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September 11, 2019

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. Wellsboro Electric Company;
Docket No. R-2019-3008208**

**Pennsylvania Public Utility Commission v. Valley Energy, Inc.;;
Docket No. R-2019-3008209**

**Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA;
Docket No. R-2019-3008212**

Dear Secretary Chiavetta:

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

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

Very truly yours,

McNEES WALLACE & NURICK LLC

By

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

Adeolu A. Bakare

Counsel to Citizens' Electric Company of Lewisburg, PA,
Wellsboro Electric Company, and Valley Energy, Inc.

c: Administrative Law Judge Steven K. Haas (via E-Mail and First-Class Mail)
Administrative Law Judge Benjamin Myers (via E-Mail and First-Class Mail)
Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2019-3008208
Wellsboro Electric Company	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2019-3008209
Valley Energy, Inc.	:	
	:	
	:	
Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2019-3008212
Citizens' Electric Company of Lewisburg, PA	:	

**PREHEARING MEMORANDUM OF CITIZENS' ELECTRIC COMPANY
OF LEWISBURG, PA, WELLSBORO ELECTRIC COMPANY AND
VALLEY ENERGY, INC.**

Citizens' Electric Company of Lewisburg, PA ("Citizens"), Wellsboro Electric Company ("Wellsboro") and Valley Energy, Inc. (collectively, "Companies" and each individually, "Company"), hereby submit this Prehearing Memorandum in anticipation of the Prehearing Conference scheduled for September 13, 2019.

I. HISTORY OF THE PROCEEDING

On July 1, 2019, Citizens' filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 132 to Tariff Electric-Pa. P.U.C. No. 14 ("Supplement No. 132"), proposing an annual increase in rates of \$792,246, Wellsboro filed with the PUC Supplement No. 125 to Tariff Electric-Pa. P.U.C. No. 8 ("Supplement No. 125"), proposing an annual increase in rates of \$1,419,610, and Valley filed with the PUC Supplement No. 49 to Tariff Gas-Pa. P.U.C. No. 2 ("Supplement No. 49"), proposing an annual increase in rates of \$1,034,186.

The Office of Consumer Advocate ("OCA") filed Formal Complaints against each Company's proposed rate increase. Athens Borough, South Waverly Borough and Larry E. Cole also filed Formal Complaints against Valley only. The Office of Small Business Advocate ("OSBA") submitted Notices of Appearance in each proceeding and filed a Formal Complaint against Wellsboro only. Pursuant to 52 Pa. Code § 5.61(d), the Companies elected not to file answers to the Complaints.

On July 22, 2019, the Joint Statutory Advocates (*i.e.*, OCA, OSBA and the Bureau of Investigation and Enforcement ("I&E")) filed Motions to reject the rate filings of Wellsboro and Valley. On July 29, 2019, Valley revised Supplement No. 49 to reflect a proposed annual increase in rates of \$834,497, and on July 31, 2019, Wellsboro updated Supplement No. 125 to reflect a proposed annual increase in rates of \$999,967.

On August 29, 2019, the Commission entered an Order suspending Citizens', Wellsboro's and Valley's proposed tariff supplements by operation of law until March 30, 2020, and instituted an investigation into the proceedings. On September 9, 2019, the Companies filed tariff supplements voluntarily extending the suspension periods through April 29, 2019. These proceedings were referred to the Office of Administrative Law Judge, where Administrative Law Judges ("ALJs") Steven K. Haas and Benjamin Myers were assigned to all three cases, and a Prehearing Conference was scheduled for September 13, 2019.

II. SERVICE LIST

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

Pamela C. Polacek (PA I.D. No. 78276)
Adeolu A. Bakare (PA I.D. No. 208541)
Matthew L. Garber (PA I.D. No. 322855)
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III. ANTICIPATED ISSUES AND SUB-ISSUES

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

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

1. Revenue Requirement – The Companies will demonstrate that the proposed rates appropriately reflect sales and revenues in the Historic, Future, and Fully-Projected Future ("FPF") Test Years.
2. Expenses – The Companies will demonstrate that they appropriately reflected and accounted for known and measurable expenses in the Historic, Future, and FPF Test Years.
3. Rate of Return – The Companies will show that the proposed rate of return reflects an appropriate capital structure, cost of debt and cost of equity, and will provide the Companies with the minimum revenues necessary to allow an opportunity to earn a fair return on utility property.

4. Rate Base – The Companies will confirm that their developed rate bases appropriately reflect the original cost of utility plant in the Historic, Future, and FPF Test Years, depreciation reserve, cash working capital, and materials and supplies.
5. Rate Structure – The Companies will support their proposed rate allocations.
6. Rate Design – The Companies will demonstrate that their proposed design changes are just, reasonable and not unduly discriminatory.

IV. PROPOSED WITNESSES

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

Joint Witnesses

Howard S. Gorman, President, HSG Group, Inc.; 45 Hill Park Ave., Great Neck, NY 11021; 516-829-6856 – for Citizens', Wellsboro and Valley, develops the FPF Test Year revenue requirement and rate base and Future Test Year net income. Presents the allocated class cost of service study. Presents the Companies' proposed revenue allocation and proposed rates and charges that produce the overall revenue requirement and the class revenue targets, as well as the proof of revenue and bill comparisons at the proposed rates. For Citizens' and Wellsboro only, discusses proposed changes to the rate structures for certain rate schedules. For Valley only, explains the unbundling of certain commodity-related costs from Valley's distribution rates to the Gas Cost Rate.

Dylan W. D'Ascendis, CRRA, CVA, Director, ScottMadden, Inc.; 3000 Atrium Way, Suite 241, Mount Laurel, NJ, 08054; 856-242-2029 – recommends the allowed weighted average costs of capital for each Company's jurisdictional rate base.

Melissa Sullivan, CFO, C&T Enterprises, Inc.; 33 Austin Street, 3rd Floor, Wellsboro, PA 16901; 570-724-9466 – responsible for coordinating internal and external resources for Citizens', Wellsboro's and Valley's rate cases, including legal, consulting, auditing, and Company support.

Citizens' Witnesses

John Kelchner, President and CEO, Citizens'; 1775 Industrial Blvd., Lewisburg, PA 17837; 570-522-6141 – provides a general overview of Citizens', its service territory, and its customer base. Addresses portions of the historical data, Future Test Year expenses, and capital improvements information provided to HSG Group, Inc., for compilation and preparation of the filing. Discusses Citizens' future projected expenditures, as well as the unique circumstances faced by Citizens' as a small electric utility, and the bases for a performance adjustment to

Citizens' rate of return. Addresses Citizens' capital improvement activities, vegetation management and succession planning efforts. Addresses Citizens' proposed tariff changes.

Gene E. Cree, Treasurer, Citizens'; 1775 Industrial Blvd., Lewisburg, PA 17837; 570-522-6142 – responsible for Citizens' historic and test year expenses, taxes, revenues, and rate base.

Wellsboro Witnesses

Craig Eccher, President and CEO, Wellsboro; 33 Austin Street, Wellsboro, PA 16901; 570-662-2175 – provides a general overview of Wellsboro, its service territory, and its customer base. Addresses portions of the historical data and Future Test Year expenses, and capital improvements information provided to HSG Group, Inc., for compilation and preparation of the filing. Also addresses Wellsboro's future projected expenditures, the unique circumstances faced by Wellsboro as a small electric utility, and the bases for a performance adjustment to Wellsboro's rate of return.

Jill Campbell, Vice President, Finance and Administration, Wellsboro; 33 Austin Street, Wellsboro, PA 16901; 570-724-6702 – responsible for coordinating with Wellsboro's auditors and representatives of HSG Group, Inc., to ensure that historic and test year expenses, taxes, revenues, and rate base are appropriately reflected.

Byron Farnsworth, Jr., Vice President, Engineering and Operations/Chief Operations Officer, Wellsboro; 33 Austin Street, Wellsboro, PA 16901; 570-724-3516 – addresses historical and Future Test Year expenditures and capital improvement information provided to HSG Group, Inc. for compilation and preparation of Wellsboro's filing. Addresses Wellsboro's vegetation management and succession planning efforts. Outlines the factors supporting a performance adjustment to Wellsboro's rate of return. Discusses Wellsboro's proposed tariff changes.

Valley Witnesses

Edward E. Rogers, President and CEO, Valley; 523 Keystone Ave., Sayre, PA 18840; 570-888-9664 – provides a general overview of Valley, its operations, service territory, and customer base, including the current extension of service to new customers in Athens Township, PA. Discusses Valley's proposed tariff changes.

Jamie Levering, Vice President and Treasurer, Valley; 523 Keystone Ave., Sayre, PA 18840; 570-888-9664 – responsible for coordinating with Valley's auditors and HSG Group, Inc., to ensure that historic and test year expenses, taxes, revenues, sales, and rate base are appropriately reflected. Responsible for ensuring that the expense, plant and sales information provided to HSG Group, Inc., that is reflected in Exhibit __ (HSG-1) is correct.

V. PROPOSED SCHEDULE AND DISCOVERY RULES

The Companies propose the below procedural schedule.

Event	Date
Companies' Rate Case Filings	July 1, 2019
Companys' Direct Testimony	August 2, 2019
Prehearing Conference	September 13, 2019
Other Parties' Direct Testimony	October 11, 2019
Initial Settlement Conference	Prior to October 28, 2019
All Parties' Rebuttal Testimony	November 6, 2019
All Parties' Surrebuttal Testimony	November 25, 2019
Companies' Oral Rejoinder Outline	December 4, 2019
Hearings (including Oral Rejoinder) in Harrisburg	December 9-10, 2019
Main Briefs	December 30, 2019
Reply Briefs	January 10, 2020
Suspension Period Ends	April 29, 2020

The Companies are engaged in discussions with the parties regarding the procedural schedule and will continue discussions in anticipation of reaching a consensus schedule before the Prehearing Conference.

Additionally, discovery has commenced for the proceedings, with the Companies responding to approximately 1,500 data requests and interrogatories, including subparts, to date. Due to the relatively small size of the Companies' staff, and the Companies' efforts to respond to discovery requests from the parties, the Companies suggest that, in lieu of any acceleration of the discovery deadlines, all parties commit in good faith to respond to each request as quickly as possible.

The Companies propose that service via electronic mail with a hard copy to follow by First-Class Mail shall constitute sufficient service to satisfy any "in-hand" dates. In addition, any

discovery served after 12:00 p.m. on Friday or holidays should be considered to have been served on the following business day for purposes of calculating any responsive deadlines.

VI. CONSOLIDATION


The Companies support consolidation of Citizens', Wellsboro's and Valley's rate case proceedings.

VII. POSSIBILITY OF SETTLEMENT

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

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
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Counsel to Citizens' Electric Company of
Lewisburg, PA, Wellsboro Electric Company and
Valley Energy, Inc.

Dated: September 11, 2019

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 Valley Energy, Inc.

Dated this 11th day of September, 2019, at Harrisburg, Pennsylvania.