



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 24, 2016

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

Re: Pennsylvania Public Utility Commission v.
Citizens Electric Company of Lewisburg
Docket No. R-2016-2531550

Pennsylvania Public Utility Commission v.
Wellsboro Electric Company
Docket No. R-2016-2531551

Dear Secretary Chiavetta:

Enclosed please find an original copy of the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on all active parties of record as evidenced in the attached Certificate of Service. If you have any questions, please contact me at (717) 425-7593.

Sincerely,

Scott B. Granger
Prosecutor

Bureau of Investigation and Enforcement
PA Attorney I.D. # 63641

SBG/snc
Enclosure

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

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2531550
Citizens Electric Company of Lewisburg	:	
	:	
Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2016-2531551
Wellsboro Electric Company	:	

CERTIFICATE OF SERVICE

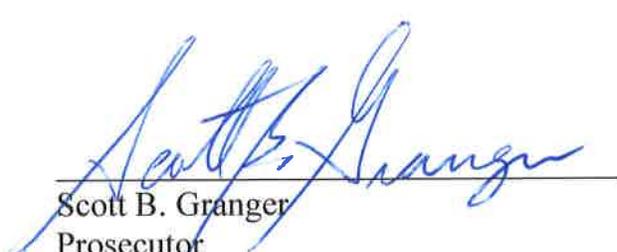
I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated October 24, 2016, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First Class Mail

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Sharon Webb, Esquire
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Aron J. Beatty, Esquire
Amy E. Hirakis, Esquire
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Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923



Scott B. Granger
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. # 63641

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	R-2016-2531550
Office of Consumer Advocate	:	C-2016-2566526
Office of Small Business Advocate	:	C-2016-2567115

v.

Citizens' Electric Company of Lewisburg, PA

Pennsylvania Public Utility Commission	:	R-2016-2531551
Office of Consumer Advocate	:	C-2016-2566522
Office of Small Business Advocate	:	C-2016-2567132

v.

Wellsboro Electric Company

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO: ADMINISTRATIVE LAW JUDGES JOEL H. CHESKIS AND ANDREW M. CALVELLI:

The Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("Commission") respectfully submits the following Prehearing Memorandum in the above-captioned consolidated proceedings.

The Bureau of Investigation and Enforcement Prosecutor in these proceedings will be Scott B. Granger. Contact information is as follows:

By mail: Scott B. Granger
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: sgranger@pa.gov
By telephone: (717) 425-7593
By fax: (717) 772-2677

I. INTRODUCTION

On August 31, 2016, Citizens' Electric Company of Lewisburg, PA ("Citizens"), filed Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 14, and Wellsboro Electric Company ("Wellsboro"), filed Supplement No. 102 to Tariff Electric – Pa. P.U.C. No. 8, both tariffs to become effective October 30, 2016, and containing proposed increases in distribution rates and other tariff changes. Citizens is seeking an overall revenue increase of \$592,000 per year, or 12.8% over present revenues, producing a 7.54% rate of return. Wellsboro is seeking an overall revenue increase of \$1,000,000 per year, or 21.3% over present revenues, producing a 7.38% rate of return.

Citizens has averred it is requesting an increase in distribution base rates due to replacing its aging distribution infrastructure, a \$6 million increase for utility plant in service, Electronic Data Interchange ("EDI") implementation, an increase in vegetation management efforts, and workforce training.

Wellsboro has averred it is requesting an increase in distribution base rates due to replacing its aging distribution infrastructure, an \$8 million increase for utility plant in

service, ongoing vegetation management, EDI implementation, and large customer facility closures.

Formal complaints were filed on both docket numbers by the Office of Consumer Advocate (“OCA”) on September 14, 2016, and by the Office of Small Business Advocate (“OSBA”) on September 19, 2016.

I&E filed its Notice of Appearance in both proceedings on September 16, 2016.

On October 6, 2016, the Commission entered an Order, pursuant to 66 Pa. C.S. §1308(d), declaring that these filings will be suspended by operation of law on October 30, 2016, until May 30, 2017, unless permitted by Commission Order to become effective at an earlier date.

A Prehearing Conference is scheduled for October 31, 2016, at 10:00 am in Hearing Room 4 of the Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120 before Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli.

II. ISSUES

The following list represents I&E’s preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Overall Rate of Return
- Cost of Long Term Debt
- Cost of Common Equity and Debt
- Capital Structure
- Capitalized Lease Obligations

- Use of Fully Projected Future Test Year
- Federal Income Tax
- State Income Tax
- Taxes Other than Income
- Rate Case Expense
- Interest Expense
- Number of Customers
- Cost of Service
- Customer Charge
- Usage Charges
- Rate Structure
- Rate Shock
- Other Tariff Charges
- Cash Working Capital
- Uncollectibles
- Pension Expense
- Electronic Data Interchange
- Payroll & Payroll Taxes
- Administrative & General Expenses
- Miscellaneous Expenses
- Plant In Service
- Depreciation Expense
- Accumulated Depreciation
- Plant Additions for Future and Fully Projected Future Test Years
- Plant Retirements and Net Salvage
- Materials and Supplies

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Anthony Spadaccio, Fixed Utility Financial Analyst
 Christopher Keller, Fixed Utility Financial Analyst
 Lisa Gumby (formerly Boyd), Fixed Utility Financial Analyst
 Jeremy Hubert, Fixed Utility Valuation Engineer
 Brenton Grab, Fixed Utility Financial Analyst

The I&E witnesses may be contacted through the information listed above for Prosecutor Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Discovery in these proceedings will be conducting according to 52 Pa. Code §§5.321 et. seq. No modifications to the rules of discovery have been proposed by I&E or the parties. Also, pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing.

VI. SCHEDULE

I&E is working with the parties to develop a schedule in this proceeding. As of this date, I&E understands that I&E and OCA have tentatively agreed to offer the following schedule for approval.

Filing	August 31, 2016
Prehearing Conference	October 31, 2016
Company Direct	November 4, 2016
Other Parties Direct	December 6, 2016
Rebuttal Testimony	December 27, 2016
Surrebuttal Testimony	January 12, 2017
Oral Rejoinder Outlines	January 17, 2017 (Noon)
Hearings (including Oral Rejoinder)	January 18 & 19, 2017
Main Brief	February 2, 2017
Reply Brief	February 10, 2017

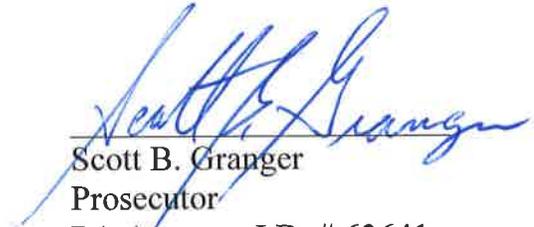
VII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VIII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Scott B. Granger
Prosecutor
PA Attorney I.D. # 63641

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: October 24, 2016