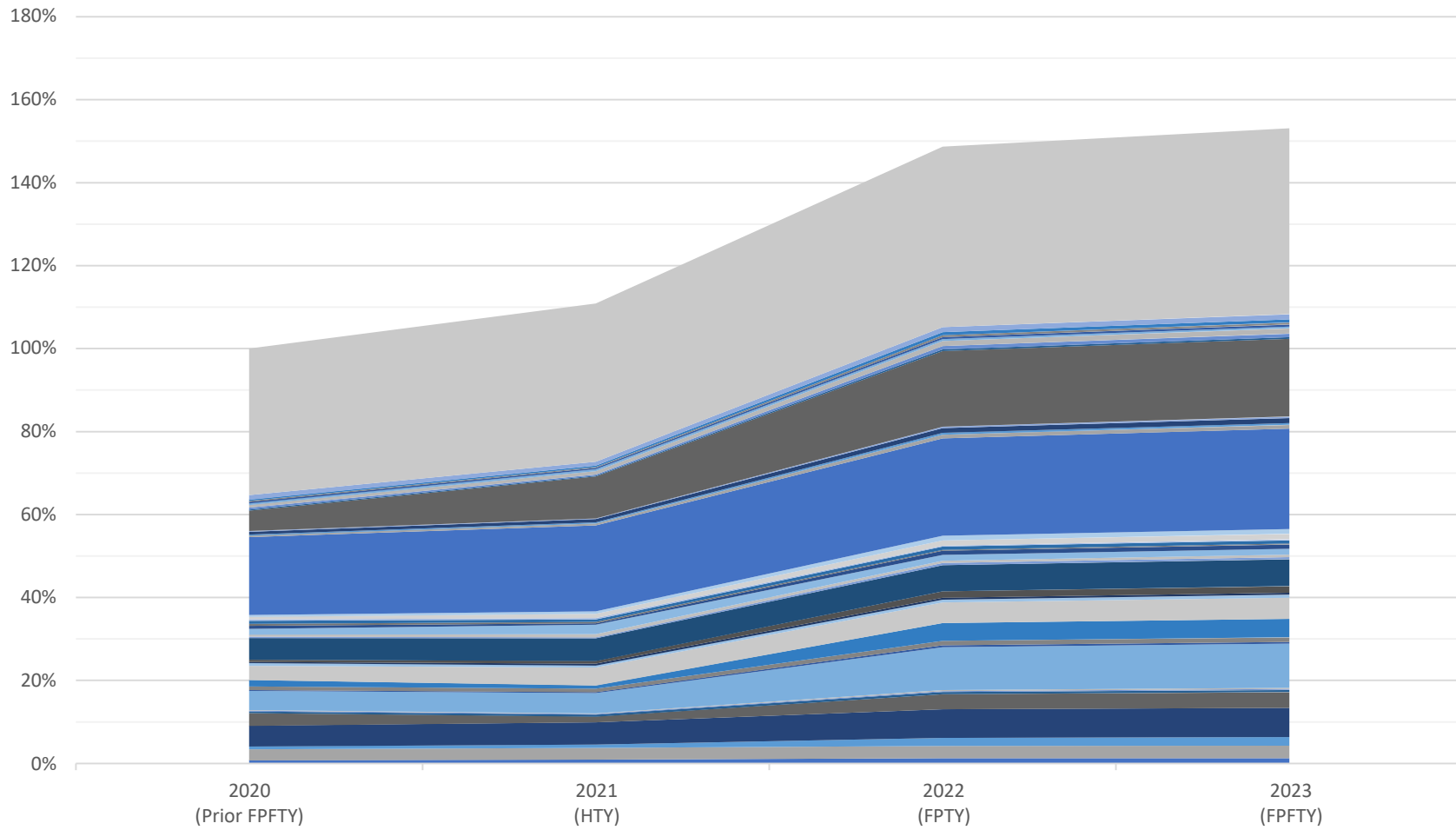
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By _____
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Counsel to Citizens' Electric Company of
Lewisburg, PA, Wellsboro Electric
Company and Valley Energy, Inc.

Date: November 15, 2022

Material Cost Increase (as % of 2020)



Representative Material Sample:

- | | | | | | | | | | | |
|----------|-----------|-----------|-----------|---------|---------|---------|------------|-------------|---------|-----------|
| ■ AN8 | ■ AROH | ■ ATC-B | ■ CO1LB | ■ DECA | ■ AT458 | ■ WC40 | ■ GRC | ■ W4/0TPXUG | ■ AT448 | ■ FCSI |
| ■ ATS474 | ■ W1/0TPX | ■ AT5586 | ■ AT283-3 | ■ ATC-Y | ■ CO1 | ■ MB12 | ■ AT403 | ■ SV | ■ AS4/2 | ■ AT283-1 |
| ■ GW | ■ AT283 | ■ AT283-5 | ■ ATC | ■ W2CIC | ■ AT411 | ■ AT466 | ■ GR | ■ GWM | ■ PVC3 | ■ AT283-4 |
| ■ SB | ■ ATC-W | ■ PI | ■ LS | ■ AT446 | ■ SB2GP | ■ SI | ■ W336ACSR | | | |

Material Item		Vendor Diversity						VENDOR COUNT:	
		5110	4679	5199	4934	4772	5183		4677
AN8	Anchor, Screw 8"		X						1
AROH	Arrestor, Overhead	X	X	X	X	X			5
ATC-B	Amp Cartridge, 69338-1, Blue	X		X					2
CO1LB	Cutout, Fused, 100 Amp, LB	X	X			X			3
DECA	Dead End Clamp Al, #2-336 ACSR	X	X	X	X				4
AT458	Ampact Tap, 600458	X		X					2
WC40	Wedge Clamp, W-40, 1/0 - 4/0		X		X	X			3
GRC	Ground Rod Clamp	X	X	X	X				4
W4/OTPXUG	Wire, 4/0 Tpx URD, "SWEETBRIER"		X		X				2
AT448	Ampact Tap, 600448			X					1
FGSI	Fbg, Guy Strain Insulator	X	X						2
ATS474	Ampact Stirrup, 600474	X							1
W1/OTPX	Wire, 1/0 Tpx, "NERITINA"	X	X			X			3
ATS586	Ampact Stirrup, 602586			X					1
AT283-3	Ampact Tap, 602283-3	X		X					2
ATC-Y	Amp Cartridge, 69338-4, Yellow	X		X					2
CO1	Cutout, Polymer/Silicone, Fused 100 Amp		X	X	X				3
MB12	Machine Bolt 5/8" x 12"		X	X	X				3
AT403	Ampact Tap, 600403	X		X					2
SV	Strand Vise, 3/8"	X			X	X			3
AS4/2	Automatic Splice For # 4 - 2 ACSR	X		X	X	X			4
AT283-1	Ampact Tap, 602283-1	X		X					2
GW	Guy Wire	X	X		X	X			4
AT283	Ampact Tap, 602283	X		X					2
AT283-5	Ampact Tap, 602283-5	X		X					2
ATC	Amp Cover, 602080, Medium	X		X					2
W2CIC	Wire, #2 CIC Primary URD /15KV		X						1
AT411	Ampact Tap, 600411	X		X					2
AT466	Ampact Tap, 600466	X		X					2
GR	Ground Rod	X		X	X				3
GWM	Ground Wire Molding	X		X					2

Material Item		Vendor ID:						VENDOR COUNT:	
		5110	4679	5199	4934	4772	5183		4677
PVC3	PVC Conduit, 3"						X	X	2
AT283-4	Ampact Tap, 602283-4			X					1
SB	Spool Bolt, Neutral		X	X					2
ATC-W	Amp Cartridge, 69338-5, White	X		X					2
PI	Pin Insulator		X						1
LS	Lag, Small - for U-Guard	X	X			X			3
AT446	Ampact Tap, 600446	X		X					2
SB2GP	Split Bolt/Bug), #2 Str. G.P.	X		X	X				3
SI	Suspension Insulator	X		X		X			3
W336ACSR	Wire, 336.4 ACSR,Bare,"LINNET"	X	X		X				3
Material Count:		29	17	27	13	9	1	1	