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February 22, 2016

## VIA HAND DELIVERY

Honorable Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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**Re: Joint Application of Pike County Light & Power Company  
and Corning Natural Gas Holding Corporation  
Docket No. A-2015-2517111, A-2015-2517036  
(Direct Testimony)**

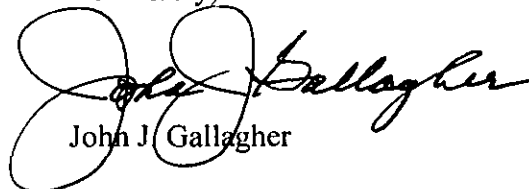
Dear Secretary Chiavetta:

On behalf of Pike County Light & Power Company, Inc. ("PCL&P"), please find enclosed an original corrected copy of the following direct testimony in the above-captioned matter:

1) PCL&P Statement No. Transfer Panel-1

Should you have any questions concerning this filing, please contact me at your convenience. Copies of this document have been served on the parties listed in the attached Certificate of Service.

Sincerely,

  
John J. Gallagher

cc: Certificate of Service

BEFORE THE PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF PIKE COUNTY :  
LIGHT & POWER COMPANY AND :  
CORNING NATURAL GAS HOLDING CORP. : DOCKET NO. A-2015-2517111  
A-2015-2517036

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DIRECT TESTIMONY  
OF  
TRANSFER PANEL  
ON BEHALF OF  
JOINT APPLICANT  
PIKE COUNTY LIGHT & POWER COMPANY

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February 19, 2016

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**PIKE COUNTY LIGHT & POWER COMPANY  
DIRECT TESTIMONY OF  
TRANSFER PANEL  
PAPUC Docket No. A-2015-2517111  
A-2015-2517036**

1 Q. Would the members of the Transfer Panel (“Panel”) please state your names and  
2 business addresses?

3 A. Francis W. Peverly, 390 West Route 59, Spring Valley, New York 10977.  
4 Kenneth A. Kosior, One Blue Hill Plaza, Pearl River, New York 10965. Kate  
5 Trischitta, 111 Broadway, New York, New York, 10006].

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

7 A. **(Peverly)** I am employed by Orange and Rockland Utilities, Inc. (“Orange and  
8 Rockland”) where I hold the position of Vice President – Operations.

9 **(Kosior)** I am employed by Orange and Rockland where I hold the position of  
10 Director – Financial Services.

11 **(Trischitta)** I am employed by Consolidated Edison Company of New York, Inc.  
12 (“Con Edison”) where I hold the position of Director, Gas Supply.

13 Q. Please explain your educational background, work experience and current general  
14 responsibilities.

15 A. **(Peverly)** I graduated from Clarkson University in 1985 with a Bachelor of  
16 Science, Industrial Distribution. In 1992, I received a Masters of Business  
17 Administration degree from Marist College. I also am a Project Management  
18 Professional.

19 As the Vice President – Operations for Orange and Rockland, I am responsible for  
20 providing administrative, operational and management leadership for the  
21 operating and engineering organizations in the company. Over my 30 years in the  
22 utility business, I have held a number of progressive management and engineering

PCLP STATEMENT NO. TP-1

1 assignments in Electric Operations, Gas Operations and Construction  
2 Management. I joined Orange and Rockland from Central Hudson Gas and  
3 Electric Corporation as an electric operations division line supervisor in 1989, and  
4 steadily rose through the ranks, serving in positions of increasing responsibility,  
5 including division engineer, general distribution supervisor, assistant manager of  
6 Gas Operations, manager of Gas Operations, and general manager of Electric  
7 Operations.

8 I then joined Con Edison as general manager, Bronx/Westchester Electric  
9 Operations. There, I was responsible for the operation, construction and  
10 maintenance of the electric distribution system, including the utility's line  
11 clearance and overhead line contract programs. I also served as general manager  
12 of Construction Management in Central Operations at Con Edison. There, I was  
13 responsible for the contract management and construction of electric, gas and  
14 steam distribution projects throughout New York City and the County of  
15 Westchester.

16 I sit on the Executive Committee of the Edison Electric Institute's ("EEI")  
17 Transmission, Distribution and Metering Committee, chair EEI's Distribution  
18 Regulation Working Group, am on the board of Directors of the Northeast Gas  
19 Association, am a member of the PJM Transmission Owner's Designated Officer  
20 Committee and sit on the National Advisory Board for Grid Engineering for  
21 Accelerated Renewable Energy Deployment.

22 **(Kosior)** I graduated from Pace University in 1976 with a Bachelor of Business  
23 Administration degree, having majored in Accounting. In June 1980, I received a

PCLP STATEMENT NO. TP-1

1 Masters of Business Administration degree from Fairleigh Dickinson University,  
2 having majored in Accounting and Finance. After graduation from Pace, I was  
3 employed by Homa Company as a staff accountant. I joined Orange and  
4 Rockland in July 1979 as an Associate Accountant advancing to Supervisor-  
5 Payroll, Supervisor & Manager-General Accounting where I had the responsibility  
6 of administering and supervising all employee related payroll records and  
7 subsequently the books and records of Orange and Rockland and its subsidiaries.  
8 In June 1989, I was promoted to Manager-Budgets and was responsible for the  
9 development and management of the operating and capital budgets. My  
10 additional duties included forecasting and analyzing the corporate financial  
11 statements. I was named Strategic Analysis Principal in October 1994 and  
12 became responsible for developing, analyzing and evaluating corporate direction  
13 and business opportunities. In June 1995, I was promoted to Director of  
14 Accounting, where I was responsible for the accounting functions of Orange and  
15 Rockland and its subsidiaries, including the consolidated financial statements. In  
16 July 1999, as a result of the merger of Con Edison and Orange and Rockland, I  
17 was appointed Director-Financial Planning and Administration, now called  
18 Financial Services, at Orange and Rockland, responsible for providing the  
19 coordination for administration, financial, budget and regulatory activities  
20 between Con Edison and Orange and Rockland. I have been a member of various  
21 accounting and finance committees of the Edison Electric Institute and the  
22 Pennsylvania Electric Association. In addition, I am a past Chairperson of the  
23 New Jersey Utilities Association Accounting and Finance Committee.

PCLP STATEMENT NO. TP-1

1           **(Trischitta)** I graduated from the State University of New York at Stonybrook  
2           with a Bachelor's of Engineering degree in Electrical Engineering. I joined Con  
3           Edison in 1993 and have held various positions in Con Edison's Gas Operations,  
4           Fuel Supply, Unregulated Retail Operations and Energy Trading. Upon  
5           completion of Con Edison's engineering intern program within Gas Operations, I  
6           joined Fuel Supply's newly formed off-system sales organization with  
7           responsibility for developing and implementing some of the company's first  
8           strategies for gas asset optimization. In my last assignment before assuming my  
9           current position, I was Managing Director of the Trading group within Con  
10          Edison Energy, an unregulated affiliate of Con Edison. My responsibilities  
11          included the oversight of electricity, gas, oil and renewable energy credit trading.  
12          In my current position as Director, Gas Supply, I am responsible for (i) gas  
13          purchasing and scheduling; (ii) gas billing and analysis and contract  
14          administration and (iii) gas transportation services and planning. I also oversee  
15          the procurement of fuel oil used in the generation of steam and electricity.

16    Q.    Have any members of the Panel previously testified before the Pennsylvania  
17          Public Utility Commission ("PAPUC" or "Commission")?

18    A.    **(Kosior)** Yes. I testified before the Commission on behalf of Pike County Light  
19          & Power Company ("PCL&P" or the "Company") in a number of base rate  
20          proceedings, most recently in PAPUC Docket Nos. R-2013-2397237 and R-2013-  
21          2397353.

22          **(Peverly)** No.

23          **(Trischitta)** No.

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**PURPOSE OF TESTIMONY**

Q. What is the purpose of your testimony in this proceeding?

A. Our testimony supports the Joint Application for All Regulatory Approvals Under the Public Utility Code of Pike County Light & Power Company, Corning Natural Gas Holding Corporation, and Orange and Rockland Utilities, Inc. (“Joint Applicants Exhibit No. 1”) filed with the PAPUC on December 4, 2015, and primarily covers the following topics:

- A summary of the transaction;
- Orange and Rockland’s reasons for selling the Company; and
- A discussion of the Electric Supply Agreement (“ESA”), Gas Supply and Gas Transportation Agreement (“GSGTA”), and the Transitional Services Agreement (“TSA”) which are included as attachments numbered 9, 10, & 11 to the Joint Applicants Exhibit No. 1, particularly as to the services to be provided by Orange and Rockland to PCL&P and the pricing of such services.

**Background**

Q. Please describe PCL&P and its relationship with Orange and Rockland.

A. PCL&P is a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania and is subject to regulation by the Commission. PCL&P furnishes electric distribution and provider of last resort services to

PCLP STATEMENT NO. TP-1

1 approximately 4,500 customers in a certificated service territory which includes  
2 the Boroughs of Milford and Westfall, in northeastern Pennsylvania. PCL&P also  
3 is engaged in the retail distribution and sale of natural gas for residential,  
4 commercial and industrial purposes within the Commonwealth of Pennsylvania.  
5 PCL&P serves approximately 1,200 residential and commercial gas customers in  
6 Pike County, Pennsylvania.

7 PCL&P is a wholly owned subsidiary of Orange and Rockland, a corporation  
8 organized and existing under the laws of the State of New York, with a principal  
9 business office located at One Blue Hill Plaza, Pearl River, New York 10965.  
10 Orange and Rockland with its two wholly-owned subsidiaries, PCL&P and  
11 Rockland Electric Company (“RECO”), a New Jersey public utility, jointly  
12 operate a single fully integrated electric production and transmission system  
13 serving parts of Pennsylvania, New Jersey and New York.

14 Orange and Rockland, along with PCL&P and the portions of RECO, is a member  
15 of the New York Independent System Operator (“NYISO”). Orange and  
16 Rockland’s NYISO operations are subject to the regulatory jurisdiction of the  
17 Federal Energy Regulatory Commission (“FERC”). Orange and Rockland  
18 provides electric and natural gas utility services in Rockland, Orange and Sullivan  
19 Counties in New York State. Orange and Rockland is regulated by the New York  
20 Public Service Commission.

21 Q. Does PCL&P have any operating employees?

22 A. PCL&P has no operating employees. Pursuant to a Commission-approved  
23 Affiliate Interest Agreement (“AIA”), dated as of July 1, 2014, Orange and



PCLP STATEMENT NO. TP-1

1 Rockland provides PCL&P with the facilities and workforce required to conduct  
2 the construction, maintenance and operation of PCL&P's electric distribution  
3 system, natural gas distribution system and, commercial and general and  
4 administrative operations. Pursuant to a FERC-approved Power Supply  
5 Agreement ("PSA") dated as of January 1, 1993, as amended as of May 1, 2006,  
6 Orange and Rockland sells and delivers electric supply to PCL&P. Pursuant to a  
7 FERC-approved gas tariff, dated as of November 1, 1980, Orange and Rockland  
8 sells and delivers gas supply to PCL&P.

9 **Summary of the Transaction**

- 10 Q. Please describe the proposed transaction between Orange and Rockland and  
11 Corning Natural Gas Holding Corporation ("CNGHC").
- 12 A. Pursuant to a Stock Purchase Agreement ("SPA") by and between Orange and  
13 Rockland and CNGHC, dated as of October 13, 2015, a copy of which is included  
14 as Attachment No.1 to the Joint Applicants Exhibit No. 1, Orange and Rockland  
15 will sell and CNGHC will purchase all of the issued and outstanding shares of  
16 common stock of PCL&P for a base purchase price of \$13.117 million ("Purchase  
17 Price"). The Purchase Price is subject to a closing date working capital  
18 adjustment that will not increase the Purchase Price by more than \$3 million. In  
19 addition, as part of the purchase, CNGHC will assume PCL&P's outstanding \$3.2  
20 million in bonds. Upon closing, CNGHC will directly own 100% of PCL&P.  
21 Upon closing, Orange and Rockland and PCL&P will cancel both the AIA and  
22 PSA.

PCLP STATEMENT NO. TP-1

1 Upon the closing of the proposed transaction, PCL&P will continue to exist as a  
2 corporation and operate and charge duly authorized rates and terms of service  
3 approved by this Commission as a Pennsylvania electric and gas public utility  
4 subject, to the continuing jurisdiction of the Commission and without any  
5 reduction in the Commission's existing oversight or any diminishment in the  
6 authority of the Commission over the Company. The transaction will not  
7 adversely affect service, rates, or day-to-day operations of PCL&P.

8 The proposed change in control of PCL&P will be seamless as to the Company's  
9 retail service customers. PCL&P will continue to provide retail electric and gas  
10 utility service to its customers pursuant to the ESA, GSTA and TSA agreements  
11 between PCL&P and CNGHC, which agreements will be described below in this  
12 testimony.

13 Q. Does the proposed transaction require Commission approval?

14 A. Yes. On advice of counsel, Public Utility Code Section 1102(a)(3), 66 Pa.C.S.  
15 §1102(a)(3), requires the Commission to issue a certificate of public convenience,  
16 upon application, to authorize a "public utility or an affiliated interest of a public  
17 utility" to acquire from or transfer to [any other entity by any means whatsoever]  
18 the title to, or the possession or use of, any tangible or intangible property used or  
19 useful in the public service." Moreover, CNGHC's acquisition of all of Orange  
20 and Rockland's stock in PCL&P constitutes a change in control of PCL&P that  
21 requires the Commission's approval, evidenced by the Commission's issuance of  
22 a certificate of public convenience. PCL&P, CNGHC and Orange and Rockland

PCLP STATEMENT NO. TP-1

1 also are seeking the Commission's approval of the three transitional agreements  
2 described below, *i.e.*, the ESA, the GSGTA and the TSA.

3 Q. Why is Orange and Rockland willing to sell PCL&P?

4 A. Orange and Rockland evaluates its business on a periodic basis so that it is  
5 positioned to provide its customers with the highest quality service possible. The  
6 increasingly dynamic nature of the utility industry will require Orange and  
7 Rockland to focus substantial resources on its New York as well as its New Jersey  
8 business (which is operated by Orange and Rockland's utility subsidiary, RECO),  
9 which together represent over 99 percent of its business. As a result, at the end of  
10 March 2015, Orange and Rockland initiated a process to explore the sale of its  
11 ownership of PCL&P. In October 2015, the Company announced its intent to sell  
12 PCL&P to CNGHC. The Company evaluated offers from multiple bidders and  
13 selected CHGHC. A copy of the resolutions of the Board of Directors of Orange  
14 and Rockland approving the proposed transaction is included as Attachment 15 to  
15 the Joint Applicants Exhibit No. 1.

16 **Electric Supply Agreement**

17 Q. Please describe the ESA.

18 A. In order to provide for PCL&P's transitional electric supply requirements after the  
19 closing, PCL&P and Orange and Rockland propose to enter into the ESA, a copy  
20 of which is included as Attachment 9 to the Joint Applicants Exhibit No. 1. The  
21 initial term of the ESA is 36 months. As set forth in Exhibit A to the ESA,  
22 Orange and Rockland's charge for the Electric Supply Service will be comprised  
23 of three components: (i) the Supply Cost, which reflects actually incurred NYISO

## PCLP STATEMENT NO. TP-1

1 charges, (ii) the Carrying Cost, which reflects Orange and Rockland's cost of  
2 maintaining and operating the physical infrastructure required to deliver electric  
3 supply to PCL&P, as well as the cost of credit support, and (iii) the Service Fee,  
4 which is based on Orange and Rockland's historical costs. PCL&P and Orange  
5 and Rockland have filed the ESA with FERC. Orange and Rockland also has  
6 submitted to FERC a notice to terminate the PSA effective on the closing of the  
7 sale of PCL&P to CNGHC.

### **Gas Supply and Gas Transportation Agreement**

8  
9 Q. Please describe the GSGTA.

10 A. In order to provide for PCL&P's transitional gas supply and gas transportation  
11 requirements after the closing, PCL&P and Orange and Rockland propose to enter  
12 into the GSGTA, a copy of which is included as Attachment 10 to the Joint  
13 Applicants Exhibit No. 1. The initial term of the GSGTA is 36 months. As set  
14 forth in Exhibit A to the GSGTA, Orange and Rockland's charge for Gas Supply  
15 and Transportation will be comprised of three components: (i) the Supply Cost,  
16 which reflects the interstate pipeline demand charges and delivered monthly gas  
17 commodity charges, and (ii) the Carrying Cost, which reflects Orange and  
18 Rockland's cost of maintaining and operating the physical infrastructure required  
19 to deliver gas supply to PCL&P, as well as the cost of credit support, and (iii) the  
20 Service Fee, which is based on Orange and Rockland's historical costs. Orange  
21 and Rockland and PCL&P will file the GSGTA with FERC.

### **Transitional Services Agreement**

22  
23 Q. Please describe the TSA.

PCLP STATEMENT NO. TP-1

1 A. In order that PCL&P will be able to provide various non-ESA and non-GSGTA  
2 services to its customers during the period after closing, PCL&P and Orange and  
3 Rockland propose to enter into the TSA, a copy of which is included as  
4 Attachment 11 to the Joint Applicants Exhibit No. 1. The initial term of the TSA  
5 is 12 months. The specific services to be provided, as well as the charges for such  
6 services, are set forth in Exhibit A to the TSA. Such services include:

- 7 Customer Services and Support Operations;
- 8 Field Services – Electric;
- 9 Field Services – Gas;
- 10 Emergency Response Services;
- 11 SCADA Electric and Gas System Monitoring and Reporting;
- 12 and Technology Services.

13 **No Adverse Impact Upon Retail Competition and Employees**

14 Q. Is the Commission required to consider whether the sale of PCL&P to CNGHC  
15 results in anticompetitive or discriminatory conduct?

16 A. Yes. Upon advice of counsel, under Section 2210(a)(1) of the Public Utility Code  
17 (66 Pa.C.S. §2210(a)), the Commission is required to consider whether a proposed  
18 acquisition or disposition of assets or securities of natural gas distribution  
19 companies is likely to result in anticompetitive or discriminatory conduct,  
20 including the unlawful exercise of market power. Chapter 28 of the Electricity  
21 Generation Customer Choice and Competition Act, 66 Pa.C.S. §2801 et seq., also  
22 requires the Commission, in its exercise of its authority to approve the acquisition  
23 or disposition of assets or securities of other public utilities, to consider whether

PCLP STATEMENT NO. TP-1

1 the proposed acquisition or disposition “is likely to result in anticompetitive or  
2 discriminatory conduct, including the unlawful exercise of market power, which  
3 will prevent retail electricity customers in this Commonwealth from obtaining the  
4 benefits of a properly functioning and workable competitive retail electricity  
5 market.”

6 Q. Will Orange and Rockland’s sale of PCL&P to CNGHC result in anticompetitive  
7 or discriminatory conduct?

8 A. No. Given the modest number of customers currently served by PCL&P (*i.e.*,  
9 approximately 5,700 retail electric and gas customers in total), CNGHC’s  
10 acquisition of PCL&P will not result in the unlawful exercise of market power or  
11 otherwise prevent retail electricity customers in the PCL&P service territory in  
12 particular, or Pennsylvania in general, from obtaining the benefits of a properly  
13 functioning competitive retail electricity market. The Panel would note that  
14 neither PCL&P, CNGHC, nor Orange and Rockland own electric generation. To  
15 date, PCL&P has been active in supporting and promoting retail electric  
16 competition in its service territory. As of October 1, 2015, approximately 53% of  
17 PCL&P’s customers take generation services from an Electric Generation  
18 Supplier.

19 In addition, given its small size, PCL&P is not required to implement retail gas  
20 choice in its service territory.

21 Q. Is the Commission required to consider the impact that the sale of PCL&P to  
22 CNGHC will have on PCL&P’s employees?

23 A. Yes. Upon advice of counsel, under Section 2210(a)(2) of the Public Utility Code

PCLP STATEMENT NO. TP-1

1 (66 Pa.C.S. §2210(a)(2)), the Commission is required to consider the impact that a  
2 proposed acquisition or disposition of assets or securities of natural gas  
3 distribution companies may have on the employees of the natural gas distribution  
4 company.

5 Q. Will Orange and Rockland's sale of PCL&P to CNGHC adversely affect the  
6 employees of PCL&P?

7 A. No. This requirement is not applicable to this transaction because, as noted  
8 above, PCL&P does not have any operating employees.

9 Q. Does that conclude your pre-filed direct testimony?

10 A. Yes, it does.

11

12

13

**VERIFICATION**

I, Francis W. Peverly, Vice President – Operations of Orange and Rockland Utilities, Inc., hereby state that the facts set forth in the foregoing Testimony are true and correct to the best of my knowledge, information and belief.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to sworn falsification to authorities).



Francis W. Peverly  
Vice President—Operations  
Orange and Rockland Utilities, Inc.

Date: February 19, 2016

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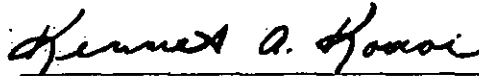
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**VERIFICATION**

I, Kenneth A. Kosior, Director – Financial Services of Orange and Rockland Utilities, Inc., hereby state that the facts set forth in the foregoing Testimony are true and correct to the best of my knowledge, information and belief.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to sworn falsification to authorities).



Kenneth A. Kosior  
Director – Financial Services  
Orange and Rockland Utilities, Inc.

Date: February 19, 2016

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below, in the manner indicated below, and in accordance with the requirements of § 1.54 (relating to service by a party).

**VIA HAND DELIVERY**

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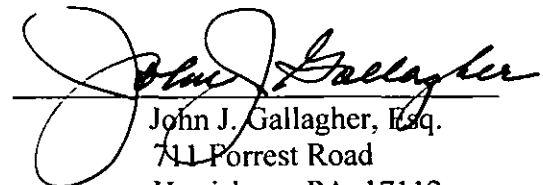
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Dated: February 22, 2016

  
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Counsel for Pike County  
Light & Power Company

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*Honorable Rosemary Chiavetta  
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