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April 3, 2019

VIA HAND DELIVERY

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

**RE: Petition of Valley Energy, Inc. for Expansion Project Surcharge and Waiver of Tariff Rule 4;
Docket No. P-2018-3006500**

Dear Secretary Chiavetta:


Enclosed please find for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Joint Petition for Settlement and Statements in Support of Valley Energy, Inc. ("Valley"), the Bureau of Investigation and Enforcement ("I&E"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA") in the above-referenced proceeding.

If Valley can begin construction by late May or June 2019, Valley projects that the pipeline and main will be ready for the Winter 2019-2020 heating season, which would maximize the Commonwealth's Pipeline Investment Program grant and savings to new customers. Therefore, Valley respectfully requests that the Commission issue a Final Order in this proceeding as quickly as possible, but no later than the June 13, 2019 Public Meeting. The parties have agreed to waive Exceptions and Reply Exceptions to facilitate expedited consideration by the Commission after issuance of the ALJ's Recommended Decision.

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

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek
Matthew L. Garber

Counsel to Valley Energy, Inc.

Enclosures

cc: Administrative Law Judge Dennis J. Buckley (via E-Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Matthew L. Garber

Counsel to Valley Energy, Inc.

Dated this 3rd day of April, 2019, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Valley Energy, Inc. for Expansion : P-2018-3006500
Project Surcharge and Waiver of Tariff Rule 4 :

JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

Valley Energy, Inc. ("Valley" 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 Judge ("ALJ") Dennis J. Buckley and the Commission approve all of the terms and conditions set forth in this Settlement.

II. BACKGROUND

1. On December 11, 2018, Valley filed with the PUC a Petition for Expansion Project Surcharge and Waiver of Tariff Rule 4 ("Valley Petition").
2. The OSBA filed an Answer and Notice of Intervention on December 27, 2018. The OCA filed a Notice of Intervention on December 28, 2018. I&E filed a Notice of Appearance on December 31, 2018.
3. On January 11, 2019, the Commission referred the Valley Petition to ALJ Buckley and announced that a Prehearing Conference was scheduled for January 29, 2019.
4. On January 18, 2019, Valley submitted to the Parties its prepared Direct Testimony, consisting of the Direct Testimony and Exhibits of Edward E. Rogers (Valley Statement No. 1).

5. ALJ Buckley issued a Prehearing Order on January 24, 2019.
6. The Parties submitted Prehearing Memorandums on January 28, 2019.
7. The Prehearing Conference scheduled for January 29, 2019, was postponed due to inclement weather. The Parties developed a proposed litigation schedule via email communication.
8. On February 5, 2019, ALJ Buckley approved the litigation schedule via email communication and cancelled the Prehearing Conference.
9. Numerous settlement discussions were held among the Parties.
10. On March 5, 2019, ALJ Buckley extended the deadline for Parties' responsive direct testimony to give the parties additional time to complete negotiations.
11. On March 8, 2019, a settlement in principle was reached among the Parties. ALJ Buckley was notified and agreed to suspend the litigation schedule.
12. Evidentiary hearings are scheduled for March 21, 2019, to establish the record. The agreement of the parties is embodied in this Settlement.

III. TERM OF SETTLEMENT

The terms of the Settlement are as follows:

13. The Settlement caps the estimated East Athens Expansion Project construction cost at \$1,700,000.
14. Valley will apply the proceeds of its PIPE grant from the Commonwealth to offset the amount in Paragraph 13, up to \$850,000.
15. Any actual construction cost overruns above the amount in Paragraph 13 will not be added to rate base.

16. Of the Net Construction Cost (defined as total construction costs less the actual value of the PIPE grant):

- a. The "Economic Portion" is \$489,000. This includes (a) \$135,000 toward a 2,400-foot portion of the Expansion Project that will enable Valley to complete needed system reinforcements on the west side of the Susquehanna River for existing customers; and (b) \$354,000 toward the remainder of the Expansion Project on the east side of the River. The Economic Portion will be placed into utility plant and rate base in the upcoming rate case. The \$489,000 figure will not be adjusted based on the actual construction costs.
- b. The "Uneconomic Portion" is the remaining amount and will be recovered through contribution in aid of construction ("CIAC") payments from customers served through the East Athens Project. The Uneconomic Portion and the revenue from the EA Surcharge will be "below the line activity" and will not be reflected in rate base, expenses, or revenues. The income tax associated with the CIAC payments will not be claimed in rates or rate base. Valley will bear the risk of not recovering the Uneconomic Portion from the East Athens customers.

17. To collect the Uneconomic Portion, Valley will charge an EA Surcharge as proposed in the Valley Petition, with the following modifications or clarifications.

- a. Valley will be permitted to collect interest on the Uneconomic Portion at a rate of 4.99%, calculated on a mortgage basis.
- b. Valley will assess the EA Surcharge on all customers applying for service in East Athens up to a cap of 134 customers. There will be no reconciliation of this amount.
- c. Valley will track EA Surcharge payments on an individual basis for each account.

- d. The EA Surcharge will be \$29.20 per month for 10 years for each new East Athens customer; alternatively, an East Athens customer may make a one-time payment of \$2,754.
 - e. Individual customers paying the EA Surcharge will be permitted to pay off the remaining balance of their individual CIAC \$2,754 at any time.
18. Customers requiring extensions more than 200 feet from the proposed Expansion pipeline route ("Proposed Route," as set forth in Attachment E of the Valley Petition) will be approved. Those customers will be charged an additional CIAC, in addition to the EA Surcharge, to recover costs to construct any extension beyond 200 feet from the Proposed Route.
19. Valley will be permitted to require customers to sign a line extension agreement.
20. If the customer of record who initiates service moves or sells the property, and the subsequent occupant/owner desires to continue receiving natural gas service, then the subsequent occupant/owner will be required to execute a line extension agreement that commits to pay for the remaining principal or for the remaining term of the original occupant/owner's obligation.
21. The tariff will state that the EA Surcharge is non-basic.
22. The Company commits to obtain all necessary environmental and occupancy permits and approvals for the project. Valley will provide to the Parties, and will file with the Secretary's Bureau at this docket, monthly updates regarding the status of the permits and approvals.
23. Attached to this Settlement as Attachment A are the proposed tariff sheets implementing the Settlement.
24. The Parties agree that Valley's proposed modifications to its tariff rules are accepted and shall be implemented by the Company.

25. The Parties respectfully request that the Commission approve the Settlement to enable the new rates set forth in Attachment A to take effect upon one-days' notice.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

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

27. 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.

28. The Parties are providing support of the Settlement via Statements in Support, which are attached to the Settlement as Attachments B through E. 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

29. 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.

30. 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.

31. If the ALJ adopts the Settlement without modification, the Parties waive their rights to file Exceptions and Reply Exceptions.

32. 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.

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

34. 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:

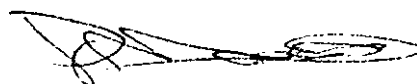
1. That the ALJ and the Commission make the following findings (and any other findings and conclusions as may be required or appropriate):
 - a. Valley's proposed Rider EA, as modified by this Settlement, and waiver of Tariff Rule 4 are compliant with the requirements of the Pennsylvania Public Utility 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 ALJ 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 tariff changes and waiver.

Dated: April 3, 2019

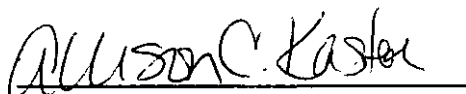
Respectfully submitted,



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Attachment A
(Tariff Language)

RIDER EA---EAST ATHENS EXPANSION PROJECT SURCHARGE

Applicability. In lieu of the extension rules set forth in Rule 4 of this Tariff, the Company will charge customers in the "East Athens" area of Athens Township (*i.e.*, the area east of the Susquehanna River), an East Athens Expansion Project Surcharge ("EA Surcharge") set forth in this Rider EA. The East Athens Expansion Project area shall be defined as the properties located immediately adjacent to the gas main extension route shown in Attachment E of the Company's filing at Docket No. P-2018-3006500 implementing this Rider. Rider EA shall be in effect for the first 134 new customers taking service via the East Athens Expansion. Each customer in East Athens and/or served through extensions of the initial gas main extension that was constructed to serve the East Athens area shall pay the EA Surcharge each month unless the customer chooses to make a one-time payment of \$2,754 to pay for the customer's portion of the expansion project cost. The EA Surcharge shall be classified as a non-basic charge. Customers that are not directly adjacent to the gas main extension route may be required to pay an additional contribution under Rule 4 if the extension of mains and service lines to serve the property exceed 200 feet.

Monthly EA Surcharge Rate. \$29.20 per meter

Surcharge Effective Date. The EA Surcharge shall start with the first date that a meter is set to serve an Applicant through the East Athens Expansion Project. The EA Surcharge shall apply to each applicable account for 120 billing cycles after the initial date that the account begins service from the Company, subject to the Customer's option to pay the remaining principle at any time.

Late Payment Charges Apply. If the customer fails to pay the full amount of the EA Surcharge on any bill a delayed payment penalty charge of one and one-quarter percent (1 ¼%) per month will accrue on the portion of the bill that is unpaid on the due date.

Tracking and Termination of Surcharge. The Company shall track the EA Surcharge on an account-by-account basis. Customers paying the EA Surcharge shall be permitted at any time to pay the remaining principle amount of their individual upfront CIAC amount. If the customer of record who initiates service under Rider EA moves or sells the applicable property, and the subsequent occupant/owner desires to continue receiving service, the subsequent occupant/owner shall be required to execute a line extension agreement in which the customer commits to pay for the remaining CIAC amounts due. The Company shall discontinue Rider EA on one-days' notice once 134 customers have completed all Rider EA payments.

Attachment B
(Statement in Support of Valley Energy)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Valley Energy, Inc. for Expansion : P-2018-3006500
Project Surcharge and Waiver of Tariff Rule 4 :

STATEMENT IN SUPPORT OF SETTLEMENT

On April 3, 2019, Valley Energy, Inc. (“Valley” 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”) (collectively, “Parties”), 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. Valley hereby provides a Statement in Support, which explains the background and provisions of the Settlement and establishes that approval of the Settlement without modification is appropriate and in the public interest.

I. PROCEDURAL BACKGROUND

1. Valley is a Pennsylvania natural gas distribution company corporation with its principal office located in Sayre, Bradford County, Pennsylvania. Valley provides natural gas distribution services to nearly 7,000 customers in Bradford County, Pennsylvania, as well as nearly 1,900 customers in New York State. Valley Statement No. 1, p. 1.

2. On December 11, 2018, Valley filed with the PUC a Petition for Expansion Project Surcharge and Waiver of Tariff Rule 4 (“Valley Petition”). The Valley Petition was designed to facilitate a natural gas pipeline expansion to the “East Athens” area of Valley's service territory (“Expansion Project” or “East Athens Expansion”). Valley Statement No. 1, pp. 3-4.

3. The OSBA filed an Answer and Notice of Intervention on December 27, 2018. The OCA filed a Notice of Intervention on December 28, 2018. I&E filed a Notice of Appearance on December 31, 2018.

4. Administrative Law Judge (“ALJ”) Dennis J. Buckley issued a Prehearing Order on January 24, 2019. ALJ Buckley approved a litigation schedule via email on February 5, 2019.

5. During this proceeding, Valley submitted the Direct Testimony of Edward E. Rogers and responded to two sets of written interrogatories providing detailed explanations of issues related to the Expansion Project.

6. Throughout this proceeding, the Parties held numerous meetings and corresponded by email to fashion a settlement. On March 8, 2019, Valley informed ALJ Buckley that the Parties had agreed to a settlement in principle. ALJ Buckley agreed to suspend the litigation schedule.

7. An evidentiary hearing was held on March 21, 2019, at which Valley's CEO, Edward Rogers, provided additional live testimony and answered questions from ALJ Buckley.

8. On April 3, 2019, Valley filed, on behalf of all parties, a Joint Petition for Settlement.

9. 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. DESCRIPTION OF EAST ATHENS EXPANSION PROJECT

A. The East Athens Expansion Project will provide natural gas service to a currently-unserved population within Valley's service territory.

10. Valley's service territory is 41 square miles and is comprised of Athens Township, the Borough of Sayre, the Borough of Athens, and several other boroughs and townships. A map of Valley's service territory, which was admitted into the record as Exhibit ___ (EER-1), is attached as Attachment 1.

11. Athens Township is bifurcated by the Susquehanna River. A portion of Athens Township, located on the east side of the river, is called East Athens. *See id.*

12. Currently, all of Valley's customers in the northern portion of its service territory – in the vicinity of Sayre – are situated on the west side of the Susquehanna River. Residences and businesses in East Athens do not have access to natural gas service from Valley or any other natural gas public utility. Valley Statement No. 1, p. 3.

13. To provide service to East Athens, Valley plans to construct a pipeline across the Susquehanna River and install approximately 18,000 feet of polyethylene (“PE”) distribution mains. Valley Statement No. 1, p. 4. A map of the planned expansion, which was admitted into the record as Exhibit ___ (EER-3), is attached as Attachment 2.

14. Based on the responsiveness of the East Athens community and Valley's experience with prior expansions, Valley projects that the Expansion Project will result in 92 new service accounts. Valley Statement No. 1, p. 4.

B. The East Athens community has demonstrated strong support for the Expansion Project.

15. In early 2018, Valley mailed surveys to 134 East Athens residences and businesses to ascertain the level of interest in receiving natural gas service. Valley received responses from 67 potential customers. The survey confirmed that customers are very interested in receiving gas

service. Additionally, Valley held a public meeting on December 13, 2018, where the East Athens community demonstrated strong interest. Valley Statement No. 1, p. 3.

16. At the time Mr. Rogers' Direct Testimony was filed in January, Valley had received 14 applications for service in East Athens. By the time of the evidentiary hearing, Valley had received 40 applications for service. Tr. 11:6-7.

17. Mr. Rogers explained in Direct Testimony that the primary factor driving the interest in East Athens is economics. New customers in East Athens stand to obtain significant cost savings by switching from fuel oil or electric heat to natural gas. Valley Statement No. 1, p. 4. Using data from the Energy Information Administration, Mr. Rogers demonstrated that heating costs may be reduced substantially by switching to natural gas. Valley Statement No. 1, pp. 14-15. On page 15 of Mr. Rogers' Direct Testimony, he included the following table to present potential savings opportunities for customers:

TABLE 1. Summary Valley Analysis of Annual Customer Fuel Cost Savings.

Fuel Source	Northeast/Nat. Est. Annual Fuel Cost (EIA)	Valley Est. Annual Fuel Cost w/ Natural Gas	Valley Est. Annual Savings w/ Natural Gas	Valley Est. Annual Savings % w/ Natural Gas
Electricity	\$1,405.00	\$601.58	\$803.42	57%
Heating Oil	\$1,377.00	\$601.58	\$775.42	56%
Propane	\$1,851.00	\$601.58	\$1,249.42	67%

18. As demonstrated by the above table, residents and businesses may substantially benefit from transitioning to natural gas. When accounting for the monthly surcharge paid by East Athens customers to help fund the Expansion Project (\$29.20/month or approximately \$350.00 a year), there is still ample room for savings. Valley Statement No. 1, p. 15.

19. In addition to the individual economics as an incentive, residents are also “positive about supporting Pennsylvania's natural gas development.” Valley Statement No. 1, p. 4.

20. As an additional benefit, the Expansion Project will facilitate the prompt completion of a system strengthening project on the west side of the Susquehanna. Tr. 12:20-13:7. Two portions of Valley's service territory (Athens and East Side Sayre) that currently contain only one supply connection will receive an additional supply line, providing needed reinforcement to those areas. *Id.*; Exhibit ____ (EER-8).

C. Valley has secured Commonwealth funding to facilitate the Expansion Project.

21. To develop the East Athens Expansion, Valley applied for a Pipeline Investment Program (“PIPE”) grant from the Pennsylvania Department of Community and Economic Development (“DCED”). On September 20, 2018, DCED awarded \$850,000 in PIPE grant funds to support the East Athens Expansion. Valley Statement No. 1, p. 5.

22. The PIPE grant funds one half of the costs of developing the Expansion Project up to a cap of \$850,000. Valley Statement No. 1, p. 5.

23. Including the support of the PIPE grant, Valley will rely on three sources of funding for the Expansion Project: (a) grant funds; (b) customer base rates; and (c) contributions in aid of construction (“CIAC”) from the new East Athens customers. Valley Statement No. 1, p. 5.

24. Rider EA establishes a temporary monthly surcharge applicable only to new customers benefitting from the East Athens Expansion (“EA Surcharge”). Valley Statement No. 1, p. 6. The EA Surcharge is designed *only* for new customers taking service via the East Athens Expansion. Consequently, no existing customers will pay the surcharge. Valley Statement No. 1, p. 7.

25. The surcharge will be paid by each new East Athens customer for a time period of ten years, calculated on an individual basis. Tr. 11:8-23. At \$29.20 per month, the surcharge is designed to allow new customers to obtain natural gas service in an affordable fashion by avoiding most large, up-front Contribution In Aid of Construction (“CIAC”) payments. Valley Statement

No. 1, p. 8. Additionally, the surcharge is low enough to allow for immediate savings upon conversion from other fuel sources to natural gas. Valley Statement No. 1, p. 15. Additionally, East Athens customers have the option to pay off the remainder of their individual CIAC in one lump sum, providing additional flexibility. *See* Tr. 14:6-15.

D. Valley plans to develop the Expansion Project in time for the 2019-2020 winter heating season.

26. Valley has been making numerous preparations to complete construction in time for new applicants to connect to Valley's system for the 2019-2020 winter heating season. Valley Statement No. 1, p. 5.

27. If Valley can begin construction by late May or June 2019, Valley projects that the pipeline and main will be ready for the Winter 2019-2020 heating season. Valley would like to commence construction rapidly upon the issuance of a Final Order by the Commission. *See* Valley Statement No. 1, pp. 4-5.

28. Valley respectfully requests that the Commission issue a Final Order in this proceeding as quickly as possible, but no later than the June 13, 2019 Public Meeting. This would allow the investment by both the Commonwealth (via the PIPE grant) and by new customers (in transitioning to natural gas heat) to come to fruition quickly, maximizing savings to new customers.

E. The Expansion Project is in the public interest.

29. The Expansion Project is in the public interest. The Expansion Project (a) provides an economical fuel source for residents and businesses of East Athens, allowing for substantial cost savings; (b) enables more residents and businesses to support Pennsylvania's natural gas development; (c) possesses a funding commitment by the Commonwealth of up to one half of the construction costs; (d) has demonstrated substantial community support via formal surveying, informal feedback, and new service applications; and (e) is planned to be effective for the 2019-

2020 heating season, so there will be no delay in realizing the benefits of the Commonwealth's investment.

III. STATEMENT IN SUPPORT OF SETTLEMENT

30. During the many settlement conferences, the Parties discussed the goals of the East Athens Expansion Project as well as any concerns about Valley's proposals. The Company and the other Parties were able to resolve these concerns to the satisfaction of all Parties, ultimately creating a strong, robust plan that accomplishes the goal of providing service to East Athens while protecting Valley's existing customers.

31. Consequently, the Joint Petition reflects a reasonable balance and appropriate compromise of the Parties' positions regarding the Company's East Athens Expansion Project and the associated surcharges and tariff rules.

32. The Joint Petition facilitates the revenue needed to accomplish the Expansion Project, which will provide natural gas service to currently unserved residents and businesses in the East Athens portion of Valley's service territory. Leveraging a PIPE grant of \$850,000 from DCED, Valley will be able to provide an economical fuel source not currently available in East Athens.

33. The Joint Petition also accomplishes these goals with minimal risk for Valley's existing customers. While providing an affordable means for new East Athens customers to make payments toward the construction cost, the Joint Petition expressly limits the amount of the Expansion Project that will go into rate base. The Joint Petition also provides that the Company bears the risk if there are construction cost overruns or fewer-than-projected new service applications.

34. Finally, the Joint Petition restates Valley's commitment to abide by all permitting requirements and environmental regulations in construction of the pipeline.

IV. CONCLUSION

35. The Company respectfully submits that approval of the Joint Petition without modification is appropriate and in the public interest. The Joint Petition facilitates the East Athens Expansion Project and allows the Company to provide safe and reliable natural gas service to its existing and new customers. In addition, the Joint Petition represents a compromise solution that adequately addresses the needs of all parties to this proceeding.

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

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

Respectfully submitted,

MCNEES WALLACE & NURICK LLC

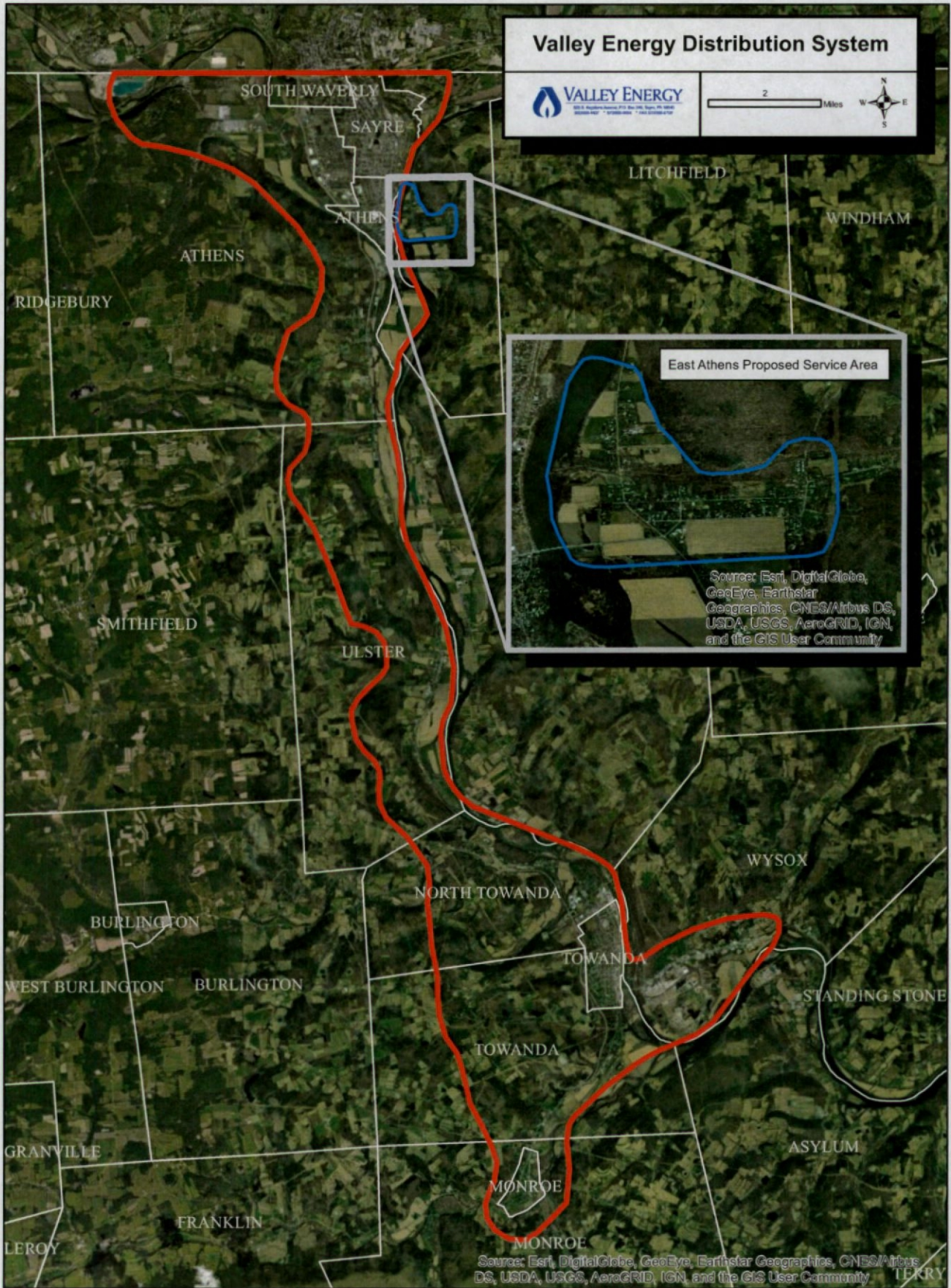
By 

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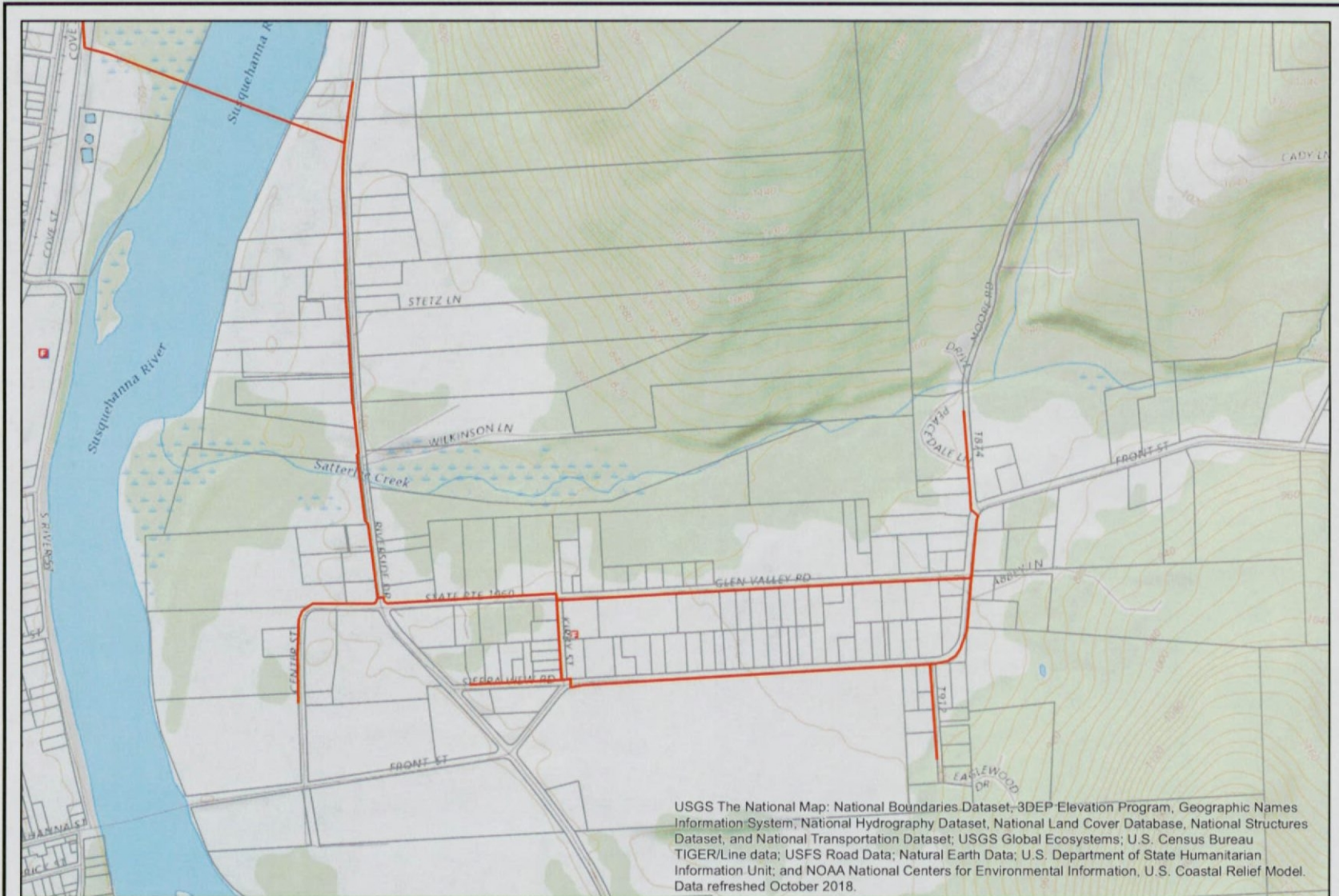
Dated: April 3, 2019

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Attachment 1
(Exhibit__EER-1)





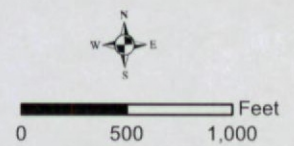
Attachment 2
(Exhibit __ EER-3)



USGS The National Map: National Boundaries Dataset; 3DEP Elevation Program, Geographic Names Information System; National Hydrography Dataset, National Land Cover Database, National Structures Dataset, and National Transportation Dataset; USGS Global Ecosystems; U.S. Census Bureau TIGER/Line data; USFS Road Data; Natural Earth Data; U.S. Department of State Humanitarian Information Unit; and NOAA National Centers for Environmental Information, U.S. Coastal Relief Model. Data refreshed October 2018.

Valley Energy
East Athens Project - Pipeline Route
Attachment E
 Athens Township, Bradford County, PA

-  Gas Main Extension
-  Parcel Boundary



Draw Date: 12/10/2018
 Drawn By: John Storelli

Attachment C
(Statement in Support of I&E)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Valley Energy, Inc. for :
Expansion Project Surcharge and Waiver : Docket No. P-2018-3006500
of Tariff Rule 4 :

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

TO ADMINISTRATIVE LAW JUDGE DENNIS J. BUCKLEY:

The Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”), by and through Prosecutor Allison C. Kaster, hereby respectfully requests that the terms and conditions of the foregoing Joint Petition for Settlement (“Joint Petition” or “Settlement”) be approved by Administrative Law Judge Dennis J. Buckley (“ALJ”) and the Commission without modification. I&E submits that the terms and conditions of the Settlement are in the public interest for the following reasons:

I. INTRODUCTION

On December 11, 2018, Valley Energy, Inc. (“Valley” or “Company”) filed a petition for approval of an Expansion Project Surcharge (“EA Surcharge”) and waiver of the Company’s Tariff Rule 4 (“Petition”), which expands existing service to provide gas service to eastern Athens (“East Athens”), Pennsylvania.

Valley currently provides natural gas distribution service to approximately 7,000 customers in Bradford County, Pennsylvania. All of the Company’s customers in Athens Township are located on the west side of the Susquehanna River and, through the Petition, Valley is seeking approval to establish the EA surcharge to construct a pipeline across the Susquehanna River to serve potential new customers in East Athens. Valley’s Petition states that the project is estimated to cost \$1.7 million, which will be funded through a combination of a \$850,000 PIPE grant, customer base rates and contributions in aid of construction (“CIAC”) from the new East Athens customers through the East Athens Surcharge (“EA Surcharge”).

Interventions were filed by the Office of Small Business Advocate on December 27, 2018 and the Office of Consumer Advocate on December 28, 2018. I&E filed a Notice of Appearance on December 31, 2018.

A Prehearing Conference Notice was issued January 11, 2019. A Prehearing Conference was held at 10:00 am on Tuesday, January 29, 2019, with ALJ Dennis J. Buckley presiding.

Valley served the Direct Testimony of Edward E. Rogers, identified as Valley Statement No. 1, on January 18, 2019.

Pursuant to the Commission's policy of encouraging settlements, the parties engaged in extensive settlement conferences during the course of litigation. I&E participated in those discussions to ensure that all interests, including those of Valley's existing customers, were represented. Through those discussions, the parties were able to reach a settlement in principle on March 8, 2019. At the evidentiary hearing on March 21, 2019, Valley witness Mr. Rogers provided supplemental testimony to supplement the Settlement.

I&E submits that the EA Surcharge, as modified by the Settlement, is in the public interest as it extends Valley's natural gas service to an unserved area of its service territory in a manner that does not harm Valley's existing customers. Therefore, I&E supports Commission approval of the Settlement.

II. SETTLEMENT TERMS

A. Commission Encourages Settlements

It is the policy of the Commission to encourage settlements.¹ The following policy statement articulates general settlement guidelines and procedures for major rate cases:

In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. It is also the Commission's judgment that the public interest will benefit by the adoption of §§ 69.402—69.406 and this section which establish guidelines and procedures designed to encourage full and partial settlements as well as stipulations in major section 1308(d) general rate increase cases.²

¹ 52 Pa. Code § 5.231.

² 52 Pa. Code § 69.401.

Although this is not a base rate case, the policy statement highlights the importance of settlement in Commission proceedings. 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.”³ I&E believes this Settlement balances the interests of the Company, existing customers and potential new East Athens customers in a fair and equitable manner that best serves the public interest.

A comparison of the original Petition submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition. The Commission has encouraged NGDCs operating in unserved and underserved territories to bring natural gas service to jurisdictional businesses and homeowners. Traditionally, the customer is charged a one-time upfront CIAC payment for the extension cost, which can be a barrier for some potential customers. However, large NGDCs have received Commission approval to implement alternative financing for the extension of gas service. For example, UGI’s GET Gas program, PECO’s Neighborhood Gas Program and Columbia’s New Area Service program offer different alternatives to make service extension more affordable new customers. Similarly, Valley’s East Athens Expansion is designed to assist customers on the east side of the Susquehanna River obtain natural gas service by spreading the CIAC cost over 10 years instead of the upfront payment. The Settlement allows Valley to implement the EA Surcharge but includes additional terms that protect existing customers, potential new East Athens customers and the Company. For example, the Settlement caps the amount

³ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

placed into rate base even if there are construction costs overruns, specifies that the EA Surcharge is non-basic and ensures that the Company recovers the EA surcharge for the full 10-year period even if the owner who initiated service moves or sells the property. Accordingly, I&E maintains that the Settlement should be approved without modification.

B. Construction Costs (Settlement at ¶¶ 13, 15)

The Settlement provides that the East Athens Expansion Project construction cost is capped at \$1,700,000 and any construction costs overruns will not be added to rate base. The \$1,700,000 was estimated in the Company's Petition (Petition, p. 4), but its Direct Testimony appeared to revise the estimate to \$1,830,000 (Valley St. No. 1, p. 4). The \$1,830,000 estimate included approximately \$73,000 of contingencies (Valley Exh. EER-2). I&E was concerned that this \$130,000 difference could significantly impact rates because Valley has a relatively small customer base of 7,000 jurisdictional customers. I&E discussed this difference with Valley and it indicated that \$1,700,000 was likely the appropriate amount; therefore, I&E maintains that it is in the public interest to cap the construction cost at \$1,700,000 and exclude any potential cost overruns above that amount from rate base.

C. PIPE Grant (Settlement at ¶ 14)

Valley received a Pipeline Investment Program ("PIPE") grant of 50% of the project costs, up to \$850,000, from the Pennsylvania Department of Community and Economic Development to fund the East Athens Expansion (Valley St. No. 1, p. 5). Per the Settlement, the Company will use these proceeds to offset the estimated \$1,700,000

construction costs. I&E applauds the Company for applying for this grant and significantly reducing the cost of this project. Given Valley's relatively small customer base and projected growth through the East Athens Expansion, offsetting 50% of the project costs through the PIPE grant greatly assists in making this project possible.

D. Economic and Uneconomic Portion Definition (Settlement at ¶ 16)

1. The Settlement defines the Economic Portion to be \$489,000, which will be placed into rate base in an upcoming base rate proceeding. This amount is comprised of \$135,000 to reinforce both the existing system and the East Athens Expansion (Tr. at 13) and \$354,000 for the East Athens Expansion. I&E maintains that the agreed upon economic portion is just and reasonable.

2. The Settlement states that the Uneconomic Portion will be recovered through CIAC payments from the new East Athens customers. The Uneconomic Portion will not be reflected in rate base, expenses or revenues and any income tax associated with CIAC payments will not be claimed in rates or rate base. The Settlement provides that Valley bears the risk of not recovering the Uneconomic Portion from East Athens customers. I&E believes that this protects the Company's existing customers because recovery of the Uneconomic Portion is subject to different variables, primarily the number of customers applying for service in East Athens. Existing ratepayers are protected by capping the amount of base rate recovery at \$489,000 and requiring the Company to be at risk for any under recovery of the Uneconomic Portion.

E. EA Surcharge (Settlement at ¶ 17)

The Settlement provides that Valley will assess the EA Surcharge on all customers applying for service in East Athens up to a cap of 134 customers (Settlement at ¶ 17.b).

The Company believes that this target is achievable as 14 applications for service had been received at the time Direct Testimony was submitted in January 2018 but that number increased to 40 applications as of March 20, 2019 (Statement No. 1, p. 3; Transcript at 11).

The Settlement reflects that the EA Surcharge will be \$29.20 per month for 10 years or the East Athens customer may make a one-time payment of \$2,754 (Settlement at ¶ 17.d). The EA Surcharge is designed to make extensions more affordable by allowing the new customers to pay for the CIAC over a longer period of time and on an aggregate basis. This makes the Company's extension project more attractive by assisting potential new customers with an economical option to pay the costs over time rather than in an up-front payment. However, the Settlement also retains the option for customers to make the on-time payment of \$2,754 or pay off the remaining balance of their CIAC at any time (Settlement at ¶ 17.e). Providing East Athens customers these payment options is appropriate as some may prefer the up-front payment or pay off amount to avoid paying the interest included in the surcharge.

The Settlement now mandates a 10-year repayment term for each customer, which differs from the plan as filed (Settlement at ¶ 17.d). The Company originally proposed that the surcharge be in effect until the total customer contribution was paid, which Valley estimated to be 10 years but would potentially vary depending on the speed that

East Athens customers were added (Valley St. No. 1, p. 9). I&E was concerned about this proposal for two reasons. First, the duration of the EA Surcharge was variable so customers signing up for service would have no way of knowing how long they would pay the EA Surcharge. Under the Settlement, the amount and duration of the EA Surcharge are clearly defined so customers can make an informed decision about whether to take natural gas service from Valley. Second, under the Company's original plan, the EA Surcharge would remain in effect until the full amount was paid so it was possible that a customer connecting in Year 1 would pay the EA Surcharge for the full 10 years but a customer connecting in Year 8 would only pay the EA Surcharge for 2 years (Valley St. No. 1, pp. 9-10.) While Valley indicated that it was not concerned with customers attempting to "game" the system in this fashion (Valley St. No. 1, p. 10), I&E maintains that the Settlement term that every customer pay the EA Surcharge for the full 10 year period is more appropriate as it requires all customers taking service to pay the same amount over the same time period.

F. Line Extension Agreement (Settlement at ¶¶ 19, 20)

The Settlement permits Valley to require customers to sign a line extension agreement and, importantly, the Settlement mandates that if the customer who initiates service moves or sells the property, the subsequent occupant/owner will be required to execute a line extension agreement to pay the remaining principal of the original obligation. The Petition was silent as to what would occur if the initiator of the service moved prior to paying the full balance of the EA Surcharge. The Settlement rectifies this because Valley will now track the payments for each account (Settlement at ¶ 17.c) and

ensure that full payment is made even if the customer taking service from the property changes over the 10-year period.

G. Non-Basic Service (Settlement at ¶ 21)

The Settlement specifies that the EA Surcharge is non-basic. The EA Extension plan as filed did not indicate whether it would be basic or non-basic, which is an important distinction under Commission regulations as it impacts the application of partial payments, termination of service, and bill format. The Settlement appropriately clarifies this point and establishes that the EA Surcharge is non-basic; therefore, there will be no issue about the applicability of Commission regulations once this surcharge is implemented.

III. THE SETTLEMENT SATISFIES THE PUBLIC INTEREST

I&E represents that all issues have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving regulatory differences. The parties have carefully discussed and negotiated all issues raised in this proceeding and the Settlement maintains the proper balance of the interests of all parties.

Additionally, resolution of this case 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. I&E further submits that the acceptance of this Settlement 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 Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all the parties agree benefits their discrete interests.

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the Joint Petition for Settlement as being in the public interest and respectfully requests that Administrative Law Judge Dennis J. Buckley recommend, and the Commission approve, the terms and conditions contained in the Settlement without modification.

Respectfully submitted,



Allison C. Kaster
Attorney I.D. #93176

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
400 North Street
Keystone Building
Harrisburg, Pennsylvania 17120

Dated: April 2, 2019

Attachment D
(Statement in Support of OCA)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Valley Energy, Inc. For Expansion : Docket No. P-2018-3006500
Project Surcharge and Waiver of Tariff Rule 4 :

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

A. Background

Valley Energy, Inc. (Valley or Company) is an investor-owned natural gas utility headquartered in Sayre, Pennsylvania. The Company provides natural gas distribution services to over 7,000 customers in Pennsylvania and nearly 2,000 customers in New York. Valley has indicated that it serves 6,148 residential customers and 899 commercial and industrial customers in Pennsylvania.

On December 11, 2018, Valley filed the instant Petition seeking Commission approval of (1) Valley's proposed Rider EA Surcharge and (2) waiver of Valley's Tariff Rule 4. Through this Petition, Valley would expand its natural gas distribution service across the Susquehanna River and into the eastern portion of Athens, Pennsylvania (East Athens). Valley currently provides natural gas distribution service to consumers in the western side of Athens. Consumers in East Athens currently do not have access to any natural gas service.

Valley estimates the cost of the project will be approximately \$1.7 million. On September 20, 2018, the Pennsylvania Department of Community and Economic Development awarded Valley up to \$850,000 in Pipeline Investment Program (PIPE) grant funds to facilitate the project. The Petition proposes to allow Valley to pay for the remainder of the expansion project over time by charging only new customers in East Athens with a monthly surcharge to pay for the new infrastructure required by the expansion. The Company has indicated that the surcharge would be automatically removed once the project's cost has been recovered.

B. Procedural History

On December 27, 2018, the Office of Small Business Advocate (OSBA) filed a Notice of Appearance, Notice of Intervention, Answer, and Public Statement. On December 28, 2018, the OCA filed a Notice of Intervention and Public Statement. The Commission's Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on December 31, 2018.

Administrative Law Judge Dennis J. Buckley was assigned to this proceeding. On January 11, 2019, ALJ Buckley notified the parties that an Initial In-Person Prehearing Conference would take place on January 29, 2019 in Harrisburg. On January 18, 2019, Valley submitted Statement No. 1 – Direct Testimony and Exhibits of Edward E. Rogers. The Parties submitted Prehearing Conference Memoranda on January 28, 2019. On January 29, 2019, ALJ Buckley notified the parties that the Initial In-Person Prehearing Conference would be cancelled due to inclement weather. The Parties continued informally discussing a possible procedural schedule and settlement terms.

On February 5, 2019, ALJ Buckley approved of the Parties' proposed procedural schedule. The Other Parties' Direct Testimony was originally due on March 6, 2019. On March 5, 2019, the Parties requested, and received, from ALJ Buckley an extension of the Direct Testimony due date

by a few days to further facilitate settlement discussions. A settlement in principal was reached by the Parties on March 8, 2019.

Pursuant to the Commission's policy of encouraging settlements that are in the public interest, the Joint Petitioners held several settlement discussions during the course of this proceeding. These discussions resulted in this Settlement, which reasonably addresses the issues raised in this case. The OCA submits that the Settlement is in the public interest, is in the best interest of the Company's ratepayers, and should be approved without modification.

In this Statement in Support, the OCA addresses those areas of the Settlement that specifically relate to important issues that the OCA has identified. The OCA expects that other parties will discuss how the Settlement's terms and conditions address their respective issues and how those parts of the Settlement support the public interest standard required for Commission approval.

For these reasons and those that are discussed in greater detail below, the OCA submits that the Settlement is in the public interest, is in the best interest of the Company's ratepayers, and should be approved by the Commission without modification.

II. TERMS OF THE SETTLEMENT

A. Funding for the East Athens Expansion Project

In its filing, Valley estimated that the East Athens expansion project would cost approximately \$1.7 million. Petition at 4. To offset this cost, Valley applied for a Pipeline Investment Program (PIPE) grant from the Pennsylvania Department of Community and Economic Development. Petition at 4-5. A PIPE grant of up to \$850,000 was awarded to Valley on September 20, 2018 to facilitate the Company's pipeline extension into East Athens. Petition at 5.

Under the Settlement, the cost of Valley's expansion project is capped at \$1.7 million, and Valley will apply the \$850,000 PIPE grant to offset this cost. Settlement ¶ 13, 14. Should construction of Valley's East Athens expansion project exceed the \$1.7 million cap, the Settlement prevents any excess cost from being included in Valley's rate base. Settlement ¶ 15. Additionally, the Settlement requires Valley to use a portion of its funding for the expansion project to reinforce its gas delivery system on the west side of Athens, which means that Valley's current ratepayers will also experience a benefit from this proposed expansion project. Settlement ¶ 16.a. Valley has taken significant steps to acquire outside funding to assist with this expansion project and to ensure that any cost overruns during construction will not be flowed through to its ratepayers. The cost to achieve Valley's proposed expansion is reasonable given the complexity of the project, and Valley has ensured that its ratepayers will not bear the risk that this project exceeds its estimated cost. As such, the OCA submits that the funding of Valley's expansion project is in the public interest and should be approved by the Commission.

B. The EA Surcharge

In its filing, Valley proposed a surcharge (EA Surcharge) to pay for the proposed East Athens expansion project over time. Petition at 6-9. Valley explained that the EA Surcharge would only apply to new customers taking natural gas service through the East Athens expansion. Petition at 6. The Company proposed that the EA Surcharge be set at a price of \$29.20 per month per meter and remain in place for a period of ten years. Petition at 7. Alternatively, new East Athens ratepayers could pay the Company a one-time, upfront payment of \$2,754 in lieu of the monthly EA Surcharge to take service through Valley's East Athens expansion. Petition at 8.

Under the Settlement, the EA Surcharge will remain at a price of \$29.20 per month per meter and remain in place for a period of ten years. Settlement ¶ 17.d. To take service through

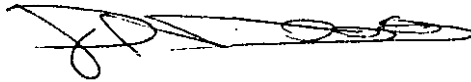
the East Athens expansion, Valley's ratepayers may choose to pay the EA Surcharge monthly or pay a one-time, upfront payment of \$2,754 to satisfy the ratepayers' individual Customer In Aid of Construction (CIAC) balance. Settlement ¶ 17.d, e. The Settlement explains that ratepayers paying the EA Surcharge monthly may pay off the remaining balance of their individual CIAC amount at any time. Settlement ¶ 17.e. Importantly, Valley's tariff will state that the EA Surcharge is a non-basic charge. Settlement ¶ 21.

The Settlement demonstrates a compromise between Valley's need for customer funds to facilitate construction of the expansion project and the need to protect Valley's ratepayers against excessive costs. The amount of the EA Surcharge is reasonable in light of the complexity of the proposed expansion project and the savings that future ratepayers in East Athens will realize as a result of switching to natural gas service. Additionally, the Settlement requires Valley to designate the EA Surcharge as a non-basic charge. As such, Valley will not be permitted to terminate natural gas service due to nonpayment of the EA Surcharge. The OCA submits that the EA Surcharge crafted by Valley and the Parties to facilitate construction of its East Athens expansion project is in the public interest and should be approved by the Commission.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Joint Settlement of this proposed expansion project represent a fair and reasonable resolution of the issues raised in this proceeding. Therefore, the OCA submits that the Settlement should be approved by the Commission without modification as being in the public interest.

Respectfully Submitted,



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Attachment E
(Statement in Support of OSBA)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Valley Energy, Inc. for :
Expansion Project Surcharge and : **Docket No. P-2018-3006500**
Waiver of Tariff Rule 4 :

**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 or about December 11, 2018, Valley Energy, Inc. (“Valley”) filed the *Petition of Valley Energy, Inc. for Expansion Project Surcharge and Waiver of Tariff Rule No.4 to Tariff-Gas Pa.P.U.C. No. 2* (“Petition”).

The OSBA filed an Answer, Notice of Intervention, and Public Statement in this case on December 27, 2018.

The matter was assigned to Administrative Law Judge (“ALJ”) Dennis J. Buckley who issued a Prehearing Conference Order on January 24, 2019. The initial in-person pre-hearing conference, originally scheduled for January 29th, was converted to a telephonic scheduling conference due to inclement weather.

Thereafter, the parties engaged in settlement discussions and were ultimately able to reach a comprehensive settlement.

On January 18, 2019, Valley filed the testimony of witness Edward E. Rogers. At the evidentiary hearing on March 21, 2019, Mr. Rogers offered supplemental testimony.

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. Summary of the OSBA’s Principal Concerns

In its Answer and Prehearing Memorandum, the OSBA identified several issues of concern, including the following:

1. Whether Valley’s proposed East Athens Expansion Project would be revenue neutral to general ratepayers under all circumstances; and
2. Whether Valley’s proposed waiver of Tariff Rule 4 is necessary and reasonable.

IV. Settlement

The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA’s specific reasons for joining the Settlement. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of Valley’s small business customers.

In its initial filing, Valley proposed a surcharge and Waiver of Tariff Rule No. 4 to recover the portion of construction costs for the East Athens (“EA”) expansion that were not allowable pursuant to its tariff. The Company’s proposed estimate for the

project cost was \$1.7 million and included an award of an \$850,000 Pipeline Investment Program (“PIPE”) grant from the Pennsylvania Department of Community and Economic Development (“DCED”).¹ Because, the remaining costs exceeded the amount allowable under Valley’s tariff, Valley proposed an EA surcharge and waiver to deal with the remaining costs.² The OSBA’s concerns, as set forth above, were that the costs for the project should be revenue neutral to general ratepayers, and whether the waiver of Tariff Rule No. 4 was necessary and reasonable.

The Settlement, as well as the supplemental testimony of Mr. Rogers, address the OSBA’s concerns. Specifically, while the Settlement doesn’t change the estimated overall cost of the East Athens Project from the proposed \$1.7 million, the Settlement does provide protection to general ratepayers by precluding cost overruns from being added to rate base. Furthermore, the proposed Settlement eliminates the need for a waiver of Valley’s tariff.³

For the Net Construction Cost (defined as: total construction costs less the actual value of the PIPE grant), only the “Economic Portion” of the Net Construction Costs will be added to rate base. The OSBA is satisfied that the Economic Portion of the Net Construction Costs proposed in the Settlement (which is 19.2% lower than initially proposed) is reasonable.⁴ Additionally, the “Uneconomic Portion” of the Net

¹ Petition at 4-5.

² Petition at 5, and Valley Statement No. 1 at 7-11 and 12-14.

³ Settlement at 2, Para. 15 and 18.

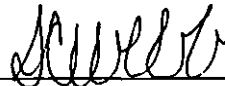
⁴ Valley Statement No. 1 at 9 (\$596,000), and Settlement at Para. 16a. (\$489,00).

Construction Costs will not be reflected in rate base and Valley will bear the risk of not recovering these costs.⁵

V. 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,



Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

For:
John R. Evans
Small Business Advocate

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Dated: April 3, 2019

⁵ Settlement at 3, Para. 16(b).

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