



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Pamela C. Polacek
Direct Dial: 717.237.5368
Direct Fax: 717.260.1736
ppolacek@mwn.com

March 25, 2014

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 Nos. R-2014-2406399; C-2014-2409974**

**RE: Pennsylvania Public Utility Commission v. Wellsboro Electric Company;
Docket Nos. R-2014-2408050; C-2014-2409952**

Dear Secretary Chiavetta:

Attached please find for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Prehearing Memorandum of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served.

Sincerely,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'Pamela C. Polacek', written over a horizontal line.

Pamela C. Polacek

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

/sar

Enclosure

c: ALJ Susan D. Colwell (via e-mail and first class mail)
Certificate of Service

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CERTIFICATE OF SERVICE

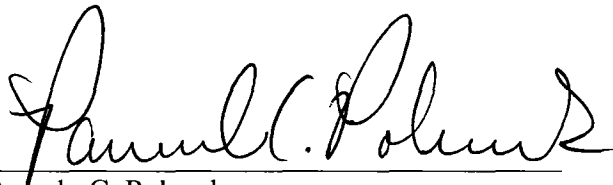
I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Sharon E. Webb, Esq.
Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101
swebb@pa.gov

Richard A. Kanaskie, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17120
rkanaskie@pa.gov

Tanya McCloskey, Esq.
Aron J. Beatty, Esq.
Office of Consumer Advocate
555 Walnut Street
Forum Place - 5th Floor
Harrisburg, PA 17101-1921
tmccloskey@paoca.org
abeatty@paoca.org



Pamela C. Polacek

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

Dated this 25th day of March, 2014, at Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2014-2406399
Citizens' Electric Company of Lewisburg, PA	:	
Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2014-2408050
Wellsboro Electric Company	:	

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

Citizens' Electric Company of Lewisburg, PA ("Citizens"), and Wellsboro Electric Company ("Wellsboro") (collectively, "Companies") hereby submit this Prehearing Memorandum in anticipation of the Prehearing Conference scheduled for March 26, 2014.

I. HISTORY OF THE PROCEEDING

On February 18, 2014, Citizens' filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 80 to Tariff Electric-Pa. P.U.C. No. 14 ("Supplement No. 80"), proposing a temporary, non-bypassable surcharge ("Interim Energy Cost Recovery Rider" or "IECR Rider") applicable to all of Citizens' customers. The proposed IECR Rider is designed to recover the net additional PJM Interconnection, L.L.C. ("PJM") costs incurred by Citizens' during January, 2014, due to abnormal and sustained cold weather conditions. Citizens' further requested an exception from the 60-day statutory notice period prescribed by 52 Pa. Code § 53.101, to allow proposed Supplement No. 80 become effective on April 1, 2014.

On February 28, 2014, Wellsboro filed with the PUC Supplement No. 76 to Tariff Electric-Pa. P.U.C. No. 8 ("Supplement No. 76"), proposing an identical Interim Energy Cost

Recovery Rider applicable to all of Wellsboro's customers. Wellsboro also requested an exception from the 60-day statutory notice period to allow Supplement No. 76 to become effective on April 1, 2014.

The Office of Small Business Advocate ("OSBA") filed Formal Complaints against each proposed IECR Rider. The Office of Consumer Advocate ("OCA") filed Notices of Intervention in each proceeding.

On March 20, 2014, the Commission acted to institute Investigations, suspending the filings for both Companies by operation of law until August 1, 2014. The filings were referred to the Office of Administrative Law Judge where Administrative Law Judge ("ALJ") Susan D. Colwell was assigned both cases, and a Prehearing Conference was scheduled for March 26, 2014.

II. SERVICE LIST

The names and address for purposes of the service list in this proceeding are:

Pamela C. Polacek (Pa. I.D. 78276)
Elizabeth P. Trinkle (Pa. I.D. 313763)
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300
ppolacek@mwn.com
etrinkle@mwn.com

III. ANTICIPATED ISSUES AND SUB-ISSUES

The Companies' proposal is to allow Supplement No. 80 and Supplement No. 76 (collectively, "Supplements") to become effective April 1, 2014. The requested effective date corresponds with the date of the Companies' next default service rate change to the Generation Supply Service Rate ("GSSR"). The proposed IECR Riders are specific, limited-purpose

surcharges designed to collect over the 2nd Quarter 2014 and 3rd Quarter 2014 the net incremental costs incurred for PJM January 2014 charges (in comparison to originally projected charges). At the end of the 3rd Quarter 2014, the IECR Riders will terminate, with any remaining over or undercollection reflected in the Companies' GSSR E-Factors for the 1st Quarter 2015. Delaying recovery would stretch the Companies' financial condition by forcing the Companies to carry the substantial undercollections on their respective lines of credit to pay for extra costs through July 1, 2014, with no reduction. The Commission's suspension of the Supplements until August 1, 2014, adversely impacts the Companies by further delaying possible recovery for these charges (and the corresponding reduction of the line of credit amounts that have already been used to pay the PJM bills for January 2014).

To realize the objectives of the Supplements, the Companies propose to engage in settlement discussions with OSBA prior to commencement of the procedural schedule in order to attempt to expeditiously resolve OSBA's issues regarding each proposed IECR Rider. The Companies are also willing to engage in expedited discovery to achieve amicable resolution of the issues in these proceedings.

If the Companies are unable to expeditiously resolve the OSBA's concerns with the proposed IECR Riders, Citizens' and Wellsboro intend to request to withdraw Supplement No. 80 and Supplement No. 76, respectively. The costs at issue in these proceedings would instead be recovered through the Companies' standard GSSR mechanism. Given that the proposed IECR Riders are of short duration and will terminate at the end of the 3rd Quarter 2014, the Companies submit that litigation of the Supplements would substantially diminish the benefits of implementing a non-bypassable surcharge. In addition, because customer shopping will likely increase in the near future, the Companies are unlikely to face a similar factual

situation to justify a non-bypassable surcharge in the future (*i.e.*, that the particular costs to be recovered were incurred when all customers were purchasing default service and should therefore be collected from all customers). As a result, the precedential value of fully litigating these proceedings is limited. Furthermore, the Companies are in the process of implementing Electronic Data Interchange ("EDI") and developing their next default service plan, which is due by June 1, 2014. These projects are of higher priority to both Citizens' and Wellsboro, and litigating these matters would deflect resources from those activities. Accordingly, in the event that the parties are unable to reach expedited resolution, the Companies request to withdraw Supplement No. 80 and Supplement No. 76 to avoid unnecessary and inefficient use of Commission resources.

The core issue of these proceedings is whether the Supplements are just, reasonable and consistent with the Public Utility Code and applicable PUC regulations. Citizens' and Wellsboro respectfully submit that the information accompanying the Supplements' filings establishes such.

III. PROPOSED WITNESSES

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

Craig Eccher, President and Chief Executive Officer ("CEO"), Wellsboro

- General overview of Wellsboro, its service territory, and its customer base;
- The unique circumstances faced by Wellsboro as a small electric utility;
- Explanation of the events giving rise to the proposed Interim Energy Cost Recover Rider;
- Duration and termination of Supplement No. 76 and its consistency with the Commission's rules and regulations.

Eric Winslow, President and CEO, Citizens'

- General overview of Citizens', its service territory, and its customer base;
- The challenges faced by Citizens' as a small electric utility;
- Explanation of the events giving rise to the proposed Interim Energy Cost Recover Rider;
- Duration and termination of Supplement No. 80 and its consistency with the Commission's rules and regulations.

IV. PROPOSED SCHEDULE AND DISCOVERY RULES

The Prehearing Conference Order issued by ALJ Colwell included a proposed procedural schedule. As discussed above, the Companies propose to expeditiously resolve these proceedings with OSBA, and, in the event that resolution does not occur, to withdraw Supplement No. 80 and Supplement No. 76, respectively. In the event that the parties cannot expeditiously resolve the issues in these proceedings, the Companies request that the proposed procedural schedule be suspended for a 1-month period (i.e., May 4, 2014) to accommodate further attempts at resolution. Suspension of the procedural schedule will facilitate greater opportunities for further discussion and potential settlement of these proceedings. The Companies will cooperate with the parties to develop a consensus proposal by May 1, 2014. In the event that a consensus proposal cannot be reached, the Companies will submit requests to withdraw Supplement No. 80 and Supplement No. 76 on or before May 1, 2014.

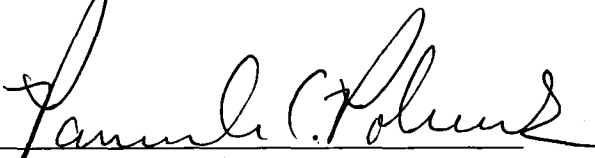
The Companies suggest that all parties commit in good faith to respond to each discovery request as quickly as possible. In addition, the Company is willing to make its witnesses available for telephonic informal discovery conferences if mutually acceptable times can be arranged.

VII. POSSIBILITY OF SETTLEMENT

As discussed above, the Companies propose to resolve the issues in this proceeding as expeditiously as possible, and to withdraw Supplement No. 80 and Supplement No. 76 if such resolution cannot be achieved. In the event that ALJ Colwell determines that the Companies may not withdraw the Supplements, the Companies are willing to pursue settlement discussions with the other parties to amicably resolve the issues in these proceedings.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Pamela C. Polacek (Pa. I.D. 78276)
Elizabeth P. Trinkle (Pa. I.D. 313763)
McNees Wallace & Nurick LLC
100 Pine Street, P. O. Box 1166
Harrisburg, PA 17108-1166
717.232.8000
717.237.5300 (fax)
ppolacek@mwn.com
etrinkle@mwn.com

Counsel for Citizens' Electric Company of
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Dated: March 25, 2014