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October 24, 2016

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

VIA ELECTRONIC FILING

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

Dear Secretary Chiavetta:

Please find attached for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Prehearing Memorandum on behalf of Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company, in the above-referenced proceedings.

If you have any questions regarding the attached document, please feel free to contact the undersigned. As shown by the attached Certificate of Service, the statutory parties are being duly served with a copy of this filing. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By


Adeolu A. Bakare

Counsel to Citizens' Electric Company of Lewisburg, PA, and
Wellsboro Electric Company

c: Administrative Law Judge Joel H. Cheskis (via E-Mail and First-Class Mail)
Administrative Law Judge Andrew M. Calvelli (via E-Mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

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Adeolu A. Bakare

Counsel to Citizens' Electric Company of Lewisburg,
PA and Wellsboro Electric Company

Dated this 24th day of October, 2016, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**PREHEARING MEMORANDUM OF CITIZENS' ELECTRIC COMPANY
OF LEWISBURG, PA, AND WELLSBORO ELECTRIC COMPANY**

Citizens' Electric Company of Lewisburg, PA ("Citizens"), and Wellsboro Electric Company ("Wellsboro") (collectively, "Companies" and each individually, "Company") hereby submit this Prehearing Memorandum in anticipation of the Prehearing Conference scheduled for October 31, 2016.

I. HISTORY OF THE PROCEEDING

On August 31, 2016, Citizens' filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 110 to Tariff Electric-Pa. P.U.C. No. 14 ("Supplement No. 110"), proposing an annual increase in rates of \$592,000, and Wellsboro filed with the PUC Supplement No. 102 to Tariff Electric-Pa. P.U.C. No. 8 ("Supplement No. 102"), proposing an annual increase in rates of \$1,000,000.

The Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA") filed Formal Complaints against each Company's proposed rate increase. The Bureau of Investigation and Enforcement ("I&E") filed Notices of Appearance in each proceeding.

Pursuant to 52 Pa. Code § 5.61(d), the Companies elected not to file answers to OCA's and OSBA's Complaints.

On October 6, 2016, the Commission suspended both Citizens' and Wellsboro's proposed tariff supplements by operation of law until May 30, 2017, and instituted an investigation into the proceedings. These proceedings were referred to the Office of Administrative Law Judge, where Administrative Law Judges ("ALJ") Joel H. Cheskis and Andrew M. Calvelli were assigned to both cases, and a Prehearing Conference was scheduled for October 31, 2016.

II. SERVICE LIST

For purposes of service in the above-captioned proceedings, please direct all communications to:

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III. ANTICIPATED ISSUES AND SUB-ISSUES

In general, the Companies will address the proposed changes to their base rates as necessary to affirm that the tariff supplements set forth just and reasonable modifications that will provide each Company with an opportunity to earn a fair rate of return on its utility property. Citizens' and Wellsboro will present evidence establishing that each Company's respective rate increase request is just and reasonable, and therefore, should be granted.

To support the requested rate increases, the Companies anticipate addressing the following sub-issues:

1. Revenue Requirement – The Companies will demonstrate that the proposed rates appropriately reflect sales and revenues in the Historic, Future, and Fully-Projected Future ("FPF") Test Years.
2. Expenses – The Companies will demonstrate that they appropriately reflected and accounted for known and measurable expenses in the Historic, Future, and FPF Test Years.
3. Rate of Return – The Companies will show that the proposed rate of return reflects an appropriate capital structure, cost of debt and cost of equity, and will provide the Companies with the minimum revenues necessary to allow an opportunity to earn a fair return on utility property.
4. Rate Base – The Companies will confirm that their developed rate bases appropriately reflect the original cost of utility plant in the Historic, Future, and FPF Test Years, depreciation reserve, cash working capital, and materials and supplies.
5. Rate Structure – The Companies will support their proposed rate allocations.
6. Rate Design – The Companies will demonstrate that their proposed design changes are just, reasonable and not unduly discriminatory.

IV. PROPOSED WITNESSES

The Companies currently propose to submit the testimony of the following witnesses, who will testify on the issues as reflected below:

Eric W. Winslow, President and CEO, Citizens'; 1775 Industrial Blvd., Lewisburg, PA; (570) 522-6141 – provides a general overview of Citizens', its service territory, and its customer base. Addresses portions of the historical data, future/FPF test year expenses, and capital improvements information provided to HSG Group, Inc., for compilation and preparation of the filing. Discusses Citizens' future projected expenditures, as well as the unique circumstances faced by Citizens' as a small electric utility. Addresses Citizens' proposed tariff changes.

Craig Eccher, President and CEO, Wellsboro; 33 Austin Street, Wellsboro, PA; (570) 662-2175 – provides a general overview of Wellsboro, its service territory, and its customer base. Addresses portions of the historical data, future/FPF test year expenses, and capital improvements information provided to HSG Group, Inc., for compilation and preparation of the filing. Also addresses the customer load losses that Wellsboro is facing, as well as the unique circumstances faced by Wellsboro as a small electric utility. Discusses Wellsboro's proposed tariff changes.

Gene Cree, Treasurer, Citizens'; 1775 Industrial Blvd., Lewisburg, PA; (570) 422-6142 – responsible for Citizens' historic and test year expenses, taxes, revenues, and rate base.

Scot F. Boyce, Sr., Vice President of Finance and Administration/Treasurer, Wellsboro; 33 Austin Street, Wellsboro, PA; (570) 724-3516 – responsible for Wellsboro's historic and test year expenses, taxes, revenues, and rate base.

Charles Barnes, Chief Financial Officer, C&T Enterprises, Inc. ("C&T"); 33 Austin Street, Wellsboro, PA; (570) 724-6711 – responsible for explaining C&T's roles and procedures as the management services company, as well as discussing the history and circumstances surrounding C&T's acquisition of its three Pennsylvania-regulated operating companies (*i.e.*, Citizens', Wellsboro and Valley Energy, Inc. ("Valley")).

John Kelchner, Vice President of Engineering and Operations, Citizens'; 1775 Industrial Blvd., Lewisburg, PA; (570) 522-6143 – responsible for Citizens' capital improvement activities, vegetation management, and succession planning efforts.

V. PROPOSED SCHEDULE AND DISCOVERY RULES

The Companies will work with other parties to this proceeding in hopes of developing a mutually agreeable schedule for presentation and approval at the Prehearing Conference.

Additionally, discovery has commenced for the proceedings, with the Companies already responding to approximately 240 data requests and interrogatories, not including the numerous sub-questions. Due to the relatively small size of the Companies' staff, and the Companies' efforts to respond to discovery requests from the parties, the Companies suggest that, in lieu of any acceleration of the discovery deadlines, all parties commit in good faith to respond to each request as quickly as possible.

The Companies propose that service via electronic mail with a hard copy to follow by First-Class Mail shall constitute sufficient service to satisfy any "in-hand" dates. In addition, any discovery served after 12:00 p.m. on Friday or holidays should be considered to have been served on the following business day for purposes of calculating any responsive deadlines.

VI. OTHER PROPOSED ORDERS WITH RESPECT TO DISCOVERY

At this time, Citizens' and Wellsboro do not request any other orders with respect to discovery. The Companies reserve the opportunity, however, to request entry of an appropriate Protective Order if the need arises during the course of discovery or testimony during this matter.

VII. PUBLIC INPUT HEARINGS

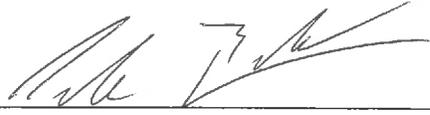
The Companies respectfully question whether public input hearings would be a cost-effective use of resources, given the minimal contact by customers to the Companies regarding the rate increase.

VIII. POSSIBILITY OF SETTLEMENT

The Companies are willing to pursue settlement discussions with the other parties to amicably resolve the issues in these proceedings, subject to the approval of the Commission. In addition, the Companies are willing to schedule informal settlement conferences as appropriate. The Companies anticipate productive discussions with the parties and will undertake reasonable efforts to fully or partially resolve these proceedings.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to Citizens' Electric Company of
Lewisburg, PA, and Wellsboro Electric Company

Dated: October 24, 2016