

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 24, 2016

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Pa. Public Utility Commission  
v.  
Citizens' Electric Company of Lewisburg, PA  
Wellsboro Electric Company  
Docket Nos. R-2016-2531550  
R-2016-2531551

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Prehearing Memorandum in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Reilly S. Noetzel  
Reilly S. Noetzel  
Assistant Consumer Advocate  
PA Attorney I.D. # 322551

Attachment

cc: Honorable Joel Cheskis, ALJ  
Honorable Andrew M. Calvelli, ALJ  
Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2016-2531550
	:	
Citizens' Electric Company of Lewisburg	:	
	:	
Pennsylvania Public Utility Commission	:	
	:	
v.	:	R-2016-2531551
	:	
Wellsboro Electric Company	:	

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PREHEARING MEMORANDUM  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Pursuant to Section 333 of the Public Utility Code, 66 Pa.C.S. §333, and the Prehearing Conference Order dated October 13, 2016, of Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli (ALJs), the Office of Consumer Advocate (OCA) provides the following information:

**I. INTRODUCTION**

On August 31, 2016, the Citizens' Electric Company of Lewisburg, Pa. filed Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 14 at Docket No. R-2016-253-1550 (Supplement No. 110), with an effective date of October 30, 2016. Citizens' proposes an overall distribution rate increase of \$592,000 per year, or a distribution base rate increase of 12.8%. Additionally, the Company proposes to increase the residential fixed monthly charge from \$8.00 to \$13.00.

Also on August 31, 2016, the Wellsboro Electric Company filed Supplement No. 102 to Tariff Electric – Pa. P.U.C. No. 8 at Docket No. R-2016-253-1551 (Supplement No. 102), with an effective date of October 30, 2016. The Company proposes an overall distribution rate increase of \$1,000,000 per year, or a distribution base rate increase of 21.3%. Wellsboro also proposes to increase the residential fixed monthly charge from \$9.75 to \$15.00.

On September 14, 2016, the Office of Consumer Advocate (OCA) filed a Formal Complaint and Public Statement in both cases. On September 16, 2016, the Bureau of Investigation & Enforcement (I&E) filed a Notice of Appearance. On September 19, 2016, the Office of Small Business Advocate (OSBA) filed a Formal Complaint and Public Statement in both cases.

The proceeding was assigned to Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli. By Order entered October 6, 2016, the Commission suspended the implementation of Supplement Nos. 110 & 102 until May 30, 2017, and instituted an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed in Supplement Nos. 110 & 102. A prehearing conference is scheduled for October 31, 2016.

## **II. ISSUES AND SUB-ISSUES**

Based upon a preliminary analysis of Citizens' and Wellsboro's base rate filings, the Office of Consumer Advocate has compiled a list of issues that it anticipates will be included in its investigation of the Companies' requests. It is anticipated that issues in addition to those enumerated below may arise and may be pursued once the answers to the OCA's interrogatories have been received and analyzed. The OCA reserves the opportunity to present any new or unanticipated issues at such time.

The OCA has served three (3) sets of interrogatories to date. Upon submission of future interrogatories and receipt of the answers to those interrogatories, the OCA may then be able to narrow the scope of additional information requests. Once the discovery process has been completed, the OCA will file direct testimony which will set forth the specific issues that the OCA will address in this proceeding. At that time, the OCA will also be able to make and to quantify its specific recommendations.

The following sets forth the issues that the OCA anticipates it may raise at this time:

A. Rate of Return

The OCA will perform a detailed analysis of the cost of common equity claimed by the Companies. The OCA will carefully examine the Companies' methodologies and supporting data used to develop their final cost of equity claim. In particular, the OCA will review the cost of equity models and how they have been implemented. The OCA will examine the capital structures and long-term debt proposed by the Companies so as to determine if they are appropriate.

B. Rate Base/Measure of Values

The OCA will examine the reasonableness and accuracy of the projections of Citizens' and Wellsboro pertaining to the electric utility plant in service at the time relevant to this proceeding including, but not limited to, whether the projected rate year plant will be completed as claimed and whether retirements are accurately reflected. The OCA will review the Companies' claims for plant additions during the projected rate year to determine if the Companies have demonstrated that all such costs are (or will be) prudently incurred and whether the claimed plant is a proper reflection of that which will be in service during the rate year.

Further, the OCA will examine the Companies' use of a fully forecasted future test year in its filing and whether the Companies' use of a year-end rate balances for certain rate base items is appropriate in the context of a fully forecasted test year.

C. Revenues and Expenses

The OCA will review the reasonableness and accuracy of the Companies' projected revenues, including but not limited to, customer usage, annualized number of customers, and miscellaneous revenues adjusted for known and certain rate year changes. The OCA will examine the appropriateness, reasonableness, and accuracy of the Companies' claims for wages and benefits, rate case expenses, uncollectible accounts, pensions and OPEBs, as well as other categories of expenses. The OCA will also review the claimed allowance for depreciation to ensure that it properly reflects plant that will be in service during the rate year and that the underlying depreciation rates are reasonable.

D. Rate Structure/Cost of Service/Rate Design

The OCA will examine the Companies' Class Cost of Service Studies with particular regard to the appropriate and Commission-approved methods to allocate distribution facilities, and the proper recognition of various expenses between classes. The OCA will examine the Companies' Class Revenue responsibilities and apportionment of the revenue increases given the cost of service results, as well as recognition of other relevant factors and ratemaking principles. Also, the OCA will examine the Companies' respective proposed rate designs, including the increase to residential customer charges.

E. Other Issues

The OCA will examine the reasonableness and appropriateness of the Companies' proposed tariff changes, any relevant issues that arise as a result of the Companies' operations, and will investigate to ensure that the Companies are complying with all prior orders.

**III. WITNESSES**

The OCA intends to present the direct, rebuttal, and surrebuttal testimony, as may be necessary, of the following witnesses in this proceeding. Each witness will present testimony in written form and will also attach various exhibits, documents, and explanatory information, which will assist in the presentation of the OCA's case.

Accounting/Regulatory Policy:

Ashley E. Everette  
Office of Consumer Advocate  
555 Walnut St., Fifth Floor  
Harrisburg, PA 17101  
AEverette@paoca.org

Rate Design/Cost Allocation:

Jerome D. Mierzwa  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Suite 300  
Columbia, MD 21044  
jmierzwa@exeterassociates.com

Return on Equity/Capital Structure:

Aaron L. Rothschild  
Rothschild Financial Consulting  
15 Lake Rd  
Ridgefield, CT 06877  
aaron@rothschildfinancial.com

The OCA specifically reserves the right to call additional witnesses, as necessary. As soon as OCA has determined whether an additional witness or witnesses will be necessary for any portion of its case, the Presiding Officers and all parties of record will be notified promptly. The OCA requests that responses to all discovery requests be provided to all of its consultants.

#### **IV. EVIDENCE**

The OCA will rely on the direct, rebuttal, and surrebuttal testimony of its expert witnesses as well as the testimony of the other parties to the proceeding. The OCA will present relevant exhibits to support its own testimony, including but not limited to, materials obtained from the Companies through discovery and cross-examination. As described above, the OCA's witnesses will present testimony in the following areas: accounting and regulatory policy, rate design, and rate of return/cost allocation.

#### **V. PROCEDURAL RULES / DISCOVERY**

The OCA proposes that the following modifications to the rules of discovery be adopted:

- a. Answers to written interrogatories shall be served in-hand within ten (10) calendar days of service. Discovery and discovery-related pleadings propounded after 12:00 noon on a Friday or after 12:00 noon on any business day immediately preceding a state holiday will be deemed served on the next business day for purposes of determining the due date of the responses and responsive pleadings.
- b. Objections to interrogatories shall be communicated orally within three (3) calendar days of service of the interrogatories; unresolved objections shall be served to the ALJ in writing within five (5) days of service of the interrogatories. Objections to interrogatories served on a Friday shall be communicated orally within four (4) calendar days, and unresolved objections shall be served to the ALJ in writing within six (6) days of service of the interrogatories.
- c. Motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of the written objections.
- d. Answers to motions to dismiss objections and/or direct the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
- e. Responses to requests for document production, entry for inspection, or other purposes must be served in-hand within ten (10) calendar days.
- f. Requests for admissions will be deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.

g. Any discovery-related pleading such as objections, motions, or answers served on a Friday or the day before a holiday recognized by the Commission will be deemed to have been served on the following business day for purposes of tracking due dates.

## **VI. PUBLIC INPUT HEARINGS**

The OCA has not received any consumer requests for public input hearings to date. Due to the lack of requests for a public input hearing, the OCA will not be requesting one at this time. If timely and sufficient requests are made for a public input hearing, the OCA will address the feasibility of holding a hearing at that time.

## **VII. SERVICE ON THE OFFICE OF CONSUMER ADVOCATE**

The OCA will be represented in this case by Senior Consumer Advocate Aron J. Beatty and Assistant Consumer Advocates Amy E. Hirkakis and Reilly S. Noetzel. Two copies of all documents should be served to the OCA as follows:

Amy E. Hirkakis  
Assistant Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
Telephone: 717-783-5048  
[AHirkakis@paoca.org](mailto:AHirkakis@paoca.org)

As a courtesy, the OCA requests that any documents served electronically also be directed to Aron J. Beatty at [ABeatty@paoca.org](mailto:ABeatty@paoca.org), Reilly S. Noetzel at [RNoetzel@paoca.org](mailto:RNoetzel@paoca.org), our Legal Assistant, Rebecca Nace, at [RNace@paoca.org](mailto:RNace@paoca.org), and to the OCA witnesses identified above.



## VIII. PROPOSED SCHEDULE

The Prehearing Conference Order directed the parties to provide a proposed schedule that concludes with a reply brief due date no later than February 10, 2017. The OCA proposes the following procedural schedule in this matter:

Companies' Direct Testimony	November 4, 2016
Other Direct Testimony	December 6, 2016
Rebuttal Testimony	December 27, 2016
Surrebuttal Testimony	January 12, 2017
Rejoinder Outline	January 17, 2017 (Noon)
Hearings	January 18 & 19, 2017
Brief	February 2, 2017
Reply Brief	February 10, 2017

## IX. SETTLEMENT

The OCA will participate fully in all settlement discussions.

Respectfully Submitted,

/s/ Reilly S. Noetzel  
Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625

Amy E. Hirkis  
Assistant Consumer Advocate  
PA Attorney I.D. # 310094

Reilly S. Noetzel  
Assistant Consumer Advocate  
PA Attorney I.D. # 322551

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Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

October 24, 2016

226343

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :  
v. :  
Citizens' Electric Company of Lewisburg, PA : Docket Nos. R-2016-2531550  
Wellsboro Electric Company : R-2016-2531551

I hereby certify that I have this day served a true copy of the foregoing documents, the Office of Consumer Advocate's Prehearing Memorandum, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 24<sup>th</sup> day of October 2016.

SERVICE BY HAND DELIVERY and FIRST CLASS MAIL

Scott B. Granger, Esquire  
Bureau of Investigation & Enforcement  
400 North Street  
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Pamela C. Polacek, Esquire  
Adeolu A. Bakare, Esquire  
McNees, Wallace & Nurick, LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
*Wellsboro Electric*

Sharon Webb, Esquire  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

/s/ Reilly S. Noetzel  
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