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February 10, 2017

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;
Docket No. R-2016-2531550**

Dear Secretary Chiavetta:

Please find attached for filing with the Pennsylvania Public Utility Commission the Joint Petition for Settlement in the above-referenced proceedings. 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

A handwritten signature in black ink, appearing to read 'A. Bakare', is written over a horizontal line.

Adeolu A. Bakare

Counsel to Citizens' Electric Company of Lewisburg, PA

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

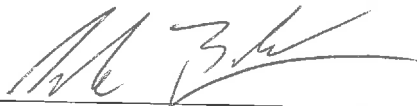
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Adeolu A. Bakare

Counsel to Citizens' Electric Company of Lewisburg, PA

Dated this 10th day of February, 2017, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

CITIZENS' ELECTRIC COMPANY OF
LEWISBURG, PA

:
:
:
:
:
:
:

Docket No. R-2016-2531550

JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

Citizens' Electric Company of Lewisburg, PA ("Citizens" or "Company"), the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("PUC" or "Commission"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") (individually, "Party," and collectively, "Parties"), submit this Joint Petition for Settlement ("Joint Petition" or "Settlement") of the above-captioned proceeding and respectfully request that Administrative Law Judges ("ALJ") Joel H. Cheskis and Andrew M. Calvelli and the Commission approve all of the terms and conditions set forth in this Settlement.¹

II. BACKGROUND

1. On February 29, 2016, Citizens', along with Wellsboro Electric Company ("Wellsboro"), jointly requested a waiver of 52 Pa. Code § 53.52(b)(2) in order to submit supporting data from a year ending more than 120 days prior to the date of the tariff filing. By Secretarial Letter dated March 10, 2016, the Commission authorized the use of audited financial

¹ Per request of the ALJs, the Joint Petition includes Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs as Appendix A.

data for the year ending December 31, 2015 if Citizens' and Wellsboro filed by September 1, 2016.

2. On August 31, 2016, Citizens' filed with the Commission proposed Supplement No. 110 to Tariff Electric - Pa. PUC No. 14 ("Supplement No. 110"), which requested an overall base rate increase of \$592,000 per year. In support of this filing, Citizens' submitted a Statement of Reasons, the supporting information required by 52 Pa. Code § 53.52(a), (b), and (c), and various other information.

3. OCA filed a Formal Complaint in this proceeding on September 14, 2016.

4. I&E filed a Notice of Appearance in this proceeding on September 16, 2016.

5. OSBA filed a Formal Complaint in this proceeding on September 19, 2016.

6. By Order entered October 6, 2016, the Commission allowed Supplement No. 110 to be suspended by operation of law until May 30, 2017 and ordered that the Company's rate increase filing be investigated. The Commission also ordered that this matter be assigned to the Office of Administrative Law Judge for scheduling of hearings. As a result, the Commission assigned this proceeding to ALJs Cheskis and Calvelli for evidentiary hearings.

7. On October 20, 2016, Citizens' submitted to the Commission a tariff suspension supplement to suspend the effectiveness of the proposed changes until May 30, 2017.

8. On October 28, 2016, Citizens' submitted to the Parties its prepared Direct Testimony, consisting of the following statements:

- Direct Testimony of Howard S. Gorman (Citizens' Statement No. 1)
- Direct Testimony of John A. Neri (Citizens' Statement No. 2)
- Direct Testimony of Charles Barnes (Citizens' Statement No. 3)
- Direct Testimony of Eric Winslow (Citizens' Statement No. 4)
- Direct Testimony of Gene Cree (Citizens' Statement No. 5)
- Direct Testimony of John Kelchner (Citizens' Statement No. 6)

9. A Prehearing Conference was held on October 31, 2016, at which time the Parties developed a litigation schedule. During that Prehearing Conference, the ALJs consolidated the Citizens' and Wellsboro rate case proceedings.

10. On December 1, 2016, OCA and I&E submitted Direct Testimony. OCA submitted the following:

- Direct Testimony of Ashley E. Everette (OCA Statement No. 1)
- Direct Testimony of Aaron L. Rothschild (OCA Statement No. 2)
- Direct Testimony of Jerome D. Mierzwa (OCA Statement No. 3)

I&E submitted the following:

- Direct Testimony of Anthony Spadaccio (I&E Statement No. 1)
- Direct Testimony of Christopher Keller (I&E Statement No. 2)
- Direct Testimony of Lisa A. Gumby (I&E Statement No. 3)
- Direct Testimony of Jeremy Hubert (I&E Statement No. 4)

OSBA did not file Direct Testimony.

11. On December 22, 2016, Citizens' and OSBA forwarded their prepared Rebuttal Testimony. Citizens' submitted the following statements:

- Rebuttal Testimony of Howard S. Gorman (Citizens' Statement No. 1-R)
- Rebuttal Testimony of John A. Neri (Citizens' Statement No. 2-R)
- Rebuttal Testimony of Eric Winslow (Citizens' Statement No. 4-R)
- Rebuttal Testimony of John Kelchner (Citizens' Statement No. 6-R)

OSBA submitted the following statement:

- Rebuttal Testimony of Brian Kalcic (OSBA Statement No. 1-R)

OCA and I&E did not file Rebuttal Testimony.

12. On January 10, 2017, Surrebuttal Testimony was presented by OCA and I&E. OCA presented the following Surrebuttal Testimony:

- Surrebuttal Testimony of Ashley E. Everette (OCA Statement No. 1-S)
- Surrebuttal Testimony of Aaron L. Rothschild (OCA Statement No. 2-S)
- Surrebuttal Testimony of Jerome D. Mierzwa (OCA Statement No. 3-S)

I&E presented the following Surrebuttal Testimony:

- Surrebuttal Testimony of Anthony Spadaccio (I&E Statement No. 1-SR)
- Surrebuttal Testimony of Christopher Keller (I&E Statement No. 2-SR)
- Surrebuttal Testimony of Lisa A. Gumby (I&E Statement No. 3-SR)
- Surrebuttal Testimony of Jeremy Hubert (I&E Statement No. 4-SR)

OSBA did not submit Surrebuttal Testimony.

13. On January 13, 2017, Citizens' presented written Rejoinder Testimony by Dr. Neri.

14. During this proceeding, numerous settlement discussions were held among the Parties. As a result of those discussions, a settlement in principle was reached among the Parties. Evidentiary hearings were held on January 18, 2017, to establish the record and to offer oral rejoinder on the issue of revenue allocation. At the hearing on January 18, 2017, Mr. Gorman provided a brief oral rejoinder testimony which applied to both Citizens' and Wellsboro. Prepared Statements and Exhibits were entered into the record by stipulation or by appearance of the witnesses.² The agreement of the parties is embodied in this Settlement.

III. TERM OF SETTLEMENT

The terms of the Settlement are as follows:

15. The Parties agree to a stipulated increase in Citizens' annual distribution base rate revenues of \$355,000, without specific identification of adjustments to the Company's original base rate increase request for \$592,000.

16. The Parties agree that Citizens' revenue requirement increase will be allocated among the Company's rate classes in accordance with the allocation methodology set forth in

² All prepared statements were entered into the record except for Mr. Neri's Rejoinder Testimony.

Attachment A to this Settlement. The distribution rates for each class are set forth in Attachment B.

17. The Parties agree the following customer charges will apply to each of the Company's rate classes:

Citizens'	Rate RS	\$11.50
	Rate GLP-1	\$14.50
	Rate GLP-3	\$52.00
	Rate SH	\$19.00

18. Attached to this Settlement as Attachment C are the proposed tariff sheets implementing the Settlement.

19. The Parties agree that Citizens' proposed modifications to its tariff rules and revised rate designs for Rates RS, GLP-1, GLP-3, and SH are accepted and shall be implemented by the Company.

20. The Parties respectfully request that the Commission approve the Settlement to enable the new rates set forth in Attachment B to take effect upon one day's notice.

21. The Company agrees to a two-year "stay out." The Company will not file a distribution base rate case within two years from the effective date of new rates established in this proceeding.

22. As of the effective date of rates in this proceeding, the Company will be eligible to include plant additions in a Distribution System Improvement Charge ("DSIC"), if approved and implemented, once eligible account balances exceed the levels projected by Citizens' at December 31, 2017. This provision is included solely for purposes of calculating a DSIC, and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in a Fully Projected Future Test Year filing.

23. Notwithstanding the language in Paragraph 22, *supra*, the Company will not file for approval of a DSIC within two years from the effective date of new rates established in this proceeding.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

24. This Settlement was achieved by the Parties after an extensive investigation of the Company's base rate filing, including formal and informal discovery and the filing of Direct Testimony, Rebuttal Testimony and Surrebuttal Testimony by certain of the Parties. The Settlement is lawful and supported by the record of this proceeding.

25. With the approval of the Settlement, the Parties and the Commission avoid the time, expense and uncertainty that would occur if the Parties were required to fully litigate the issues in this proceeding.

26. The Parties are providing support of the Settlement via Statements in Support, which are attached to the Settlement as Attachments D through G. These statements will set forth additional arguments and reasons supporting approval of this Settlement without modification as appropriate and in the public interest.

V. CONDITIONS OF SETTLEMENT

27. This Settlement is conditioned upon the Commission's approval of terms and conditions contained herein without modification. If the Commission modifies the Settlement, any Party may elect to withdraw from this Settlement and may proceed with litigation, and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon the other Parties within five (5) business days after the entry of an order modifying the Settlement.

28. The Settlement is proposed by the Parties to settle all issues in the instant proceeding and is made without any admission against, or prejudice to, any position that any Party may adopt during any subsequent litigation of this proceeding or any other proceeding.

29. If the ALJs adopt the Settlement without modification, the Parties waive their rights to file Exceptions and Reply Exceptions.

30. If the Commission does not approve the Settlement, and the proceeding continues to further hearing, the Parties reserve their respective rights to present testimony and to conduct full cross-examination, briefing and argument.

31. The Commission's approval of this Settlement shall not be construed to represent approval of any Party's position on any issue.

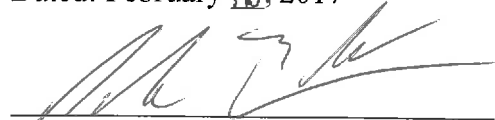
32. It is understood and agreed among the Parties that this Settlement is the result of compromises and does not necessarily represent the position(s) that would be advanced by any Party if this proceeding were fully litigated.

VI. CONCLUSION

WHEREFORE, the Parties respectfully request as follows:

1. That the ALJs and the Commission make the following findings (and any other findings and conclusions as may be required or appropriate):
 - a. Citizens' proposed base rate increase and tariff, as modified by the terms of this Settlement, are compliant with the requirements of the Pennsylvania Public Utility Code.
 - b. Approval of this Settlement is in the public interest.
 - c. The Company shall submit a compliance filing implementing the rate and tariff changes agreed to in this Settlement, to be effective upon one day's notice.
2. That the ALJs recommend and the Commission approve this Settlement including all terms and conditions thereof.
3. That the Commission enter an Order consistent with this Settlement, approving the Company's proposed rate increase and other tariff changes.

Dated: February 10, 2017



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Respectfully submitted,

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VI. CONCLUSION

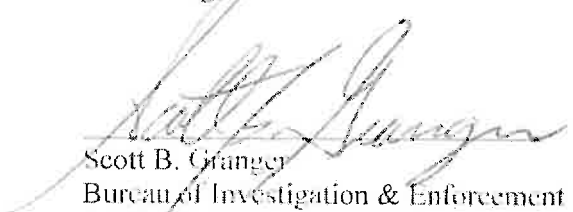
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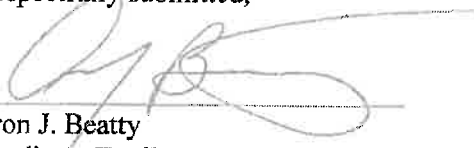
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Attachment A

Citizens Electric Company of Lewisburg
Rate Case with Fully Projected Future Test Year 2017
Proposed Revenue Allocation
Fully Projected Future Test Year 2017

Line	Account	Balance	Residential	Space Heating	GLP-1	GLP-3	MBL	Public Light.
PRESENT RATES								
1	Distribution Revenue	4,618,822	2,405,613	21,985	1,001,736	1,114,120	14,383	60,985
2	Forfeited Disc / Other Rev	71,212	40,583	403	12,745	16,780	144	557
3	Total Revenue	4,690,034	2,446,195	22,388	1,014,481	1,130,899	14,527	61,542
4	Expenses	4,037,303	2,436,302	24,144	637,372	688,233	23,879	27,372
5	Net income	652,731	(190,106)	(1,756)	377,109	442,666	(9,352)	34,170
6	Rate Base	12,073,505	7,528,382	80,189	1,934,140	2,140,028	195,159	195,606
7	Return on Rate Base	5.41%	(2.53%)	(2.19%)	19.50%	20.69%	(4.79%)	17.47%
8	Relative Return	1.00 x	(0.47) x	(0.41) x	3.61 x	3.83 x	(0.89) x	3.23 x
9								
FULLY ALLOCATED COST OF SERVICE								
11	Distribution Revenue	4,973,822	3,261,634	30,787	769,292	828,938	41,387	41,784
12	Forfeited Disc / Other Revenue	71,212	40,583	403	12,745	16,780	144	557
13	Revenue Requirement	5,045,034	3,302,217	31,190	782,037	845,718	41,532	42,341
14	Operating expenses	3,724,783	2,469,799	22,557	572,033	614,660	22,503	23,231
15	GRT	293,456	192,164	1,814	45,514	49,058	2,431	2,475
16	Income taxes	175,614	109,503	1,166	28,133	31,128	2,839	2,845
17	Net income	851,182	530,751	5,653	136,357	150,872	13,759	13,790
18	Return on Rate Base	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%
19	Revenue Increase Required	355,000	856,022	8,801	(232,444)	(285,182)	27,004	(19,201)
20	Revenue Increase %	7.57%	34.99%	39.31%	(22.91%)	(25.22%)	185.89%	(31.20%)
21								
22								
PROPOSED REVENUE ALLOCATION								
23	Distribution Revenue	4,973,822	2,747,043	25,510	1,001,736	1,114,120	18,000	67,413
24	Other Revenue	71,212	40,583	403	12,745	16,780	144	557
25	Revenue Requirement	5,045,034	2,787,626	25,913	1,014,481	1,130,899	18,144	67,970
26	Operating expenses	3,724,783	2,469,799	22,557	572,033	614,660	22,503	23,231
27	GRT	293,456	162,076	1,505	59,102	65,733	1,062	3,977
28	Income taxes	175,614	26,638	317	65,564	77,050	(927)	6,972
29	Net income	851,182	129,113	1,535	317,782	373,456	(4,494)	33,790
30	Return on Rate Base	7.05%	1.72%	1.91%	16.43%	17.45%	(2.30%)	17.27%
31	Relative Return	1.00 x	0.24 x	0.27 x	2.33 x	2.48 x	(0.33) x	2.45 x
32	Progress toward unity		48%	48%	49%	48%	30%	35%
33	Proposed Distribution Increase	355,000	341,430	3,525	0	0	3,617	6,428
34	Revenue Increase %	7.7%	14.2%	16.0%	-	-	25.1%	10.5%
35	Total Bill Revenue Increase (a)	2.0%	3.9%	4.8%	-	-	15.8%	6.7%
36	Average annual increase from 2010	0.3%	0.6%	0.7%	-	-	2.1%	0.9%
37	% of Cost of Service	100%	84%	83%	130%	134%	44%	161%
38	Subsidy given (received)	(0)	(597,114)	(6,091)	272,544	326,969	(19,903)	23,595
39	Present rates	(0)	(401,638)	(4,118)	181,425	222,584	(18,252)	20,000
40	Proposed revenue allocation		33%	32%	33%	32%	8%	15%
41	Reduction in subsidy							
42	(a) Assuming 100% default service at GSSR-1 rate as of June 1, 2016							
43	Proposed Distribution Increase - CU	542,937	557,122	5,946	(41,034)	3,080	7,445	10,378
44	Relative Increase	1.00 x	1.8 x	2.1 x	0.0 x	0.0 x	3.3 x	1.4 x
45	Percent of total increase	100%	96%	1%	-	-	1%	2%
46	Settlement Increase / CU Increase	65%	61%	59%	-	-	49%	62%

Attachment B

Citizens Electric Company of Lewisburg
Rate Case with Fully Projected Future Test Year 2017
Billing Units, Rates And Revenue At Proposed Rates
Fully Projected Future Test Year 2017

Residential	Space Heating	GLP-1	GLP-3	Municipal Boulevard Lighting	Public Lighting	Total
87,147,217	713,519	34,381,940	54,672,013	119,107	485,735	177,519,531
BILLING UNITS						
69,544	189	13,264	435	144		83,575
5,795	16	1,105	36	12		6,965

Annual Billing Units- Public Lighting and Street Lighting Historic Year 2015

Rate 1	MBL- Meter	12
Rate 2	MBL- Post	535
Rate 3	Monthly revenue	1,501
Rate 4		5,619

RATES AND CHARGES

	Tariff Rates		Count
Customer Charge	\$11.50	\$19.00	\$14.50
Energy Block 1	\$0.02234	\$0.03073	\$0.00931
Energy Block 2			\$0.00100
Reservation Chge			\$2.40
Voltage Discount			(\$0.21)
Block 1 kWh = Demand X			30
Demand Block 1			\$3.00
			\$5.20
			\$3.37
			\$2.73
			\$6.80 175MV OH Open - I
			\$13.81 100 HPS UG
			\$8.50 100 HPS OH Open
			\$16.18 100 HPS UG Colomi.
			\$20.89 400 HPS UG Cobra
			\$13.28 400 HPS OH Cobra
			311
			92
			209
			7
			5
			18
			642

COMPUTATION OF REVENUE

Customer Charge Revenue	799,751	3,583	192,322	22,630	18,012	67,423	1,103,722
Distribution kWh Revenue	1,946,869	21,926	320,096	98,603			2,387,494
Distribution Demand Revenue	0	0	489,396	992,866			1,482,261
Total Distribution Revenue	1,946,869	21,926	809,491	1,091,469	0	0	3,869,756
Total Distribution Revenue	\$2,746,620	\$25,510	\$1,001,814	\$1,114,099	\$18,012	\$67,423	\$4,973,478
Target Revenue	2,747,043	25,510	1,001,736	1,114,120	18,000	67,413	4,973,822

BILLING UNITS-DETAIL

Block 1 kWh Sales	87,147,217	713,519	15,603,379	5,299,321	119,107	485,735	109,368,278
As % of 2016			18,778,561	49,372,692			68,151,253
Demand kW			163,132	176,879			340,011
Reservation kW- monthly			2,908	2,908			2,908
Voltage Discount kW- monthly			4,233	4,233			4,233
Block 1 kWh			3,500	3,500			3,500

ATTACHMENT B

Summary Of Present And Proposed Rates
Fully Projected Future Test Year 2017

12/01/16

Line	Description	Present Rates (excl GSSR)	2016 GSSR-1	Present Rates (incl GSSR)	Proposed Rates (excl GSSR)	12/1/2016 GSSR-1	Proposed Rates (incl GSSR)	Proposed Increase (excl GSSR)	Proposed Increase (incl GSSR)	Class Change
Schedule RS- Residential Service										
1										
2	Customer Charge per Bill	\$8.00		\$8.00	\$11.50		\$11.50	43.8%		14.2%
3										
4	Energy Charge, per kWh- All	\$0.02122	\$0.081710	\$0.10293	\$0.02234	\$0.081710	\$0.10405	5.3%	1.1%	
5										
Schedule SH- Space Heating										
6	Customer Charge per Bill	\$13.25		\$13.25	\$19.00		\$19.00	43.4%		16.0%
7	Energy Charge, per kWh- All	\$0.02731	\$0.08171	\$0.10902	\$0.03073	\$0.08171	\$0.11244	12.5%	3.1%	
8										
Schedule GLP-1										
9	Customer Charge per Bill	\$13.25		\$13.25	\$14.50		\$14.50	9.4%		0.0%
10					All kWh					
11	Energy Charge, per kWh- 1st 3500	\$0.010500	\$0.081710	\$0.09221	\$0.009310	\$0.081710	\$0.09102	(11.3%)	(1.3%)	
12	Energy Charge, per kWh- Above	\$0.009200	\$0.081710	\$0.09091						
13										
14	Demand Charge, per kW-Mth- All	\$3.00		\$3.00	\$3.00		\$3.00	-	-	
15										
Schedule GLP-3										
16	Customer Charge per Bill	\$50.22		\$50.22	\$52.00		\$52.00	3.5%		0.0%
17										
18	Energy Charge, per kWh									
19	First 30 kWh X Billed Demand kW	\$0.009440	\$0.081710	\$0.0912	\$0.009290	\$0.081710	\$0.0910	(1.6%)	(0.2%)	
20	Additional kWh	\$0.001000	\$0.081710	\$0.0827	\$0.001000	\$0.081710	\$0.0827	-	-	
21										
22	Demand Charge, per kW Month									
23	All kW	\$5.20		\$5.20	\$5.20		\$5.20	-	-	

Attachment C

Supplement No. XX
to
Electric-Pa. P.U.C. No. 14

CITIZENS' ELECTRIC COMPANY OF LEWISBURG

RULES AND REGULATIONS AND RATE SCHEDULES FOR ELECTRIC SERVICE

IN

**LEWISBURG BOROUGH; BUFFALO, EAST BUFFALO AND KELLY
TOWNSHIPS, UNION COUNTY; AND WEST CHILLISQUAQUE
TOWNSHIP, NORTHUMBERLAND COUNTY, PENNSYLVANIA**

Issued XX

Effective XX

Issued by
ERIC WINSLOW, PRESIDENT
1775 Industrial Boulevard
Lewisburg, PA 17837

N O T I C E !

**THIS SUPPLEMENT MAKES {{CHANGES}} TO EXISTING
RATES, RULES AND REGULATIONS**

See Page No. 2

LIST OF CHANGES MADE IN THIS SUPPLEMENT

Supplement No. XX implements a distribution rate increase and certain other changes to Citizens' Rules and Regulations in its tariff. Specifically, Supplement No. XX:

- Page 37: Sets the "State Tax Adjustment Surcharge" to 0.00% as of XX.
- Page 41: Increases the Customer Charge and the variable distribution charge for all energy consumption.
- Page 43: Increases the Customer Charge and consolidates the energy-based charges into a single rate.
- Page 44: Increases the "Minimum Charge."
- Page 45: Increases the Customer Charge and decreases the first block charge.
- Page 46: Increases the "Minimum Charge."
- Page 47: Under "Net Monthly Distribution Rate," increases the monthly per meter charge and the monthly per light post charge.
- Page 49: Under "Net Monthly Rates," increases the distribution charges for all available lighting types.
- Page 53: Increases the Customer Charge and the energy-based charge.

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(C) Indicates Change

STATE TAX ADJUSTMENT SURCHARGE

In addition to the charges provided in this tariff, a surcharge of 0.00% will apply to all bills for service rendered on or after XX. (C)
(I) (C)

The State Tax Adjustment Surcharge will be recomputed using the elements prescribed by the Commission whenever the Company experiences a material change in any of the taxes used in calculation of the surcharge. Such recalculation will be submitted to the Commission within 10 days after the occurrence of the event which occasions such recomputation. If the recomputed surcharge is less than the one in effect the utility will, or if the recomputed surcharge is more than the one in effect the utility may, submit such recomputation a tariff or supplement to reflect such recomputed surcharge. The effective date of such tariff or supplement shall be ten days after filing. Any charges or credits in the surcharge shall be rolled into the base rates in the Company's next base rate proceeding.

(C) Indicates Change (I) Indicates Increase

**SCHEDULE RS
RESIDENTIAL SERVICE**

APPLICATION OF SCHEDULE

Service supplied in accordance with Company's Residential Service Requirements contained in Rule 31, in Company's Rules and Regulations.

NET MONTHLY DISTRIBUTION RATE

\$11.50 Customer Charge (I)
2.2340 cents per kWh for all kWh (I)

GENERATION SUPPLY RATES

For customers purchasing generation supply service from Citizens' Electric Company's Default Service, the generation charge is the GSSR-1 determined under this Tariff and will not apply to customers purchasing generation supply service from other PUC approved Electric Generation Suppliers. The GSSR-1 includes energy, capacity, transmission, ancillary services, congestion and administrative charges.

GSSR-1 = 8.171 cents per kWh

(I) Indicates Increase

**SCHEDULE GLP-1
 GENERAL LIGHT AND POWER SERVICE**

APPLICATION OF SCHEDULE

This rate schedule is for small general light and power service at secondary voltage or at a higher available voltage at the option of the Customer.

NET MONTHLY DISTRIBUTION RATE

\$14.50 Customer Charge	(I)
\$3.00 per kilowatt for all kilowatts of the Billing Demand	
0.9310 cents per kWh for all kWh	(D)
* * *	(C)

GENERATION SUPPLY RATES

For customers purchasing generation supply service from Citizens' Electric Company's Default Service, the generation charge is the GSSR-1 or the GSSR-2, and will not apply to customers purchasing generation supply service from other PUC approved Electric Generation Suppliers.

Customers with monthly billing demands under 400 kW for each of the prior 12 months will pay the GSSR-1. As set forth in the GSSR-1 Rider, the GSSR-1 rate includes projected energy, capacity, transmission, ancillary services, congestion and administrative charges.

GSSR-1 = 8.171 cents per kWh

Customers with a monthly billing demand of 400 kW or more during any month in the last 12 months will pay the GSSR-2. As set forth in the GSSR-2 Rider, the GSSR-2 rate includes the Administrative Charges defined in Rider GSSR-2 (including administrative, ancillary, and congestion charges from the wholesale supplier and administrative charges from the Company). Costs for energy, capacity and transmission (including RTEP) will be added to the Administrative Charge as set forth in the GSSR-2 Rider.

GSSR-2 Administrative Charge = 0.384 cents per kWh

(I) Indicates Increase (D) Indicates Decrease (C) Indicates Change

SCHEDULE GLP-1 (cont'd)
GENERAL LIGHT AND POWER SERVICE

MINIMUM CHARGE

\$14.50 per month, plus \$3.00 per kW times the Billing Demand, but not less than 50% of the highest Billing Demand of the preceding eleven months. (I)

BILLING DEMAND

Billing Demand is the average kilowatts supplied during the 15-minute period of maximum use during the current month, but not less than 5 kW.

Pending the installation of a demand meter, Billing Demand shall be determined by dividing the kilowatt-hour use by 200.

TAX ADJUSTMENT SURCHARGE

The Tax Adjustment Surcharge included in this Tariff is applied to all charges under this rate.

PAYMENT

The above net rates apply when bills are paid on or before the due date specified on the bill, which is not less than 20 days from the date the bill is mailed. After the due date, a late payment charge of 1.50% per month on the then unpaid and overdue balance will be added. The Company may also initiate collection procedures.

CONTRACT PERIOD

Not less than one year.

SPECIAL PROVISION

Upon application, pursuant to Act 103 of 1985, volunteer fire companies and non-profit senior citizens' center may elect to have its electric service rendered under the Residential Service (RS) Rate Schedule upon execution of a contract for a minimum term of one year.

(I) Indicates Increase

**SCHEDULE GLP-3
GENERAL LIGHT AND POWER SERVICE
50 KILOWATTS MINIMUM**

APPLICATION OF SCHEDULE

General light and power service for not less than 50 kilowatts from available lines of three phase 230 volts or at a higher available voltage at the option of the Customer.

NET MONTHLY DISTRIBUTION RATE

\$52.00 Customer Charge (I)
\$5.20 per kilowatt for all kilowatts of the Billing Demand (I)
0.9290 cents per kWh for 30 kWh per kilowatt of the Billing Demand (D)
0.1000 cents per kWh for all additional kWh

GENERATION SUPPLY RATES

For customers purchasing generation supply service from Citizens' Electric Company's Default Service, the generation charge is the GSSR-1 or the GSSR-2, and will not apply to customers purchasing generation supply service from other PUC approved Electric Generation Suppliers.

Customers with monthly billing demands under 400 kW for each of the prior 12 months will pay the GSSR-1. As set forth in the GSSR-1 Rider, the GSSR-1 rate includes projected energy, capacity, transmission, ancillary services, congestion and administrative charges.

GSSR-1 = 8.171 cents per kWh

Customers with a monthly billing demand of 400 kW or more during any month in the last 12 months will pay the GSSR-2. As set forth in the GSSR-2 Rider, the GSSR-2 rate includes the Administrative Charges defined in Rider GSSR-2 (including administrative, ancillary, and congestion charges from the wholesale supplier and administrative charges from the Company). Costs for energy, capacity and transmission (including RTEP) will be added to the Administrative Charge as set forth in the GSSR-2 Rider.

GSSR-2 Administrative Charge = 0.384 cents per kWh

(I) Indicates Increase (D) Indicates Decrease

SCHEDULE GLP-3 (cont'd)
GENERAL LIGHT AND POWER SERVICE
50 KILOWATTS MINIMUM

MINIMUM CHARGE

The monthly minimum charge is the customer charge of \$52.00, plus \$5.20 (I) (C) per kW times the minimum Billing Demand requirement of this rate schedule but not less than 50 kW.

BILLING DEMAND

Billing Demand is the average kilowatts supplied during the 15-minute period of maximum use during the current month, but not less than 50% of the highest demand during the preceding eleven months.

VOLTAGE DISCOUNT

21 cents per kilowatt of Billing Demand when service is supplied at 12,000 volts for loads over 1000 kilowatts.

TAX ADJUSTMENT SURCHARGE

The Tax Adjustment Surcharge included in this Tariff is applied to all charges under this rate.

PAYMENT

The above net rates apply when bills are paid on or before the due date specified on the bill, which is not less than 20 days from the date the bill is mailed. After the due date, a late payment charge of 1.50% per month on the then unpaid and overdue balance will be added. The Company may also initiate collection procedures.

CONTRACT PERIOD

Not less than one year.

(I) Indicates Increase (C) Indicates Change

SCHEDULE MBL
MUNICIPAL BOULEVARD STREET LIGHTING SERVICE BY CONTRACT
WITH MUNICIPAL AUTHORITIES

AVAILABILITY

This schedule applies to street lighting with incandescent lamps controlled by Company when proper underground cables and lighting standards are available in the Borough of Lewisburg, Pennsylvania.

NET MONTHLY DISTRIBUTION RATE

\$3.37 for each meter	(I)
\$2.73 for each light post connected to the meter	(I)

GENERATION SUPPLY RATES

For customers purchasing generation supply service from Citizens' Electric Company's Default Service, the generation charge is the GSSR-1 determined under this Tariff and will not apply to customers purchasing generation supply service from other PUC approved Electric Generation Suppliers. The GSSR-1 includes energy, capacity, transmission, ancillary services, congestion and administrative charges.

GSSR-1 = 8.171 cents per kWh

(I) Indicates Increase

SCHEDULE OL
OUTDOOR LIGHTING SERVICE BY CONTRACT
HIGH PRESSURE SODIUM (HPS) & MERCURY VAPOR (MV)*

APPLICATION OF SCHEDULE

Outdoor dusk to dawn lighting service to any customer when such service can be supplied from existing overhead or underground secondary supply lines.

NET MONTHLY RATES

Watts	Lamp	Nominal Lumens	Supply OH/UG	Fixture Type	Distribution	Generation***	Total Cost
100	HPS	8,500	OH	Open	\$8.50	\$3.72	\$12.22
100	HPS	8,500	UG	Open	\$13.81	\$3.72	\$17.53
100	HPS	8,500	UG	Colonial**	\$16.18	\$3.72	\$19.90
400	HPS	45,000	OH	Cobra	\$13.28	\$13.30	\$26.58
400	HPS	45,000	UG	Cobra	\$20.89	\$13.30	\$34.19
175	MV*	6,650	OH	Open	\$6.80	\$5.72	\$12.52

(I)
 |
 (I)

*As a result of the passage of the 2005 Federal Energy Policy Act, Mercury Vapor lamps are now being discontinued. Therefore, Mercury Vapor lamps are no longer being offered for new installations. The Company reserves the right to replace any existing Mercury Vapor installation with a Company approved alternative.

**Colonial HPS and MV fixtures installed prior to March 1, 2008 will be billed at the 100W HPS UG open-type fixture rate.

*** Customers' monthly generation charge will be adjusted periodically to reflect changes in the Company's GSSR-1.

Alternative EGS supply is not available under this tariff.

HOURS OF SERVICE

All lamps will be controlled with automatic controls which will operate according to the degree of darkness, approximately 4,200 hours per year. The Company will endeavor to replace burned out lamps within 2 business days after notification. There is no reduction in the bill for lamp or power outages.

STANDARD EQUIPMENT AND SERVICE

All outdoor lighting facilities will be supplied, installed, operated, owned and maintained by the Company. New equipment installed under the above rates shall be the standard equipment of the type currently approved and furnished by the Company.

Company installs up to one span of secondary not exceeding 150 feet from an existing 120 Volt secondary supply and one pole for each lamp, provided the location of the pole is accessible by a service truck for the installation and maintenance of the pole and lamp.

(I) Indicates Increase

**SCHEDULE SH
SPACE HEATING**

APPLICATION OF SCHEDULE

This rate schedule is in the process of elimination and is available only to customers and service locations supplied hereunder continuously on and after August 8, 1981. For Space Heating through a separate meter for single phase service or three phase service, if available. Use of service for air conditioning and water heating equipment may be supplied hereunder in connection with the space heating equipment, all in accordance with the requirements specified herein.

NET MONTHLY DISTRIBUTION RATE

\$19.00 Customer Charge

3.0730 cents per kWh

(I)

(I)

GENERATION SUPPLY RATES

For customers purchasing generation supply service from Citizens' Electric Company's Default Service, the generation charge is the GSSR-1 determined under this Tariff and will not apply to customers purchasing generation supply service from other PUC approved Electric Generation Suppliers. The GSSR-1 includes energy, capacity, transmission, ancillary services, congestion and administrative charges.

GSSR-1 = 8.171 cents per kWh

(I) Indicates Increase

Attachment D

2. The OCA and OSBA filed Complaints with the Commission challenging Citizens' request. In addition, I&E submitted a Notice of Appearance. As a result of the Complaints and other pleadings, the Commission assigned the filing to the Office of Administrative Law Judge ("ALJ") for settlement discussions, evidentiary hearings, and a Recommended Decision to adjudicate the request.

3. A Prehearing Conference was held in this proceeding, at which time the ALJ approved a litigation schedule. Following the Prehearing Conference, the Company also responded to multiple sets of written interrogatories providing detailed explanations of various issues related to its request. Pursuant to that schedule, the Parties submitted testimony and an evidentiary hearing was held.

4. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; see also 52 Pa. Code § 5.231. Consistent with the Commission's policy, the Parties engaged in multiple settlement meetings and exchanged settlement proposals to amicably resolve this matter. As a result of those efforts, the Parties reached an agreement in principle, which has subsequently been memorialized in the Joint Petition.

II. STATEMENT IN SUPPORT

5. The Joint Petition reflects a reasonable balance and appropriate compromise of the Parties' positions regarding the Company's clearly documented need for additional revenue. The annual revenue requirement increase of \$355,000 in the Joint Petition will be sufficient for Citizens' to continue furnishing safe and reliable service. Since Citizens' last base rate filing in 2010, Citizens' has not only incurred increased costs for materials, health care and labor, the Company has also continued to upgrade and modernize its distribution system in an effort to

maintain service and reliability. See Citizens' Statement No. 6, pp. 2-3. For example, since Citizens' 2010 rate case, Citizens' has invested an average of \$1,071,370 per year in capital improvements and expansions, including new substation equipment and distribution facilities, conductor upgrades, pole replacements and rebuilds, service extensions for new customers. See id. at 2.

6. In addition, Citizens' recently installed Electronic Data Interchange ("EDI") software, resulting in current unrecovered costs of approximately \$320,000. See Citizens' Statement No. 4-R at 12. EDI is enabling increased shopping activity in Citizens' territory by facilitating real time data connections many EGSs require. Citizens' anticipates that the revenue increase under the Settlement will facilitate recovery of investments necessary to maintain safe and reliable delivery service and encourage customer choice.

7. In addition, this amount will permit the Company, in the short term, to cope with the enhanced business and financial risks discussed by Mr. Neri that exist due to the Company's size, operational characteristics, and credit obligations. See Citizens' Statement No. 2, pp. 8-14. Although Citizens' believes that, if this proceeding were fully litigated, the Commission would find that the Company is entitled to all or a substantial portion of the \$506,338 rate increase calculated by Mr. Gorman in his Rebuttal Testimony,¹ in the interest of avoiding the expense and uncertainty of continued litigation in this matter, Citizens' has agreed to accept an increase in the amount of \$355,000. The compromise also will result in a less significant impact upon the rates charged to Citizens' customers.

8. In addition, the Settlement permits Citizens' to enhance its distribution rate design to more appropriately reflect the costs to provide electric distribution service. Specifically, the

¹ See Citizens' Statement No. 1R, p. 2.

Company will set the customer charges for Rate Schedules RS, SH, GLP-1, and GLP-3 at \$11.50, \$19.00, \$14.50, and \$52.00 per month, respectively. This will have the dual impact of providing the Company with a more steady revenue stream while also appropriately reflecting the fixed nature of the costs to provide electric distribution service.

9. Finally, the Joint Petition provides that the Company's permitted revenue increase of \$355,000 is without specific identification of adjustments to the Company's original base rate increase request for \$592,000.

IV. CONCLUSION

10. Based on all of the testimony and exhibits submitted by Citizens' and the other Parties, the Company respectfully submits that approval of the Joint Petition without modification is appropriate and in the public interest. The Joint Petition results in a base rate increase that will allow the Company to continue to provide safe and reliable electric service to its customers. In addition, the Joint Petition represents a compromise solution that adequately addresses the needs of all parties to this proceeding.

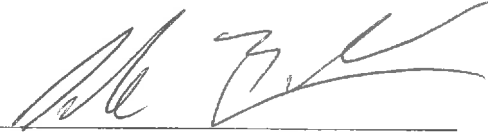
11. Further, the Joint Petition results in base rates that are just, reasonable, and non-discriminatory, while also implementing provisions that result in fair and appropriate treatment of the Company and its customers. Finally, the Joint Petition avoids the expense and uncertainty of fully litigating all of the matters in this proceeding and otherwise advances the policy of this Commission to encourage parties to resolve contested proceedings through settlement processes.

WHEREFORE, Citizens' respectfully requests that the Commission adopt the Joint Petition for Settlement without modification.

Respectfully submitted,

MCNEES WALLACE & NURICK LLC

By



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Counsel to Citizens' Electric Company of
Lewisburg, PA

Dated: February 10, 2017

Attachment E

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	:	

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT**

**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"), by and through its Prosecutor Scott B. Granger, hereby respectfully submits that the terms and conditions of the foregoing Joint Petition for Settlement in Citizens Electric ("Citizens Joint Petition" or "Settlement") and the foregoing Joint Petition for Settlement in Wellsboro Electric ("Wellsboro Joint Petition" or "Settlement"), (collectively the "Joint Petitions" or "Settlements"), are in the public

interest and represent a fair, just, and reasonable balance of the interests of Citizen's Electric Company of Lewisburg, PA ("Citizens") and its customers; and Wellsboro Electric Company ("Wellsboro") and its customers, (collectively the "Companies").

I. BACKGROUND

1. I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

2. Based upon I&E's analysis of Citizens' base rate filing and Wellsboro's base rate filing, acceptance of this proposed Settlement is in the public interest and I&E recommends that the Administrative Law Judges and the Commission approve the Settlement in its entirety.

3. On August 31, 2016, Citizens filed its Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 14, and Wellsboro filed its 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 sought an overall revenue increase of \$592,000 per year, or 12.8% over present revenues, producing a 7.54% rate of return. Wellsboro sought an overall revenue increase of \$1,000,000 per year, or 21.3% over present revenues, producing a 7.38% rate of return.

4. 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.

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

6. On October 6, 2016, the Commission entered an Order, pursuant to 66 Pa. C.S. §1308(d), suspending the filings by operation of law on October 30, 2016, until May 30, 2017 for further investigation, unless permitted by Commission Order to become effective at an earlier date.

7. A Prehearing Conference was held on October 31, 2016 in the Commonwealth Keystone Building before Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli during which the parties agreed to a schedule for the conduct of the case including the service of testimony among the parties and the dates for evidentiary hearings.

8. No Public Input Hearings were requested or held.

9. All parties undertook comprehensive discovery in this proceeding. I&E commenced discovery within the first two weeks after the filing was made and continued to conduct discovery throughout the litigation process.

10. In accordance with the procedural schedule established at the prehearing conference, I&E served to all active parties the following 12 pieces of testimony and accompanying 10 exhibits from 4 I&E witnesses addressing issues including, but not limited to, overall revenue requirement, rate of return, capital structure, cost of long-term

debt, cost of common equity, operating and maintenance expenses, charitable contributions, employee pensions and benefits, rate case expense, Pennsylvania Public Utility Realty Tax (“PURTA”), PUC assessment expense, cash working capital, rate base, use of the fully projected future test year, accumulated depreciation, annual depreciation expense, present rate revenue, forfeited discounts, cost of service, customer cost analysis, customer charges, rate structure, gradualism, and revenue allocation:

Citizens’ Electric Company

I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of I&E witness Anthony Spadaccio (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 1-SR – the Surrebuttal Testimony of I&E witness Anthony Spadaccio (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 2-SR and I&E Exhibit No. 2-SR – Surrebuttal Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony and Exhibit of I&E witness Lisa A Gumby;

I&E Statement No. 3-SR and I&E Exhibit No. 3-SR – the Surrebuttal Testimony and Exhibit of I&E witness Lisa A. Gumby;

I&E Statement No. 4 and I&E Exhibit No. 4 – the Direct Testimony and Exhibit of I&E witness Jeremy Hubert (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 4-SR – the Surrebuttal Testimony of I&E witness Jeremy Hubert (joint testimony for both Citizens and Wellsboro);

Wellsboro Electric Company

I&E Statement No. 1 and I&E Exhibit No. 1 – the Direct Testimony of I&E witness Anthony Spadaccio (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 1-SR – the Surrebuttal Testimony of I&E witness Anthony Spadaccio (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 2 and I&E Exhibit No. 2 – the Direct Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 2-SR and I&E Exhibit No. 2-SR – Surrebuttal Testimony and Exhibit of I&E witness Christopher Keller;

I&E Statement No. 3 and I&E Exhibit No. 3 – the Direct Testimony and Exhibit of I&E witness Lisa A Gumby;

I&E Statement No. 3-SR and I&E Exhibit No. 3-SR – the Surrebuttal Testimony and Exhibit of I&E witness Lisa A. Gumby;

I&E Statement No. 4 and I&E Exhibit No. 4 – the Direct Testimony and Exhibit of I&E witness Jeremy Hubert (joint testimony for both Citizens and Wellsboro);

I&E Statement No. 4-SR – the Surrebuttal Testimony of I&E witness Jeremy Hubert (joint testimony for both Citizens and Wellsboro);

11. In accordance with Commission policy favoring settlements at 52 Pa. Code § 5.231, I&E participated in multiple in-person and telephonic settlement discussions with the Companies and other parties to the proceeding. Following extensive settlement negotiations, the Companies, I&E, OCA, and OSBA (“Joint Petitioners”) reached a full black box settlement of all issues as set forth in the Joint Petitions.

II. TERMS AND CONDITIONS OF SETTLEMENT

A. General (Citizens Joint Petition ¶¶ 15-32; Wellsboro Joint Petition ¶¶ 16-33):

I&E submits that it fully supports the negotiated black box Settlements. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in

the public interest.”¹ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”² I&E believes the Settlements balance the interests of the Companies, their customers, and the Joint Petitioners in a fair and equitable manner and present resolutions for the Commission’s adoption that best serves the public interest. The Settlements protect the public interest in that a comparison of the original filing submitted by the Companies and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petitions. Accordingly, for the specific reasons articulated below, and in order to achieve the full scope of benefits addressed in the Settlements, I&E requests that the Settlements be recommended by the ALJ’s and approved by the Commission without modification.

B. Revenue Requirement – Citizens Joint Petition ¶ 15; and, Wellsboro Joint Petition ¶ 16:

1. Citizens Electric – Revenue Requirement

In the Settlement, the Joint Petitioners agree that Citizens be permitted to submit a revised tariff supplement designed to produce an annual distribution rate revenue increase of \$355,000, to become effective upon one day notice after Commission approval of the Settlement. The Joint Petitioners also agree that the Settlement as to the distribution revenue requirement for Citizens shall be a black box settlement for all issues.

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

For purposes of review, Citizens, in its as filed Tariff Supplement No. 110, requested a \$592,000 increase in distribution revenue. Citizens averred that its request was due to replacing its aging distribution infrastructure; a \$6 million increase for utility plant in service; expenses related to Electronic Data Interchange (“EDI”) implementation; an increase in vegetation management efforts; and workforce training.

2. Wellsboro Electric – Revenue Requirement

Regarding Wellsboro, the Joint Petitioners agree that Wellsboro be permitted to submit a revised tariff supplement designed to produce an annual distribution rate revenue increase of \$774,947, to become effective upon one day notice after Commission approval of the Settlement. The Joint Petitioners also agree that the Settlement as to the distribution revenue requirement for Wellsboro shall be a black box settlement for all issues.

Again, for purposes of review, Wellsboro, in its as filed Tariff Supplement No. 102, requested a \$1,000,000 increase in distribution revenue. Wellsboro averred that its request was due to replacing its aging distribution infrastructure; an \$8 million increase for utility plant in service; ongoing vegetation management; expenses related to EDI implementation; and large customer facility closures.

3. I&E Revenue Requirement Recommendations

I&E, when investigating rate base filings requesting an increase in rates and revenues, or any other general rate case brought under Section 1308³ of the Public Utility Code, considers and applies certain general principles. One of those general principles is

³ 66 Pa.C.S. § 1308.

that the Companies, as public utilities, are entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service.⁴ Another general principle is the burden of proof to establish the justness and reasonableness of every element of a public utility's proposed rate increase request rests solely upon the public utility in all proceedings filed under Section 1308 of the Public Utility Code.⁵ Additionally, it is well settled that the evidence adduced by a utility to meet this burden must be substantial.⁶ Therefore, in consideration of the general rate case principles cited above, I&E performed a full investigation and review of the Companies filings. I&E's review included extensive discovery as well as full rounds of direct, rebuttal and surrebuttal testimony from the parties.

I&E analyzed both Citizens' and Wellsboro's capital structure; cost of long-term debt; and cost of common equity.⁷ I&E established a proxy group of companies and performed separate Discounted Cash Flow ("DCF") analyses and Capital Asset Pricing Model ("CAPM") analyses for Citizens and Wellsboro.⁸

I&E performed a thorough analysis of both Citizens' and Wellsboro's claimed operating and maintenance expenses. Regarding Citizens, I&E analyzed employee pension and benefits expenses; charitable contributions; rate case expense; PURTA; PUC assessment expense; and cash working capital.⁹ Regarding Wellsboro, I&E analyzed

⁴ *Pa. Pub. Util. Comm'n v. Pennsylvania Gas and Water Co.*, 341 A.2d 239, 251 (Pa. Cmwlth. 1975). See also *Bluefield Water Works and Improvement Co. v. Public Service Comm'n of West Virginia*, 262 U.S. 679 (1923).

⁵ See 66 Pa.C.S. § 315.

⁶ *Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 409 A.2d 505, 507 (Pa. Cmwlth. 1980).

⁷ See Citizens/Wellsboro I&E Statement No. 1, pp. 12-35; I&E Statement No. 1-SR, pp. 2-12.

⁸ See Citizens/Wellsboro I&E Statement No. 1, pp. 5-35; I&E Statement No. 1-SR, pp. 2-11.

⁹ See Citizens I&E Statement No. 2, pp. 2-19; I&E Statement No. 2-SR, pp. 2-18.

safety and communications expense; office supplies expense; miscellaneous general expense; pension and other post-employment benefits; rate case expense, PURTA; regulatory Commission expense; and cash working capital.¹⁰

I&E also performed a thorough analysis of both Citizens' and Wellsboro's claimed rate base. Regarding Citizens, I&E analyzed its overall rate base claim, including its historic test year rate base; EDI software costs; future test year and fully projected future test year rate base projections; accumulated depreciation; and annual depreciation expense.¹¹ Regarding Wellsboro, I&E analyzed its overall rate base claim, including its historic test year rate base; EDI software costs; future test year and fully projected future test year rate base projections; accumulated depreciation; and annual depreciation expense.¹²

The results of I&E's comprehensive review and analysis for Citizens yielded a total recommended revenue requirement of \$4,885,844 at an overall rate of return of 6.68%. This recommended revenue requirement represents a recommended revenue increase of \$195,810 (as compared to Citizens' requested amount of \$592,000).

And, the results of I&E's comprehensive review and analysis for Wellsboro yielded a total recommended revenue requirement of \$5,160,597 at an overall rate of return of 6.80%. This recommended revenue requirement represents a recommended revenue increase of \$588,146 (as compared to Citizens' requested amount of \$1,000,000).

¹⁰ See Wellsboro I&E Statement No. 2, pp. 1-23; I&E Statement No. 2-SR, pp. 2-22.

¹¹ See Citizens I&E Statement No. 3, pp. 2-18; I&E Statement No. 3-SR, pp. 3-18.

¹² See Wellsboro I&E Statement No. 3, pp. 2-19; I&E Statement No. 3-SR, pp. 3-18.

The settlement negotiations were comprehensive and the overall revenue requirement achieved in the Settlements are “Black Box” compromises.¹³ The agreed to overall revenue levels are well within the levels advanced on the evidentiary record by the parties and reflect a full compromise of all revenue-related issues raised by the parties. I&E believes the overall revenue increase agreed to in the Settlements effectively moderates the increase initially proposed by the Companies. Furthermore, black box settlements, unless specifically addressed, the Settlements do not reflect agreement upon individual issues. Additionally, line-by-line identification and ultimate resolution of each and every revenue-related issue raised in the proceeding beyond those addressed in the Settlements is not necessary as I&E believes that the Settlements maintain the proper balance of the interests of all parties. Ratepayers will continue to receive safe and reliable service at reasonable rates while allowing Citizens and Wellsboro sufficient additional revenues to meet its operating expenses and address its infrastructure needs while providing the opportunity to earn a reasonable rate of return. Finally, after due consideration of I&E’s thorough analysis and the competing interests of all parties, I&E fully supports the negotiated levels of overall revenue requirement. Accordingly, I&E submits that the revenue increases for Citizens and Wellsboro set forth in the Joint Petitions are in the public interest.

¹³ The Commission encourages settlements and has a well-established acceptance of black box settlements. *See Pa. Pub. Util. Comm’n v. Aqua Pennsylvania, Inc.*, Docket No. R-2011-2267958 (Order entered June 7, 2012); *Pa. Pub. Util. Comm’n v. Peoples TWP LLC*, Docket No. R-2013-2355886 (Order entered Dec. 19, 2013).

**C Revenue Allocation/Customer Charges –Citizens Joint
Petition ¶¶ 16-23; and, Wellsboro Joint Petition ¶¶ 17-24:**

The Joint Petitions also set forth the distribution revenue allocations and customer charges for Citizens and Wellsboro based on the agreed to distribution revenue increases.

1. Citizens Electric – Revenue Allocation

a. Citizens Proposed Settlement Revenue Allocation

Regarding Citizens, in the Settlement, the Joint Petitioners agreed to an overall distribution revenue increase of \$335,000 which represents a 7.68% increase in distribution revenue. The agreed to revenue allocation for Citizens is set forth in the tables in the Citizens Joint Petition at ¶ 16 and Attachments A and B. Further, the following table presents I&E’s summary of the agreed to revenue allocation increase by class, the percentage increase by class, and customer charges by class.

Citizens Electric – Proposed Settlement					
	Settlement Rates Revenue	Revenue Increase Allocation	Percent Increase	Share of Increase	Customer Charge
Total	\$4,973,822	\$355,000	7.7%	100%	
RS	\$2,747,043	\$341,430	14.2%	96.18%	\$11.50
SH	\$25,510	\$3,525	16.0%	0.99%	\$19.00
GLP-1	\$1,001,736	\$0	0.0%	0.0%	\$14.50
GLP-3	\$1,114,120	\$0	0.0%	0.0%	\$52.00
MBL	\$18,000	\$3,617	25.1%	1.02%	
Public Light	\$67,413	\$6,428	10.5%	1.81%	

b. Citizens as Filed Revenue Allocation

For purposes of review and comparison, Citizens’ as requested distribution revenue increases and as requested customer charges proposed in their initial base rate filing are summarized below.

Citizens Electric – As Filed					
	As Filed Rates Revenue	Revenue Increase Allocation	Percent Increase	Share of Increase	Customer Charge
Total	\$5,153,635	\$542,834	11.8%	100%	
RS	\$2,958,266	\$556,858	23.2%	102.58%	\$13.00
SH	\$28,204	\$5,948	26.7%	1.10%	\$21.50
GLP-1	\$955,312	(\$40,891)	-4.1%	-7.53%	\$15.50
GLP-3	\$1,118,632	\$3,066	0.3%	0.56%	\$55.00
MBL	\$21,838	\$7,455	51.8%	1.37%	
Public Light	\$71,384	\$10,399	17.1%	1.92%	

2. Wellsboro Electric – Revenue Allocation

a. Wellsboro Proposed Settlement

Regarding Wellsboro, the agreed to overall distribution revenue increase of \$775,000 represents a 17.31% increase in distribution revenue. Further, the agreed to revenue allocation for Wellsboro is set forth in the tables in the Joint Petition at ¶ 17 and Attachments A and B. Further, the following table presents I&E’s summary of the agreed to revenue allocation increase by class, the percentage increase by class, and customer charges by class.

Wellsboro Electric – Proposed Settlement					
	Settlement Rates Revenue	Revenue Increase Allocation	Percent Increase	Share of Increase	Customer Charge
Total	\$5,250,783	\$774,947	17.3%	100%	
RS	\$2,710,639	\$484,397	21.8%	62.51%	\$10.95
RSAE	\$31,182	\$6,434	26.0%	0.83%	\$10.95
NRS	\$428,366	\$40,838	10.5%	5.27%	\$12.40
NRH	\$2,818	\$668	31.0%	0.08%	\$12.40
CS	\$1,360,434	\$122,456	9.9%	15.80%	\$32.50
CSH	\$1,870	\$364	24.2%	0.05%	\$46.50
IS	\$615,753	\$118,123	23.7%	15.24%	\$69.00
MSL	\$21,219	\$0	0.0%	0.0%	
POL	\$70,320	\$0	0.0%	0.0%	
EU	\$8,182	\$1,666	25.6%	0.21%	

b. Wellsboro as Filed Revenue Allocation

For purposes of review and comparison, Wellsboro’s as requested distribution revenue increases and as requested customer charges proposed in their initial base rate filing are summarized below.

Wellsboro Electric - As Filed					
	Settlement Rates Revenue	Revenue Increase Allocation	Percent Increase	Share of Increase	Customer Charge
Total	\$5,468,460	\$999,770	22.4%	100%	
RS	\$2,854,678	\$630,542	28.3%	62.16%	\$15.00
RSAE	\$36,968	\$12,220	49.4%	1.17%	\$15.00
NRS	\$438,309	\$50,781	13.1%	5.27%	\$15.00
NRH	\$3,166	\$1,016	47.3%	0.08%	\$15.00
CS	\$1,380,629	\$147,690	12.0%	15.80%	\$35.00
CSH	\$2,118	\$612	40.6%	0.05%	\$50.00

IS	\$652,530	\$154,900	31.1%	15.24%	\$78.00
MSL	\$21,320	\$101	0.5%	0.0%	
POL	\$70,070	(\$250)	-0.4%	0.0%	
EU	\$8,673	\$1,158	33.1%	0.21%	\$0.00

3. I&E Revenue Allocation and Customer Charge Recommendations

I&E's investigation and analysis of the revenue allocation and customers charge issues involved in this proceeding and generally in all base rate proceedings, focused on moving toward certain benchmark goals. The goal of I&E's analysis of the revenue allocation generally was/is to move all rate classes closer to the overall system rate of return so that the rates for each class reflect the cost of service for that class to the extent practicable.¹⁴ Further, I&E always desires to limit the distribution revenue increase to any particular rate class to no more than two times the system average increase.¹⁵

With these general benchmark goals in mind, I&E thoroughly reviewed all of the data presented by the Companies in their filings and in their responses to the parties' data requests and interrogatories. I&E analyzed both Citizens' and Wellsboro's present rate revenues; fully projected future test years; forfeited discount revenues; cost of service studies; proposed revenue allocations; potential scale backs; customer cost analyses; and, proposed customer charges.¹⁶ I&E analyzed revenue allocation ramifications throughout the litigation and settlement process and developed recommended proposed customer

¹⁴ See *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010, 1020 (Pa.Cmwlt 2006). See also Citizens/Wellsboro I&E Statement No. 4, pp.24-58.

¹⁵ See Citizens/Wellsboro I&E Statement No. 4, pp. 30-33 and 38-58.

¹⁶ See Citizens/Wellsboro I&E Statement No. 4, pp. 1-57; I&E Statement No. 4-SR, pp. 2-28.

charges that relied on the Companies' cost of service results as a primary guide, while also recognizing gradualism, with an end result designed to be fair to all classes.¹⁷

a. I&E Citizens Customer Charge Recommendations

Ultimately, regarding Citizens, I&E recommended the following:¹⁸

Citizens Electric – I&E Recommended Customer Charges				
Rate Class	RS	SH	GLP-1	GLP-3
Recommended Customer Charge	\$10.20	\$17.17	\$15.39	\$57.91
Recommended Percentage Increase	27.4%	29.6%	16.2%	15.3%

b. I&E Wellsboro Customer Charge Recommendations

And, regarding Wellsboro, I&E recommended the following:¹⁹

Wellsboro Electric – I&E Recommended Customer Charges							
Rate Class	RS	RSAE	NRS	NRH	CS	CSH	IS
Recommended Customer Charge	\$11.25	\$11.25	\$11.25	\$11.25	\$28.00	\$28.00	\$64.51
Recommended Percentage Increase	15.4%	15.4%	12.5%	12.5%	0.0%	0.0%	50.4%

4. Conclusion – Revenue Allocation and Customer Charges

As stated previously, the settlement negotiations were comprehensive. The agreed to revenue allocation levels and customer charges set forth in the Joint Petitions are well within the levels advanced on the evidentiary record by the parties and reflect a full

¹⁷ See Citizens/Wellsboro I&E Statement No. 4, pp. 30-57; I&E Statement No. 4-SR, pp. 16-28.

¹⁸ See Citizens/Wellsboro I&E Statement No. 4-SR, pp. 16-23.

¹⁹ *Id.*

compromise of all revenue allocation related issues raised by the parties. I&E believes the allocation of the revenue increases and customers charges agreed to in the Settlements effectively moderates the increases initially proposed by the Company. I&E believes that the Settlements maintain the proper balance of the interests of all parties. Ratepayers will continue to receive safe and reliable service at reasonable rates while allowing Citizens and Wellsboro sufficient additional revenues to meet its operating expenses and address its infrastructure needs while providing the opportunity to earn a reasonable rate of return. Finally, after due consideration of I&E's thorough analysis and the competing interests of all parties, I&E fully supports the negotiated levels of revenue allocation and customer charges. Accordingly, I&E submits that the revenue allocations and the customer charges for Citizens and Wellsboro set forth in the Joint Petitions and Attachments A and B are in the public interest.

III. THE SETTLEMENTS SATISFY THE PUBLIC INTEREST

12. The additional revenue in these proceedings are base rate revenues and have been agreed to in the context of "Black Box" settlements with limited exceptions. A "Black Box" agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A "Black Box" settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in these proceedings would not have been possible without judicial intervention. The involvement of the ALJ would have added time and expense to already

cumbersome proceedings. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with these filings at a reasonable level. The former Chairman of the Commission commented “Black Box” settlements when he stated that the “[d]etermination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.”²⁰

13. I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Companies or are incorporated or considered in the resolutions proposed in the Settlements. The very nature of a settlement requires compromise on the part of all parties. These Settlements exemplify the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. Joint Petitioners have carefully discussed and negotiated all issues raised in these proceedings, and specifically those addressed and resolved in these Settlements. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlements is not necessary as I&E represents that the Settlements maintain the proper balance of the

²⁰ See, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662. See also, Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens’ Electric Company of Lewisburg, PA*, Docket No. R-2010-2172665.

interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

14. Based upon I&E's analysis of the filing, acceptance of these Settlements is in the public interest. Resolution of these cases by settlement rather than litigation avoids the substantial time and effort involved in continuing to formally pursue all issues in this proceeding at the risk of accumulating excessive expense and regulatory uncertainty.

15. I&E further submits that the acceptance of these Settlements negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlements provide regulatory certainty with respect to the disposition of issues and final resolution of these cases which all parties agree benefits their discrete interests.

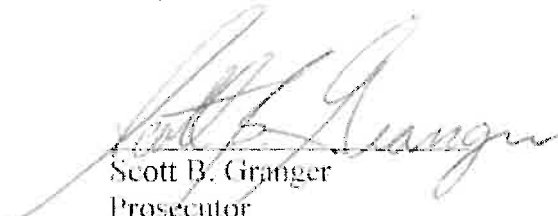
16. The Settlements are conditioned upon the Commission's approval of all terms without modification. Should the Commission fail to grant such approval or otherwise modify the terms and conditions of the Settlements, they may be withdrawn by the Companies, I&E, or any other Joint Petitioner.

17. I&E's agreement to settle these cases is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation in the event that these Settlements are rejected by the Commission or otherwise properly withdrawn by any other parties to the Settlements.

18. If the ALJ's recommend that the Commission adopt the Settlements as proposed, I&E agrees to waive the filing of Exceptions. However, I&E does not waive its right to file Replies to Exceptions with respect to any modifications to the terms and conditions of the Settlements or any additional matters that may be proposed by the ALJ's in their Recommended Decision. I&E also does not waive the right to file Replies in the event any party files Exceptions.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Citizens Joint Petition for Settlement and the Wellsboro Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judges Joel H. Cheskis and Andrew M. Calvelli recommend, and the Commission approves, the terms and conditions contained in the Joint Petitions.

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: February 10, 2017

Attachment F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), a signatory to the Joint Petition for Settlement (Settlement) in the above-captioned proceedings, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judges (ALJs) and the Pennsylvania Public Utility Commission (Commission). The Settlement resolves all issues raised by the Office of Consumer Advocate regarding the request for increases in distribution revenues by Citizens' Electric Company of Lewisburg, Pa. (Citizens') and Wellsboro Electric Company (Wellsboro), (collectively the Companies). It is the position of the OCA that the proposed Settlement is in the public interest and in the interests of the customers of the Companies.

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' proposed an overall distribution rate increase of \$592,000 per year, or a distribution base rate increase of 12.8%. Additionally, the Company proposed 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 proposed an overall distribution rate increase of \$1,000,000 per year, or a distribution base rate increase of 21.3%. Wellsboro also proposed to increase the residential fixed monthly charge from \$9.75 to \$15.00.

On September 14, 2016, the 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 was convened on October 31, 2016, and a litigation schedule was adopted. The Companies' filings were consolidated for purposes of hearing and decision by Order dated November 3, 2016.

Throughout the course of the proceeding, the OCA engaged in formal and informal discovery designed to thoroughly investigate all aspects of the Companies' proposed rate increases. The OCA submitted the Direct Testimonies of Ashley E. Everette (OCA Statement No. 1), Aaron L. Rothschild (OCA Statement No. 2), and Jerome D. Mierzwa (OCA Statement No. 3). The OCA submitted the Surrebuttal Testimonies of Ms. Everette (OCA Statement No. 1S), Mr. Rothschild (OCA Statement No. 2S), and Mr. Mierzwa (OCA Statement No. 3S).

A hearing was held on January 18, 2017, where parties' testimonies were entered into the record by stipulation. Prior to the hearing, the parties reached a settlement agreement in principle on revenue requirement and rate design. Thereafter, the parties reached a settlement agreement in principle on allocation.

As noted above, and discussed further below, the OCA submits that the proposed Settlement is in the public interest and in the interest of the Companies' customers. The OCA submits that the Settlement should be approved. The OCA will discuss below several of the key provisions of the Settlement that are of particular importance to the OCA.

II. SETTLEMENT

A. Revenue Requirement (Citizens' Settlement at ¶ 15; Wellsboro Settlement at ¶ 16)

The proposed Settlement provides for an overall distribution base rate increase of \$355,000 for Citizens' and \$775,000 for Wellsboro. Citizens' Settlement at ¶ 15; Wellsboro Settlement at ¶ 16. The revenue increases contained in the Settlement are approximately \$237,000 less than the \$592,000 rate increase amount originally requested by Citizens' and approximately \$225,000 less than the \$1,000,000 rate increase amount originally requested by Wellsboro. Regarding Citizens', this rate increase reflects a distribution increase of

approximately 7.57% as compared to the original request of a distribution increase of approximately 12.8%. On a total revenue basis, the Settlement increase is 2.5% as opposed to the original total revenue increase of 4.1%. Regarding Wellsboro, this rate increase reflects a distribution increase of approximately 16.95% as compared to the original request of a distribution increase of approximately 21.3%. On a total revenue basis, the Settlement increase is 5.7% as opposed to the original total revenue increase of 7.4%.

Additionally, pursuant to the Settlement, the Companies agreed to two “stay-out” provisions. First, the Companies agreed that they will not seek approval for the implementation of Distribution System Improvement Charges (DSIC), if at all, for two years from the effective date of new rates in this proceeding. Citizens’ Settlement at ¶ 23; Wellsboro Settlement at ¶ 22. Further, the Companies agreed that they will not file distribution base rate cases for two years from the effective date of new rates in this proceeding. Citizens’ Settlement at ¶ 21; Wellsboro Settlement at ¶ 24.

Based on the OCA’s analysis of the Companies’ filings and the discovery responses received, the rate increases under the proposed Settlement represent a result that would be within the range of likely outcomes in the event of full litigation of the case. In addition, the Settlement helps ensure rate stability through the distribution base rate case and DSIC stay-out provisions. The increases are appropriate and when accompanied by other important provisions contained in the Settlement, yield a result that is just and reasonable.

B. Rate Design (Citizens’ Settlement at ¶ 17; Wellsboro Settlement at ¶ 18)

Under the Settlement, Citizens’ monthly residential customer charge would increase from \$8.00 to \$11.50, rather than to \$13.00, as was originally proposed by the Company. Citizens’ Settlement at ¶ 17. Under the Settlement, Wellsboro’s monthly residential customer charges will

increase from \$9.75 to \$10.92, rather than to \$15.00, as was originally proposed by the Company. Wellsboro Settlement at ¶ 18. The OCA submits that eliminating most of the customer charge increases, which increases were not solely cost-based, and recovering the remaining revenue through volumetric charges will significantly benefit residential customers and send the appropriate signals to customers regarding energy conservation, a benefit that is not realized through fixed customer charges. OCA St. 3 at 26.

The OCA submits that the residential rate designs established through the Settlement are reasonable and consistent with sound ratemaking principles. These rate design changes result in customer charges that are below the customer charges originally proposed, and the charges are within the range of the likely outcomes in the event of full litigation of the case.

C. Allocation (Citizens' Settlement at ¶ 16, Attach. A and B; Wellsboro Settlement at ¶ 17, Attach. A and B)

Under Citizens' filing, residential customers were allocated an increase of \$557,120, or 103%¹ of the total requested revenue increase. In Wellsboro's original filing, residential customers were allocated an increase of \$642,640, or 64%, of the total requested revenue increase. OCA witness Mierzwa testified that the Citizens' proposed allocation was unreasonable relative to residential customers for two reasons. First, the cost of service studies used to guide the development of the Companies' allocations were flawed. Second, the allocation produced excessive rate shock. See generally OCA St. 3 at 16-20. OSBA witness Kalcic testified, however, that the OCA's proposed allocation to the residential class in Citizens' should be rejected because it limited class movement toward cost of service. See OSBA St. 1-R at 11-12. Citizen's witness Gorman testified similarly, stating that the Company's allocation better

¹ Under the Company's proposed allocation, the residential class was allocated \$557,120 of a total increase of \$542,940, while rate class GLP-1 was allocated a rate decrease of \$41,030. See OCA St. 3 at 17, Table 3.

balanced the goals of aligning with cost of service and gradualism. See Citizens' Electric St. IR at 16.

Under the Settlement, Citizens' residential customers will be allocated \$341,430, or 96% of the total increase, and no class will receive a rate decrease. This is a 14% increase in distribution rates for residential customers. Under the Settlement, Wellsboro's residential customers will be allocated \$490,831, or 63% of the total increase. This is a 22% increase in distribution rates for residential customers. The Settlement allocation of the revenue requirement reduces the burden of the increase on residential customers as compared to the originally filed allocation, consistent with the concerns identified by OCA witness Mierzwa.

The revenue allocations contained in the Settlement for the Companies represent compromises among the positions of the parties in this proceeding and is designed to move all classes towards the system average returns. As such, the allocations are appropriate and when accompanied by other important provisions contained in the Settlement, yield a result that is just and reasonable.

III. CONCLUSION

The terms and conditions of the Settlement provide for an overall distribution base rate increase for Citizens' of \$355,000 and \$775,000 for Wellsboro. The OCA submits that the reductions in the proposed revenue increases and proposed customer charges, the stay-out provisions, the revenue allocations, along with all of the other terms and conditions of the Settlement described above, represent a fair and reasonable settlement of this proceeding.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the best interest of Citizens' and Wellsboro's ratepayers.

Respectfully submitted,



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DATE: February 10, 2017
229300

Attachment G

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2016-2531550
	:	
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA	:	

**OFFICE OF SMALL BUSINESS ADVOCATE
STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT**

I. Introduction

The Office of Small Business Advocate (“OSBA”) is an agency of the Commonwealth of Pennsylvania authorized by the Small Business Advocate Act (Act 181 of 1988, 73 P.S. §§ 399.41 – 399.50) to represent the interests of small business consumers as a party in proceedings before the Pennsylvania Public Utility Commission (“Commission”).

II. Filing Background

On August 31, 2016, Citizens’ Electric Company (“Citizens”) filed Supplement No. 110 to Tariff-Electric Pa.P.U.C. No. 14 (“Supplement No. 110”), to increase distribution revenues by \$592,000 per year. The proposed tariff, if approved by the Commission, would increase the total electric distribution revenues of Citizens’ by \$592,000 per year, a 12% increase in annual distribution revenues.

On September 19, 2016, the OSBA filed a Complaint and a Public Statement. On October 6, 2016, the Commission entered an Order at this docket which suspended the proposed rate increase for investigation

The matter was subsequently assigned to the Office of Administrative Law Judge ("OALJ") for hearings and the issuance of a recommended decision. Administrative Law Judges ("ALJs") Joel H. Cheskis and Andrew M. Calvelli were assigned to the proceeding. A pre-hearing conference, at which a procedural schedule was established, was held on October 31, 2016. The Office of Consumer Advocate ("OCA") and the Bureau of Investigation and Enforcement ("I&E") filed Direct Testimony on December 1, 2016. Rebuttal testimony was filed by the Company, and the OSBA on December 22, 2016. On January 10, 2017, Surrebuttal Testimony was filed by the OCA, and I&E.

Hearings were held in Harrisburg on January 13, 2017 before ALJs Cheskis and Calvelli. At the hearing on January 13th, the Company presented the rejoinder testimony of one of its witnesses. The testimony of the various parties was entered into the record by stipulation.

Subsequent to hearing the parties have reached a settlement of all of the issues in this case. The OSBA actively participated in the negotiations that led to the Joint Petition for Settlement ("Settlement") and is a signatory to the Settlement. The OSBA submits this statement in support of the Settlement.

III. Settlement

The Settlement sets forth a comprehensive list of issues that were resolved through the negotiation process. This statement outlines the OSBA's specific reasons for concluding that the Settlement is in the best interests of small business customers.

A. Distribution Revenue Requirement

In its initial filing, Citizens' requested an increase of \$592,000 per year in distribution rate revenue.¹ In the Settlement, the parties have agreed to a distribution rate revenue increase of \$355,000 per year.² At a time when all types of utility service are becoming more expensive, the significant (40.0%) reduction in the Company's requested distribution revenue increase provided by the Settlement will benefit Citizens' small business customers.

B. Class Revenue Allocation

In its filing, Citizens' identified two specific objectives that guided the development of the Company's proposed revenue allocation: 1) each rate class should be moved closer to full cost of service, as determined by the Company's class cost-of-service study ("COSS"), and 2) no individual rate class should receive an "extreme rate impact."³

OSBA did not oppose the Company's revenue allocation proposal. However, both I&E and OCA sponsored alternative class revenue allocation proposals.

The OSBA opposed the revenue allocation proposals sponsored by I&E and OCA in Mr. Kalcic's rebuttal testimony. In order to evaluate I&E's proposal, Mr. Kalcic prepared Table 1R, which compared the proposed movement toward class cost of service under Citizens' and I&E's revenue allocation proposals.⁴ As shown in Table 1R, I&E's proposal provided for minimal movement toward cost of service, and significantly less

¹ Exhibit (HSG-1) Schedule C1.

² Settlement at ¶15.

³ Citizens' Statement No. 1 at 31.

⁴ OSBA Statement No. 1-R at 4.

movement toward cost of service compared to Citizens' proposal. Mr. Kalcic concluded that I&E's proposal was not preferable to Citizens' revenue allocation since it "unnecessarily limits class movement toward cost of service in this proceeding."⁵

To evaluate OCA's revenue allocation proposal, Mr. Kalcic prepared Table 2R, which compared the proposed movement toward class cost of service under Citizens' and OCA's revenue allocation proposals.⁶ As shown in Table 2R, OCA's proposal provided for minimal movement toward cost of service, and significantly less movement toward cost of service compared to Citizens' proposal. Mr. Kalcic concluded that OCA's proposal was not preferable to Citizens' revenue allocation since it "unnecessarily limits class movement toward cost of service in this proceeding."⁷

Table A (below) compares the parties' proposed increases for Citizens' small business classes, adjusted for the overall level of the Settlement increase, to the small business increases provided by the Settlement.

Table A
Comparison of Parties' Proposed GLP-1 and GLP-3 Increases at Settlement Revenue Level to Settlement Increases 1/

<i>Class</i>	<i>Per</i>			
	<i>Settlement</i>	<i>Citizens</i>	<i>OCA</i>	<i>I&E</i>
GLP-1	\$0	-\$40,891	\$45,637	\$41,926
GLP-3	\$0	\$1,865	\$59,784	\$44,056
TOTAL	\$0	-\$39,026	\$105,421	\$85,982

Source: Settlement Attachment A, line 36; and Schedule BK-1R.

1/ Parties' positions shown in Sch. BK-1R scaled to reflect the overall settlement increase of \$355,000.

⁵ OSBA Statement No. 1-R at 5.

⁶ OSBA Statement No. 1-R at 10.

⁷ OSBA Statement No. 1-R at 11.

As shown in Table A, the settlement increases for the small business classes reflect a compromise among the parties' positions. Had the Commission given equal weight to those positions, the overall increase to the small business classes (assuming an overall increase of \$355,000) would have been (the sum of -\$39,026 plus \$105,421 plus \$85,982, divided by 3 or) \$50,792, which is \$50,792 greater than the combined increase provided by the Settlement. As a result, the OSBA concludes that the Settlement revenue allocation provides a meaningful benefit to small business customers.

IV. Conclusion

For the reasons set forth in the Settlement, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Settlement and respectfully requests that the ALJ and the Commission approve the Settlement in its entirety.

Respectfully submitted,



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Appendix A

APPENDIX A

PROPOSED FINDINGS OF FACT CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA

DOCKET # R-2016-2531550

1. Citizens' Electric Company of Lewisburg, PA ("Citizens" or "Company") is a Pennsylvania Electric Distribution Company ("EDC") regulated by the Pennsylvania Public Utility Commission ("PUC" or "Commission").
2. On August 31, 2016, Citizens' submitted a request to the Commission to increase its base rates by \$592,000 per year, effective October 30, 2016. Citizens' filed Supplement No. 110 to Tariff Electric – Pa. P.U.C. No. 14, and submitted a Statement of Reasons with supporting information as required under the Commission's Regulations at 52 Pa. Code § 53.52.
3. The Office of Consumer Advocate ("OCA") filed a Formal Complaint in this proceeding on September 14, 2016.
4. The Bureau of Investigation & Enforcement ("I&E") of the PUC filed a Notice of Appearance in this proceeding on September 16, 2016.
5. The Office of Small Business Advocate ("OSBA") filed a Formal Complaint in this proceeding on September 19, 2016.
6. By Order entered October 6, 2016, the Commission allowed Supplement No. 110 to be suspended by operation of law until May 30, 2017 and ordered that the Company's rate increase filing be investigated. The Commission also ordered that this matter be assigned to the Office of Administrative Law Judge for scheduling of hearings and assigned this proceeding to ALJs Cheskis and Calvelli.
7. On October 20, 2016, Citizens' submitted to the Commission a tariff suspension supplement to suspend the effectiveness of the proposed changes until May 30, 2017.
8. On October 28, 2016, Citizens' submitted its prepared Direct Testimony in support of a revised base rate increase request of \$542,834.
9. A Prehearing Conference was held on October 31, 2016. During that Prehearing Conference, the ALJs consolidated the Citizens' rate case and the Wellsboro Electric Company ("Wellsboro") rate case (Docket No. R-2016-2531551). All parties to both proceedings ("Parties") also jointly developed a litigation schedule at the Prehearing Conference.
10. On December 1, 2016, OCA submitted Direct Testimony, recommending an increase in distribution revenues for Citizens' of \$177,937.
11. On December 1, 2016, I&E submitted Direct Testimony, recommending a decrease in distribution revenues of Citizens' of \$220,908.

12. On December 2, 2016, OSBA stated by letter that it would not be filing Direct Testimony in response to Citizens' rate case.
13. On December 22, 2016, Citizens' forwarded its prepared Rebuttal Testimony in support of a revised increase request of \$506,338.
14. On December 22, 2016, OSBA forwarded its prepared Rebuttal Testimony, addressing solely revenue allocation and rate design issues.
15. On January 10, 2017, OCA presented Surrebuttal Testimony. OCA revised its recommendation to an increase for Citizens' of \$152,151.
16. On January 10, 2017, I&E presented Surrebuttal Testimony. I&E revised its recommendation to an increase for Citizens' of \$195,810.
17. On January 17, 2017, Citizens' notified the ALJs that parties had reached a partial settlement-in-principle, resolving all issues except revenue allocation.
18. A hearing was held on January 18, 2017 before ALJs Cheskis and Calvelli to establish the record and to offer oral rejoinder on the issue of revenue allocation. Mr. Howard Gorman took the stand and provided oral rejoinder. All prepared Statements and Exhibits were entered into the record by stipulation or by appearance of the witnesses.
19. On February 10, 2017, Citizens', I&E, OCA, and OSBA collectively submitted to the Commission a Joint Petition for Settlement ("Joint Petition" or "Settlement") proposing a negotiated resolution of all outstanding issues in the above-captioned proceeding.
20. The Joint Petition provides that the Company's permitted revenue increase of \$355,000 is without specific identification of adjustments to the Company's original base rate increase request for \$592,000.
21. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation." 52 Pa. Code § 69.391; see also 52 Pa. Code § 5.231.
22. The Settlement permits Citizens' to enhance its distribution rate designs to more appropriately reflect the costs to provide electric distribution service.

**PROPOSED CONCLUSIONS OF LAW
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA**

DOCKET # R-2016-2531550

1. The Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation. 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231.
2. The Joint Petition results in a base rate increase that will allow Citizens' Electric Company of Lewisburg, PA to continue to provide safe and reliable electric service to its customers. *See* 66 Pa. C.S. § 1501.
3. Further, the Joint Petition results in base rates that are just, reasonable, and non-discriminatory. *See* 66 Pa. C.S. §§ 1301, 1304.

**PROPOSED ORDERING PARAGRAPHS
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA**

DOCKET # R-2016-2531550

WHEREFORE, the Parties respectfully request as follows:

1. That the ALJs and the Commission make the following findings (and any other findings and conclusions as may be required or appropriate):
 - a. Citizens' proposed base rate increase and tariff, as modified by the terms of this Settlement, are compliant with the requirements of the Pennsylvania Public Utility Code.
 - b. Approval of this Settlement is in the public interest.
 - c. The Company shall submit a compliance filing implementing the rate and tariff changes agreed to in this Settlement, to be effective upon one day's notice.
2. That the ALJs recommend and the Commission approve this Settlement including all terms and conditions thereof.
3. That the Commission enter an Order consistent with this Settlement, approving the Company's proposed rate increase and other tariff changes.