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|  | **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** |  |

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|  | Public Meeting held December 21, 2017 |
| Commissioners Present: |  |

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| Gladys M. Brown, Chairman |  | |
| Andrew G. Place, Vice Chairman |  | |
| Norman J. Kennard  John F. Coleman, Jr. |  |
| David W. Sweet |  |

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| Use of Fully Projected Future Test Year  52 Pa. Code Chapter 53 | L-2012-2317273 |

**ADVANCE NOTICE OF PROPOSED RULEMAKING ORDER**

**BY THE COMMISSION:**

This advance notice of proposed rulemaking (ANOPR) identifies proposed procedures and filing requirements for use of a fully projected future test year (FPFTY) by eligible utilities in base rate cases. Any new FPFTY procedures and filing requirements, if adopted, would comprise a new Exhibit E *Fully Projected Future Test Year – All Jurisdictional Public Utilities and Other Regulated Entities Electing To Use a Fully Projected Future Test Year (FPFTY) Except Communications Utilities* to Section 53.53 of Title 52 of the Pennsylvania Code. The Commission has jurisdiction to employ the concept of a FPFTY as authorized by Act 11 of 2012, which amended Section 315 of the Public Utility Code.

Additionally, this advance notice requests stakeholder input on proposed or alternative updates, as well as stakeholder suggestions for updates or alternatives, to the existing Exhibits A (generally natural gas), C (electric), and D (water and waste water) or other sections of the filing requirement regulations related to Sections 53.51-53.56 *Information Furnished with the Filing of Rate Changes*.

The Commission will convene a stakeholder meeting to review the comments regarding the ANOPR. Thereafter, the Commission intends to initiate a proposed rulemaking regarding FPFTY procedures and filing requirements and may convene additional stakeholder meetings to gather further input from stakeholders.

**Background**

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (Act 11), which amended Chapters 3, 13, and 33 of the Pennsylvania Public Utility Code (Code). 66 Pa. C.S. §§ 308, 1307, 1311, 1327, and 1350-1360. Act 11, *inter alia*, authorizes water and wastewater utilities, electric distribution companies (EDCs), and natural gas distribution companies (NGDCs) or a city natural gas distribution operation to use a FPFTY in their Section 1308(d) base rate proceedings. *See* 66 Pa. C.S. § 1308(d) (relating to voluntary changes in rates). A new Exhibit E is contemplated for applicability to utilities choosing to use a FPFTY. The new Exhibit E would standardize the procedures and filing requirements for rate case data across the utility categories. Changes are being proposed to the introductory and explanatory text in Section 53.53(a) – (c), and a new section 53.53 (d) is proposed.

The FPFTY is a ratemaking mechanism that allows a utility to project capital investment and correspondingly to include that projected investment in the utility's claimed revenue requirement throughout the twelve-month period beginning with the first month that the new rates would be placed in effect. 66 Pa. C.S. §§315, 1350-1360; *Pa. Public Utility Commission v. Columbia Gas of PA Inc.*, Docket No. R-2012-2321748, 2013 WL 2420877 (Pa. PUC). A public utility can also use the FPFTY mechanism to project other revenue requirement and ratemaking components such as operating revenues, operating expenses, depreciation, interest expense, taxes, and return.

Act 11 additionally allows eligible water, wastewater, gas, and electric utilities to petition the Commission for approval of a distribution system improvement charge (DSIC) to recover the reasonable and prudently incurred costs related to the repair, improvement, and replacement of utility infrastructure. In conjunction with a DSIC, the utilities must file a long-term infrastructure improvement plan (LTIIP) which is a necessary component of a DSIC petition. 66 Pa. C.S. § 1353(b)(3). The purpose of a LTIIP is to ensure that utilities are planning and executing capital expenditures that will maintain and improve the efficiency, safety, adequacy, and reliability of existing distribution infrastructure at a faster pace than they have done historically. Water utilities with a previously-approved DSIC are not required to file a LTIIP unless otherwise directed by the Commission. *See*66 Pa. C.S. § 1360. Further, Section 1356 of Act 11, 66 Pa. C.S. § 1356, requires a utility with an approved DSIC to file an Annual Asset Optimization Plan (AAO Plan). An AAO Plan is intended to provide the Commission and the public with an overall status report regarding a utility’s progress in making infrastructure improvements pursuant to its Commission-approved LTIIP. *See Review of LTIIP*, Docket No. 2012-2317274 (May 23, 3014), establishing regulations at 52 Pa. Code §§ 121.1-121.8 (relating to LTIIPs).

We have addressed policy and tariff issues related to DSICs at *Implementation of Act 11: DSIC*, Docket No. M-2012-2293611. The purpose of this ANOPR is to solicit comments and input on the procedures and filing requirements for utilities that use a FPFTY.

**Discussion**

**A. New Exhibit E Specifically Referencing FPFTY Requirements**

Existing regulations for Section 1308 rate cases are set forth, in part, at Section 53.53 of our regulations, 52 Pa. Code § 53.53.[[1]](#footnote-1) Exhibit A to that section addresses, *inter alia*, gas utilities. Exhibit C addresses electric utilities. Exhibit D addresses water and wastewater utilities. These three exhibits provide the initial requirements and framework for the provision of utility data in support of rate cases using historic and future test years. No changes are contemplated to Exhibits A, C, or D.[[2]](#footnote-2)

The term ‘‘historic test year’’ (HTY) as currently used in Exhibits A, C, and D refers to:

[T]he test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. “Historic test year,” as referred to in Exhibit D, is defined as book figures for the base test year. The term ‘‘future test year,’’[(FTY)] as used in Exhibit D, refers to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the utility’s final claimed supporting data.

52 Pa.Code § 53.53(b) (last amended effective May 21, 2005, *see* 35 *Pa.B*. 3024). To the extent not otherwise indicated, the requirements of Exhibits A, B, C, and D are to be preserved relative to cases in which a utility is not using a FPFTY. A utility using a FPFTY would be required to provide the data and support required if using a HTY or a FTY in conjunction with providing the FPFTY data and support as indicated in the proposed Exhibit E. HTY and FTY data and support would not be submitted as separate components but rather submitted in proximity and association with the data and support relative to the FPFTY data.

We note that there are several points of divergence between the data and support required in the existing Exhibits A, C, and D for the various utility categories. Some of these differences would be preserved in a new Exhibit E. Some, however, seem to serve no particular purpose and will be proposed for deletion. A new Exhibit E would therefore, also, standardize many of the procedures and filing requirements for rate case data among the eligible utility categories while spelling out instances where differences will continue.

Changes would also be necessary to the introductory and explanatory text in Section 53.53(a) – (c), and a new section 53.53(d) would be proposed.

Thus, we anticipate proposing, in a future rulemaking, to establish a new exhibit, Exhibit E, for any utility which is eligible to use and which elects to use a FPFTY. The new Exhibit E would standardize the procedures and filing requirements for rate case data among the utility categories. By statute, “fully projected future test year” is defined as the 12‑month period beginning with the first month that the new rates will be placed in effect after application of the full suspension period permitted under section 1308(d) (relating to voluntary changes in rates). Thus, the term “test year,” as used in Exhibit E, would refer to the FPFTY.

Based upon these considerations, the following changes to Section 53.53 and incorporation of a new Exhibit E are contemplated:

**• Section 53.53(a) & (b) – Information to be furnished with proposed general rate increase filing in excess of $1 million.**

We would add a notation referring to the new “Exhibit E – all utilities electing Fully Projected Future Test Year (FPFTY),” to distinguish the differences in definitions of terms used in Exhibits A – D and in Exhibit E, and to define “FPFTY.”

**• Section 53.53, Exhibit E – Fully Projected Future Test Year – All Jurisdictional Public Utilities and Other Regulated Entities Electing To Use A Fully Projected Future Test Year (FPFTY) – Except Communications Utilities.**

Subsection I. We would add a definitions section for use in FPFTY filings.

Subsection II. We would add a general filings requirements section that delineates the following:

A. Summary of the Filing.

B. Description of Utility Operations.

C. Rate Base.

D. Rate of Return (ROR).

E. Balance Sheet.

F. Income Statement and Statement of Cash Flow.

G. Operating Revenue.

H. Operating Expenses.

I. Employee Costs, including Related Costs such as Benefits and Retiree Costs.

J. Depreciation.

K. Taxes.

L. Long Term Infrastructure Improvement Plan (LTIIP) and Annual Asset Optimization Plan (AAO Plan)

M. Industry-specific data.

We are particularly interested in comments regarding existing data production requirements that exist in Exhibits A, C, and D but which are not contemplated herein for retention in a new Exhibit E. We also request stakeholders to comment on data productions requirements that could be added to Exhibit E to enhance decision making in cases involving FPFTY considerations. Further, we request comments on how much historical and current data should be covered by the various requests.

**B. Additional Section 53.53 Matters**

The contemplated new Exhibit E addresses data to be provided with the filing. To the extent that there are non-discovery questions related to use of a FPFTY that should be addressed in regulations, we shall address those matters in a new Subsection 53.53(d). Stakeholders are invited to comment on those issues and contemplated resolutions.

**C. Housekeeping Updates to Existing Regulations**

1. 52 Pa. Code § 5.423 – Section 5.423 is referenced in Exhibit D (water and wastewater), Section VII.25. Section 5.324 has, however, been replaced by 52 Pa. Code § 5.365 (relating to orders to limit availability of proprietary information), effective September 21, 2013, 43 *Pa.B*. 5593. We would update the cross reference.
2. 52 Pa. Code § 53.51(d) – Section 53.51(d) provides that utilities filing for proposed rate changes shall serve a copy of the proposed rate changes and supporting data on the Office of Consumer Advocate (OCA). We would revise this provision consistent with the Commission’s e-service procedures and to direct that the Office of Small Business Advocate (OSBA) and the Commission’s Bureau of Investigation and Enforcement (I&E) also be served.
3. 52 Pa. Code § 53.52(a) – Section 53.52(a)(7) uses the term “subsection” to refer to itself, and Section 53.52(a)(8) uses “paragraph” to refer to itself. We would use “paragraph” for both internal references.

4. 52 Pa. Code §§ 53.51 – 53.56 – We invite comments on any other provisions Sections 53.51 – 53.56 that would require similar updates.

**D. Comments Invited**

We invite interested parties to file comments on the anticipated changes to be proposed in a future rulemaking. Stakeholders are invited to identify other substantive, procedural, and housekeeping matters related to FPFTY rate case filings related to electric, water, wastewater, and natural gas.

Stakeholders are also invited to comment on the applicability of FPFTY regulations to municipal utilities subject to Commission jurisdiction.

**E.** **Stakeholder Meetings For The ANOPR**

We shall convene a stakeholder meeting within thirty (30) days of receipt of the comments regarding the ANOPR. Thereafter, we shall determine if further stakeholder meetings would be beneficial, and we will set an appropriate schedule accordingly. The Law Bureau, in consultation with the other Commission bureaus and offices and based on the stakeholder input from the ANOPR process, will prepare a recommendation regarding the FPFTY NOPR.

**F. NOPR**

Based on the staff recommendation, we shall commence a proposed rulemaking with a FPFTY proposal. We shall publish the NOPR and proposed procedures and filing requirements and establish comment and reply comment periods. We will schedule stakeholder meetings as appropriate.

**Conclusion**

Accordingly**,** under sections 501, 1350-1360 and 1501 of the Public Utility Code, 66 Pa. C.S. §§ 501, 1350-1360, and 1501 and the Commonwealth Documents Law, Act of July 31, 1968, P.L. 769, *as amended*, .45 P.S. §§1201, *et seq.*, and the regulations promulgated thereunder, at 1 Pa. Code §§ 7.1-7.4, we contemplate adopting new regulations at 52 Pa. Code § 53.53 as set forth in Annex A. As noted herein, comments on the ANOPR are requested within 45 days of publication; **THEREFORE,**

**IT IS ORDERED:**

1. That interested parties are requested to comment on this advance notice of proposed rulemaking regarding the procedures and filing requirements for utilities using a fully projected future test year, as set forth in Annex A.

2. That the Law Bureau shall deposit this Order and Annex A with the Legislative Reference Bureau to be published in the *Pennsylvania Bulletin*.

3. That an original copy of any comments referencing the docket number of the proposed regulations set out in Annex A to this Order, be submitted within 45 days of publication in the *Pennsylvania Bulletin*, to Secretary Rosemary Chiavetta, Pennsylvania Public Utility Commission, 400 North Street, Harrisburg, PA 17120. Comments may be e-filed instead consistent with the Commission’s e-filing instructions at: <http://www.puc.pa.gov/efiling/default.aspx>.

4. Electronic copies in Microsoft Word®-compatible format of all filings shall be provided via email to following Commission email account: [RA‑PC‑FPFTY2317273E@pa.gov](mailto:RAPCFPFTY2317273E@pa.gov).

5. That the contact person regarding legal issues for this rulemaking is Assistant Counsel Louise Fink Smith, Law Bureau, [finksmith@pa.gov](mailto:finksmith@pa.gov). The contact person for technical issues is Erin Laudenslager, Bureau of Technical Utility Services, [elaudensla@pa.gov](mailto:elaudensla@pa.gov). Alternate formats of this document are available for persons with disabilities and may be obtained by contacting Alyson Zerbe, Regulatory Coordinator, alzerbe@pa.gov.

6. The Law Bureau in conjunction with the Bureau of Technical Services will convene a stakeholder meeting within thirty (30) days of receipt of comments regarding this advance notice of proposed rulemaking regarding the procedures and filing requirements for utilities using a fully projected future test year.

7. That the Law Bureau in conjunction with the Bureau of Technical Services and other Commission bureaus will prepare a recommendation regarding a fully projected future test year proposed rulemaking.

8. That a copy of this Order and Annex A shall be served upon the Energy Association of Pennsylvania (EAP), the National Association of Water Companies (NWWC) all jurisdictional electric distribution companies, all jurisdictional natural gas distribution companies and city natural gas distribution companies, all jurisdictional water and wastewater utilities, all municipal utilities subject to Commission jurisdiction, other jurisdictional utilities except communication utilities, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate.

**BY THE COMMISSION**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: December 21, 2017

ORDER ENTERED: December 22, 2017

**ANNEX A[[3]](#footnote-3)**

**TITLE 52. PUBLIC UTILITIES**

**PART I. PUBLIC UTILITY COMMISSION**

**Subpart C. FIXED SERVICE UTILITIES**

**CHAPTER 53. TARIFFS FOR NONCOMMON CARRIERS**

**\* \* \***

**INFORMATION FURNISHED WITH THE FILING OF RATE CHANGES**

**\* \* \***

**§ 53.51. General**

**\* \* \***

(d)Each utility filing a proposed rate change with the Commission shall serve a copy of the proposed rate change and supporting data required by this chapter upon the Office of the Consumer Advocate, the Office of the Small Business Advocate, the Commission’s Bureau of Investigation and Enforcement and the Commission’s Bureau of Technical Utility Services. ~~Verification of service of this information upon the Office of Consumer Advocate shall be filed with the Commission~~. Additionally, the utility shall file verification of service of this information with the Commission. The utility may serve hard copies or comply with the Commission’s e-service requirements.

\* \* \*

**§ 53.53. Information to be furnished with proposed general rate increase filings in excess of $1 million.**

(a) When a public utility under the jurisdiction of the Commission, other than a canal, turnpike, tunnel, bridge or wharf company, files a tariff or tariff supplement seeking a general rate increase within the meaning of 66 Pa. C.S. § 1308(d) (relating to voluntary changes in rates), and the general rate increase exceeds $1 million in gross annual revenues, in addition to the data required by other provisions of this chapter, the tariff or tariff supplement shall be accompanied by responses to the data requests contained in the following exhibits which apply to the utility types or specific test year, as indicated. Utilities not using the Fully Projected Future Test Year (FPFTY) method shall refer to Exhibits A, B, C or D, consistent with their utility type. Utilities using the FPFTY method shall refer to Exhibit E which is predicated on Exhibits A, C, and D but reflects adjustments required for consideration of a FPFTY proceeding. Information provided in conjunction with rate cases is subject to the act of February 14, 2008 (P.L. 6, No. 3) (65 P.S. §§101-3104), known as the Right to Know Law, 52 Pa. Code §§ 102.1-102.4 (relating to confidential security information), and 52 Pa. Code § 5.365 (relating to Orders to limit availability of proprietary information). The exhibits in this section are as follows:

(1) Exhibit A – Utilities except communications, electric, water, and wastewater utilities.

(2) Exhibit B – Communications utilities.

(3) Exhibit C – Electric utilities.

(4) Exhibit D – Water and wastewater utilities.

(5) Exhibit E – All jurisdictional public utilities and other regulated entities electing to use a Fully Projected Future Test Year (FPFTY) except Communications utilities.

(b) In providing responses to these data requests, if the requested data have been previously filed with the Commission, they may be incorporated by reference. Also, the term ‘‘historic test year’’ as used in these exhibits refers to the test year chosen by the utility to support its filing, that is, presumably future test year data would be supplied in most cases. The term “test year’’ as used in Exhibits A-D refers to the test year chosen by the utility to support its filing. “Historic test year,” as referred to in Exhibit D, is defined as book figures for the base test year. The term “future test year,” as used in Exhibit D, refers to the adjusted historic test year for known and measurable changes 12 months beyond the book figures for the base year, or the utility’s final claimed supporting data. These terms may have different meanings when used in conjunction with a FPFTY. See Exhibit E for specific applicability of these and other terms to the FPFTY method.

(c) ~~Initial utility direct testimony of a witness who shall testify in support of the utility’s position shall be provided as part of the filing materials. The testimony of the filing utility shall include a complete explanation and justification of claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The testimony shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates. The explanation and documentation of the proposed adjustments shall enable a reasonably informed party to determine how the amount was calculated and to understand why the amount is being claimed~~.

(c) *Testimony.*

(1) Filed materials shall include the direct testimony of all utility witnesses who testified in support of the utility’s position. The utility witnesses’ testimony shall be accompanied by supporting worksheets, if necessary, and shall refer to supporting exhibits to which the testimony relates.

(2) If adjustments from the test year are proposed, the utility witnesses’ testimony shall also include a complete explanation and justification of any claims which depart from the unadjusted test year results of operations, including the methodology and rationale. The utility witnesses’ testimony, explanation and documentation of the proposed adjustments shall enable a reasonably informed party to determine how the amount was calculated and to understand why the amount is being claimed.

(d) The utility shall provide a summary table of the most recent approved long-term infrastructure improvement plan (LTIIP) showing a list of eligible projects, year of anticipated construction, description of project and estimated cost of each project. If a proposed LTIIP is pending, the utility also shall provide a summary table of the proposed LTIIP. The utility shall provide docket numbers for approved or proposed LTIIPs.

(e) The utility shall provide working electronic copies of schedules in Microsoft Excel or similar electronic spreadsheet format (with all formulas and links intact).

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**Exhibit E[[4]](#footnote-4)**

**FULLY PROJECTED FUTURE TEST YEAR – ALL JURISDICTIONAL PUBLIC UTILITIES AND OTHER REGULATED ENTITIES ELECTING TO USE A FULLY PROJECTED FUTURE TEST YEAR (FPFTY) EXCEPT COMMUNICATIONS UTILITIES**

Exhibit E sets forth definitions in Section I and common filing requirements in Subsections II.A. through II.L. for all utilities electing to use a FPFTY. Subsection II.M. sets forth further specific requirements unique to a particular industry if the utility elects to use a FPFTY.

I. Definitions.

Construction Work in Progress (CWIP) – A holding account for property costs not yet ready to be placed in service.

Distribution (of) Service/Infrastructure – Systems and facilities required to distribute utility services to the utility’s customers, including the systems and facilities required to collect wastewater from a utility’s customers.

Distribution System Improvement Charge (DSIC) – A ratemaking mechanism that may be approved by the Commission subsequent to or in conjunction with Commission approval of a utility’s LTIIP that allows for the recovery of prudently incurred costs related to the repair, improvement, and replacement of eligible utility infrastructure through a surcharge that is subject to reconciliation, audit, and other consumer protections.

Fully projected future test year (FPFTY) – A 12-consecutive-month period beginning with the first full month that the new rates will be in effect after the application of the full suspension period permitted under section 1308(d).

Future test year (FTY) – A 12-consecutive-month period beginning the day after the end of the HTY reflecting anticipated or projected results of operations.

Historic test year (HTY) – 12-month period that reflects the actual (*e.g.*, historic) results of operations.

Long-term infrastructure improvement plan (LTIIP) – A utility’s filed and approved plan to ensure that the utility is planning for and executing capital expenditures that will maintain and improve the efficiency, safety, adequacy, and reliability of its distribution (or collection) infrastructure at a faster pace than it has done historically, approval of which is a precondition or concurrent condition to Commission approval of a utility’s DSIC.

Parent – Includes the municipality if the utility is a municipal utility or entity subject to Commission regulation.

Test year (TY) – 12-consecutive-month period chosen by the utility to support its filing.

Uniform System of Accounts (USoA) – An accounting system prescribed by the Pennsylvania Public Utility Commission (Commission) and the Federal Energy Regulatory Commission (FERC) applicable to public utilities regulated by the Commission. The accounting system prescribes the manner and form by which such accounts shall be maintained.

II. General filing requirements of all jurisdictional utilities and other entities under the Commission’s jurisdiction using the FPFTY method – except communications utilities

To the extent any of the information required is subject to a claim of confidentiality or proprietary nature, the utility shall so designate, with specificity, which information is claimed to be confidential or proprietary, and that claim shall be subject to review by the presiding officer. *See* 52 Pa. Code § 5.365.

A. Summary of filing

1. Provide a summary discussion of the rate change request, including the total requested increase in dollars, and specific reasons for each adjustment. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

2. Identify the specific witnesses for all statements and schedules of revenues, expenses, taxes, cash flow, debt, debt coverage, property, valuation, etc., and provide direct testimony supporting the rate increase.

3. Provide a set of the following statements at *Present Rates* Income Statement, Cash Flow Statement, Debt Service Coverage schedule, and Balance Sheet showing columns for the following: Columns for each of the two years prior to the HTY, including book amounts for the base test year, a column for the HTY actuals, pro forma adjustments (between HTY and FTY, including the adjusted HTY for known and measurable changes twelve months beyond the book figures for the base test year), a column for FTY claims, pro forma adjustments between FTY and FPFTY, including twelve consecutive month period beginning with the first full month that new rates will be effect after the application of the full suspension period permitted under Section 1308(d) amounts, and a column for the FPFTY claim amounts. In each schedule, provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

4. Provide a set of the following statements at *Proposed Rates:* Income Statement, Cash Flow Statement, Debt Service Coverage schedule, and Balance Sheet showing columns for the following: Columns for each of the two years prior to the HTY, the HTY actuals, pro forma adjustments between FTY and FPFTY claims, and FPFTY claim amounts. In each schedule provide references in the pro forma adjustments column for each adjustment which ties to corresponding supporting schedule detailing and explaining each operating budget adjustment.

5. Provide a schedule showing the number of customers by:

a. Tariff subdivision, whose bills will be increased.

b. Tariff subdivision, whose bills will be decreased.

6. Provide FERC and/or Commission orders or rulings applicable to the filing.

7. Provide a list of reports, data, or statements requested by and submitted to the Commission from one year prior to the HTY through the current date.

8. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures.

9. Provide an explanation of any differences between the basis or procedure used in allocations of revenues, expenses, depreciation, and taxes in the current rate case and that were used in the prior rate case. Also provide allocation of utility costs and allocation methods among affiliate companies.

10. Whenever major addition to plant or facilities are to be placed in operating service or removed from operating service, the utility shall so indicate in the summary of the filing. The supporting documentation shall indicate the effect of the plant addition or removal from service upon rate bases, revenue, expense, tax, income, and revenue requirement.

11. If the utility’s present rates were established based upon data for a FPFTY, provide the following supplemental information:

a. The data for the HTY and the first year that new rates were in effect from the utility’s last base rate case if the time periods for the data requested relative to the current base rate case do not include the HTY and first year under new rates from the utility’s last base rate case.

b. A schedule listing the *projected* data used for operating revenue, operating expenses, depreciation, taxes, net income, and rate base in the FPFTY used to establish present rates and the *actual* data for those same rate-making components for the same test year.

c. Explain any differences in projections, techniques, and adjustments made for that prior base rate case as compared to the projections, techniques, and assumptions made relative to the current rate case.

d. Details of any reconciliations and adjustments made relative to the last base rate case. Explain whether (and now) they would be expected to be rolled into base rates in the current rate case or whether they are expected to be recovered in a surcharge or rider.

12. If more recent year-end information becomes available during the course of the rate case, supplement the filing with the most recent information.

B. Description of utility operations

1. Provide a corporate history (include the dates of original incorporation, subsequent mergers and/or acquisitions). Indicate all counties, cities, and other governmental subdivisions to which service is provided (including service areas outside this Commonwealth) and the total number of customers by customer class or billed units in the areas served.

2. Provide an overall system map, including and labeling all measuring and regulating stations, storage facilities, production facilities, transmission, and distribution facilities, by size, and all interconnections with other utilities and pipelines.

3. Attach a chart explaining utility’s corporate relationship to its affiliates showing system structure.

4. Supply copies of the two most recent internal and independent audit reports, noting any exceptions and recommendations and disposition thereof.

5. Provide a working electronic copy in Microsoft Excel or similar electronic spreadsheet format (with all formulas intact) linking the amounts in the income statements, proof of revenue, expenses, cash flow statement, debt, and debt coverage schedules for the HTY, FTY and FPFTY.

6. Provide a working electronic copy in Microsoft Excel or similar electronic spreadsheet format (with all formulas intact) linking the cost of service study, the customer cost analysis, and supporting schedules for the FTY and FPFTY.

C. Rate Base

1. Provide a schedule showing the measures of value and the rates of return at the original cost. All claims made on this schedule should be cross-referenced to appropriate exhibits.

2. Construction Work In Progress (CWIP) – Provide an exhibit with a description of each project; a summary of all work orders; amount expended at the end of the HTY and the FTY and at the completion of the project; whether project will be funded by the Distribution System Improvement Charge (DSIC); and anticipated in-service dates. Include a list of items needed to complete each project subsequent to the date of filing. Indicate whether each project is revenue producing or non-revenue producing.

3. For a claim made for plant held for future use, supply the following:

a. A brief description of the plant or land site and its original cost.

b. Expected date of use for each item claimed.

c. Explain why it is necessary to acquire each item in advance of its date of use.

d. Date when each item was acquired.

e. Date when each item was placed in the plant held for future use account.

4. If a claim is made for materials and supplies or fuel inventory, provide a supporting schedule for each claim showing the most current actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.

5. If a claim is made for cash working capital, provide a supporting schedule setting forth the method and all data utilized to determine the cash working capital, requirement. If not provided in the support data, provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.

6. If fuel stocks comprise part of the cash working capital claim, provide an exhibit showing the actual book balances, noting quantity and price for the fuel inventories by type of fuel, for the 13 months prior to the beginning of the HTY and for the HTY, the FTY, and the FPFTY, by location, station, etc. Explain the method of determining the claim if other than that described above.

7. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

8. Provide schedules and data in support of the following working capital items:

a. Prepayments – list and identify all items.

b. Federal Excise Tax accrued or prepaid.

c. Federal Income Tax accrued or prepaid.

d. Pennsylvania State Income Tax accrued or prepaid.

e. Pennsylvania Gross Receipts Tax accrued or prepaid.

f. Pennsylvania Capital Stock Tax accrued or prepaid.

g. Pennsylvania Public Utility Realty Tax accrued or prepaid.

h. State sales tax accrued or prepaid.

i. Payroll taxes accrued or prepaid.

j. Any adjustments related to the above items for ratemaking purposes.

9. Provide detailed calculations showing the derivation of the tax liability offset against gross cash working capital requirements.

10. Supply an exhibit supporting the claim for cash working capital requirement based on the lead-lag method.

a*. Pro forma* expenses and revenues are to be used in lieu of book data for computing lead-lag days.

b. The utility must either include sales for resale and related expenses in revenues and in expenses or exclude from revenues and expenses. Explain procedures followed.

11. Indicate if amortized expenses have been removed from the lead-lag study. If so, provide documentation showing such removal. If not, provide a list of such amortization expenses included.

12. Identify the fund’s availability arrangements or terms which the utility has with its banks with respect to deposits of customer checks. For example, does the utility have same day or next day access to funds deposited?

13. In reference to materials and supplies:

a. What method of inventory valuation was used to develop the claim for materials and supplies?

b. Does the utility use a material and supply model to calculate needed material and supply levels? If so, provide the model. Supply an illustrative example of how the monthly balances are derived.

c. Provide the actual monthly value for the inventory of materials and supplies for the HTY. Supply as of the end of the HTY, a 13-month average, by month, for the material and supply account.

d. Provide the monthly level of materials and supplies for one prior year, the HTY, the FTY, and the FPFTY.

14. For each projected plant addition to cost the greater of $100,000 or 0.5% of current rate base, included in the FPFTY, provide:

a. Description of the project.

b. Starting date of project.

c. Amount expended to date.

d. Percent of project currently complete.

e. Original budgeted cost broken down by allowance for funds used during construction (AFUDC) and non-AFUDC components.

f. Current budgeted cost broken by AFUDC and non-AFUDC components.

g. Reason for any change in budgeted cost.

h. Original estimated timeline and date(s) of completion and in service.

i. Current estimated timeline and date(s) of completion and in service.

j. Reason for any change in timeline and date(s) of completion and in service.

k. Anticipated retirement related to the plant addition.

l. The depreciation rate applicable.

m. Identify which projects are mandated by the Pennsylvania Department of Environmental Protection (PA DEP) or the Department Environmental Protection Agency (EPA) or other governmental entity.

15. Explain how the FTY and the FPFTY plant balances were projected and provide supporting workpapers and documentation.

16. Are all of the assets included in the plant-in-service claim used exclusively by the utility to provide jurisdictional service? If not, provide the estimated percentage that each shared asset is used by other entities or for non-jurisdictional service.

17. Identify all plant that will not be providing jurisdictional service and prepare a schedule listing those plant items identified by account. In addition, provide a narrative explaining the reason why such plant is not being used and the anticipated future disposition of the plant. If plant is used to provide more than one mode of jurisdictional service, so indicate.

18. Provide all workpapers and supporting documentation showing the derivation of the projected balances of contributions in aid of construction, customer and developer advances for construction and utility service line, and customer deposits for the FTY and the FPFTY.

19. Provide a schedule showing the HTY rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules. Show *pro forma* for the FTY and the FPFTY.

D. Rate of Return (ROR)

1. Provide capitalization and capitalization ratios for the last 5-year period and projected through the FTY and the FPFTY (with short-term debt and without short-term debt) for the utility, parent, and consolidated system.

a. Provide most recent year-end interest coverage before and after taxes for the last 3 years and at the most current, including indenture and Securities and Exchange Commission (SEC) basis, for the company, parent, and consolidated system.

b. Provide most recent year-end preferred stock dividend coverages for the last 3 years and at most current date, including charter and SEC basis.

2. Provide most recent current quarterly financial report (utility and parent). As more recent quarterly information becomes available during the course of the rate case, supplement the filing with the most recent information.

3. Provide most recent Stockholder’s Report (utility and parent).

4. Provide most current prospectus for the utility and the parent.

5. Supply projected capital requirements and sources of utility, parent, and consolidated system capital for the HTY, FTY, FPFTY, and each of the two years following the FPFTY.

6. Provide a schedule of debt and preferred stock of utility, parent, and consolidated system as of HTY year-end and most current date. Projected new issues, retirements, and other major changes from the comparable historical data should be clearly noted. The following details are required:

a. Date of issue.

b. Date of maturity.

c. Amount issued.

d. Amount outstanding.

e. Amount retired.

f. Amount required.

g. Gain or loss on reacquisition.

h. Coupon rate.

i. Discount or premium at issuance.

j. Issuance expenses.

k. Net proceeds.

l. Sinking fund requirements.

m. Effective interest rate.

n. Dividend rate.

o. Effective cost rate.

p. Total average weighted effective cost rate.

7. Provide details on utility or parent common stock offerings for the past 5 years to present as follows, including details of any planned issuance in the FTY and the FPFTY:

a. Date of prospectus.

b. Date of offering.

c. Record date.

d. Offering period including dates and number of days.

e. Amount and number of shares of offering.

f. Offering ratio, if rights offering.

g. Percent subscribed.

h. Offering price.

i. Gross proceeds per share.

j. Expenses per share.

k. Net proceeds per share in (i.) and (j.) above.

l. Market price per share.

1. At record date.

2. At offering date.

3. One month after close of offering.

m. Average market price during offering.

1. Price per share.

2. Rights per share-average value of rights.

n. Most current reported earnings per share at time of offering.

o. Most current reported dividends at time of offering.

8. Provide complete support for claimed common equity.

9. Provide schedules of comparative financial data and ratios for the HTY and two prior years, the FTY, and the FPFTY for the utility. Changes in Moody’s/S&P ratings, noted on these schedules, shall be accompanied by the Moody’s/S&P write-up of such changes, if available. The financial data and ratios shall be supplied for the utility’s parent, where applicable, if not available for the utility. Show work and formulas.:

* + 1. Earnings-price ratio (average).
    2. Times interest earned ratio—pre- and post-tax basis.
    3. Preferred stock dividend coverage ratio—post-tax basis.
    4. Times fixed charges earned ratio—pre-tax basis.
    5. Dividend payout ratio.
    6. AFUDC as a percent of earnings available for common equity.
    7. Construction work in progress as a percent of net utility plant.
    8. Effective income tax rate.
    9. Internal cash generations as a percent of total capital requirements.
    10. Times fixed charges earned ratio-post-tax basis.
    11. Earnings per share.
    12. Dividend per share.
    13. Average dividend yield (52-week high/low common stock price).
    14. Average book value per share.
    15. Average market price per share.
    16. Market price-book value ratio.
    17. Earnings-book value ratio (per-share basis, average book value).

10. Provide AFUDC charged by utility at the end of the HTY, projected for the end of the FTY, and projected for the end of the FPFTY.

11. Provide a schedule that shows how the AFUDC was determined, explain the method by which the amounts were calculated in each test year (HTY, FTY, and FPFTY), and indicate where each is reflected in the filing.

12. Provide the following information concerning bank notes payable for the actual per book HTY year:

a. Line of credit at each bank.

b. Average daily balances of notes payable to each bank, by name of bank.

c. Interest rate charged on each bank note (prime rate, formula).

d. Purpose of each bank note (for example, construction, fuel storage, working capital, debt retirement, etc.).

e. Prospective future need for this type of financing.

13. If a claim is made for a cost of debt that exceeds that shown in the preceding nominal cost schedule because of convertible features, sale with warrants, or any other reason, provide a full statement of the basis for each such claim.

14. If a claim is made for compensating bank balances, provide the following information:

a. Name and address of each bank.

b. Types of accounts with each bank – checking, savings, escrow, other services, and the like.

c. Average daily balance in each account.

d. Amount and percentage requirements for compensating bank balances at each bank.

e. Average daily compensating bank balance at each bank.

f. Documents from each bank explaining compensating bank balance requirements.

g. Interest earned on each type of account.

h. A calculation showing the average daily float for each bank.

15. Set forth amount of compensating bank balances required under each of the following rate case bases:

a. Annualized test year operations at pro forma present rates.

b. Operations under pro forma proposed rates.

16. Set forth provisions of utility’s and parent’s charter and indentures, if applicable, which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

17. Attach copies of the summaries of the utility’s projected revenues, expenses, and capital budgets for the FTY and the FPFTY.

18. Describe long-term debt reacquisition by issue by the utility and parent as follows:

a. Reacquisition by issue by year.

b. Total gain or loss on reacquisitions by issue by year.

c. Accounting for gain or loss for income tax and book purposes.

d. Proposed treatment of gain or loss on such reacquisition for ratemaking purposes.

19. Provide a schedule showing the major components of claimed capitalization, and the derivation of the weighted costs of capital for the rate case claim. This schedule shall include a descriptive statement concerning the major elements of changes in claimed capitalization, cost rates, and overall return from comparable historical data.

20. Provide a schedule in the same format as the schedule provided in 18 above, except for the omission of the descriptive statement, for the most immediate comparable annual historical period prior to the HTY and the two calendar years most immediately preceding the rate of return claim period. Regardless of whether the capitalization claimed on the schedule provided in 18 above, includes short-term debt, this schedule should reflect capital ratios with and without short-term debt.

21. Provide the capitalization data requested in 18 and 19 above, for the parent company and for the system – consolidated.

22. Supply copies of the following documents for the utility and, if applicable, its parent:

a. Most recent annual report to shareholders including any statistical supplements.

b. Most recent SEC form 10K.

c. All SEC form 10Q reports issued within the preceding 12 months of the date of submittal of the rate increase request.

23. Supply copies of the utility’s balance sheets for each month for the HTY and the prior 2 years.

24. Provide the bond rating history for the utility and, if applicable, its parent from the major credit rating agencies for the most recent five years.

25. Provide copies of all bond ratings reports relating to the utility and, if applicable, its parent for the past 2 years.

26. Supply copies of all presentations and reports by the utility’s and, if applicable, its parent’s management and securities analysts made on behalf of the utility, or its parent if applicable, during the past 2 years, including presentations of financial projections.

27. Provide a listing of all securities issuances for the utility and, if applicable, its parent projected for the next 2 years. The response shall identify for each projected issuance the date, dollar amount, type of security, and effective cost rate.

28. Identify any plan by the utility to refinance high cost long-term debt or preferred stock.

29. If applicable, supply a listing of all common equity infusions from the parent to the utility during the HTY. Indicate any common equity infusions anticipated in the FTY and the FPFTY calculations. In each case, identify date and dollar amount.

30. If applicable, identify the utility’s common dividend payments to its parent for each of the last 5 years.

31. Provide the most current year-by-year financial projections for the utility for the next 5 years. Also, indicate the date these projections were prepared, whether approved by management, and whether the projections have been submitted to bond rating agencies.

32. Provide the utility’s 5-year construction budget. If the utility has a LTIIP or a DSIC rider, describe any variations between the LTIIP, the DSIC, and the construction budgets. Prepare a schedule indicating the sources of funding for projects included in the LTIIP.

33. Identify the utility’s and, if applicable, its parent’s capital structure targets (percentages of capital types) for the FTY and the FPFTY. Provide the complete basis for the capital structure targets. Provide a schedule showing targets and actuals for the HTY and prior two years.

34. For each month, of the most recent 24 months, supply the utility’s:

a. Short-term debt balance.

b. Short-term debt interest rate.

c. Balance of construction work in progress.

d. Balance of construction work in progress which is eligible for AFUDC accrual.

35. Identify all debt, other than instruments traded in public markets, owed to all shareholders, corporate officers, or members of the board of directors, its affiliates, parent company, or subsidiaries.

36. Provide complete support for claimed common equity rate of return.

37. Provide a summary statement of all stock dividends, splits, or par value changes during the 2-year calendar period preceding the rate case filing.

38. Provide a schedule of utility or parent stock purchases or retirements during the 2-year calendar period preceding the rate case filing. Also provide the details of any planned purchases or retirements in the FTY and the FPFTY.

39. If a claim of the filing utility is based on utilization of the capital structure or capital costs of the parent company and consolidated system, state and support the reasons for such a claim.

40. List the amount of total cash (all cash accounts) on hand from balance sheets for the HTY, the FTY, and the FPFTY.

41. List details and sources of “Other Property and Investment”, Temporary Cash Investments” and “Working Funds” on the HTY-, the FTY-, and the FPFTY-year-end balance sheets.

E. Balance Sheet

1. Provide most current available Balance Sheet for the utility, its parent, and the system (consolidated).

2. Provide a comparative balance sheet for the HTY and the preceding year which corresponds with the HTY dates. Provide *pro forma* balance sheets for the FTY and the FPFTY using present rates and proposed rates.

3. Provide a detail of other physical property, investments in affiliated companies and other investments. Provide a schedule showing any anticipated changes for the FTY and the FPFTY.

4. Supply the amounts and purpose of special cash accounts of all types, such as:

a. Interest and dividend special deposits.

b. Working funds other than general operating cash accounts.

c. Other special cash accounts and amounts (*e.g.,* temporary cash investments).

5. Describe the nature and/or origin and amounts of notes receivable, accounts receivable from affiliates, and any other receivables, other than customer accounts, which appear on the balance sheet. Identify receivables that are greater than 15% of total receivables and limit explanation to variances greater than $10,000.

6. Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of the last three years, including the HTY.

7. Provide a list of prepayments and give an explanation of special prepayments.

8. Explain in detail any other significant (in amount, *i.e.,* greater than 5% of total current assets) current assets listed on the balance sheet.

9. Explain in detail, including the amount and purpose, the deferred asset accounts that currently operate to affect or will at a later date affect the operating account supplying:

a. Origin of these accounts

b. Probable changes to this account in the near future.

c. Amortization of these accounts currently charged to operations or to be charged in the anticipated two years following the HTY.

d. Method of determining yearly amortization for the following accounts:

i. Temporary Facilities

ii. Miscellaneous Deferred Debits

iii. Research and Development

iv. Property Losses

v. Any other deferred accounts that affect operating results

10. Explain the nature of accounts payable to affiliates. Provide a breakdown by category.

11. Provide the following detail for each deferred credit on the HTY, FTY, and FPFTY balance sheet:

a. Origin of these accounts.

b. Account number.

c. Amount contained on the balance sheet.

d. Disposition policy, (*e.g*., amortization).

e. Probable changes to this account in the near future.

12. Provide details of other deferred credits as to their origin and disposition policy (*e.g.*, amortization).

13. Supply the basis for injury and damages reserve and amortization shown on the HTY, FTY, and FPFTY balance sheets.

14. Provide details for any significant reserves, other than depreciation bad debt, injury and damages, appearing on HTY, FTY, or FPFTY balance sheets.

15. Provide an analysis of unappropriated retained earnings for the HTY and three preceding calendar years.

16. Describe the purpose of any advances made by the utility to its parent and describe all terms and conditions associated with such advances for the HTY and preceding two years including an estimate of future advances or repayments that are expected to occur in the FTY and the FPFTY.

F. Income Statement and Statement of Cash Flows

1. Provide most current available income statement for the utility, the parent, and the company as a whole (consolidated).

2. Prepare Summary Income Statements for the HTY, FTY, and FPFTY showing the following:

a. Column 1 – Book recorded statement for each test year.

b. Column 2 – Adjustments to annualize and normalize revenue and expenses under present rates.

c. Column 3 – Income statement under present rates after adjustments in Column 2.

d. Column 4 – Requested increase and corresponding changes with increase.

e. Column 5 – Income statement under proposed rates.

f. Expenses may be summarized by the following expense classifications for purposes of this statement:

Operating Expenses (by category)

Depreciation

Amortization

Taxes

Other than Income Taxes

Federal Taxes

State Taxes

Deferred Federal

Deferred State

Income Tax Credits

Taxes Applicable to Other Income and Deductions

Other Credits and Charges, etc.

Interest Charges and all amortization of Premiums and/or Discounts and Expenses on Debt issues

Total Interest

g. Footnote each adjustment in any of the above statements with an explanation in sufficient clarifying detail.

3. Provide comparative operating statements for the FPFTY and the immediately preceding two years showing increases and decreases between the three periods. Revenues and expenses shall be summarized by the major account classifications for the applicable industries’ Uniform System of Accounts (USoA). These statements should supply detailed explanation of causes of the major variances between the FPFTY and two preceding years detailed by account number. Major variances are greater than 15% of total variances and limit explanation to variances greater than $10,000.

4. If the schedule provided in item 3 is based upon budgeted data for a FTY, provide a schedule similar to that required in item 3which is based upon actual data for the HTY.

5. Expenses shall be summarized by the USoA expense classifications for purposes of the income statement.

6. If a utility has separate operating divisions, an income statement must be shown for each division, plus an income statement for the utility as a whole.

7. Provide operating income claims under:

a. Present rates.

b. Pro forma present rates.

c. Pro forma proposed rates.

8. Provide rate of return on original cost under:

a. Present rates.

b. Pro forma present rates.

c. Pro forma proposed rates.

9. Provide a statement of cash flows under present rates that sets forth all cash inflows from customer rates, depreciation, deferred taxes, external financing, investment income, and all other sources of cash, and all cash outflows to pay for utility operations, administrative and general expenses, taxes, capital investments, dividends, and other uses of funds.

10. Provide a statement of cash flows under proposed fully projected future test year rates that sets forth all cash inflows from customer rates, depreciation, deferred taxes, external financing, investment income, and all other sources of cash, and all cash outflows to pay for utility operations, administrative and general expenses, taxes, capital investments, dividends, and other uses of funds.

G. Operating Revenues

1. Prepare a summary of operating revenues for the FPFTY, the FTY, and the HTY, providing the following information for each classification of customers:

a. Number of customers per class as of year-end;

b. Total utility sales volume in customary units;

c. Total utility revenues; and

d. Customers’ penalties and miscellaneous revenues.

2. Provide a summary of operating revenues for the HTY and adjustments anticipated for the FTY and the FPFTY, providing the following information for each classification of customers and for customers’ penalties and miscellaneous revenues:

a. Revenues;

b. Annualizing and normalizing adjustments to arrive at adjusted operating revenues for ratemaking;

c. Proposed increase in operating revenues;

d. Percent increase in operating revenues; and

e. Operating revenues under proposed rates.

3. State the manner in which revenues are being presented for ratemaking purposes and provide details using one of the following methods:

a. Accrued Revenues.

b. Billed Revenues.

c. Cash Revenues.

4. If revenue accruing entries are made on the books at the end of each fiscal period, give entries made accordingly at the end of the HTY and at the beginning of the FTY. State whether they are reversed for ratemaking purposes and the impact on the FPFTY.

5. State whether any adjustments have been made to expenses in order to present such expenses on a basis comparable to the manner in which revenues are presented in this proceeding (*i.e*., accrued, billed, or cash).

6. Provide a schedule of present and proposed tariff rates showing dollar change and percent of change by rate class. Prepare comparative schedule of monthly (or quarterly where applicable) billings at existing and at proposed rates to demonstrate the impact of proposed rates over a range of usages. Include an explanation of any rate re-structure and the reason therefore. Provide a copy of the proposed tariff or tariff supplement on a red line basis to identify any changes.

7. Provide detailed computations of the determination of accrued revenues as of the HTY year-end and year-end immediately preceding the HTY, together with a detailed explanation of the procedures and methods used in developing accrued revenues and the impact on the FTY and the FPFTY.

8. Provide a detailed breakdown of miscellaneous revenues for the HTY and the two years immediately preceding the HTY. For the HTY, provide a monthly breakdown and an explanation of monthly variances greater than 15%. Detail any anticipated variances in the FTY and the FPFTY.

9. Provide for the HTY and the current year-to-date, the monthly usage for each classification of customers. Provide projections into the FTY and the FPFTY.

10. Provide by customer classification for the HTY and for the 2 prior years the number of customers and usage, the projected number of customers, and the projected usage for the 2 subsequent years.

11. Provide for the HTY and the 2 prior years usage and billings for the ten largest customers at current rates. Provide the HTY, the FTY, and the FPFTY usage priced at proposed rates.

12. If applicable, provide for the HTY and the 2 prior years’ usage and billings for the ten largest sales for resale customers if such sales are not included in sales to the ten largest customers requested in G.11, above. Provide projections for the FTY and the FPFTY.

13. Provide growth patterns of usage and customer numbers per rate class, using historical and projected data.

14. Provide, for the FPFTY, a schedule by tariff rates and by service classifications showing proposed increase and percent of increase.

15. If a utility is affiliated with another utility, explain the effects, if any, upon allocations factors used in the rate filing of current or recent rate increases allowed to the other utility segment (or segments) of the company.

16. Provide supporting data detailing curtailment adjustments, procedures, and policies.

17. Provide details of the utility’s attempts to recover uncollectible and delinquent accounts.

18. Describe the procedures involved in determining whether forfeited discounts or penalties are applied customer billing.

19. Provide annualization of revenues as a result of rate changes occurring during the test year, at the level of operations as of end of the test year.

20. Provide a detailed billing analysis supporting present and proposed rates by customer classification and/or tariff rate schedule.

21. Provide a schedule showing sales from all customer classes by unit per month for the HTY and three preceding 12-month periods. Provide also the projections for the FTY and the FPFTY.

22. Provide the following statements and schedules. The schedules and statements for the HTY should be reconciled with the summary operating statement. The schedule should also show number of customers and unit of sales, and should provide number of customers by service classification at beginning and end of HTY. Provide also projections for the FTY and the FPFTY.

a. An operating revenues summary for the HTY and the year preceding showing the following:

i. For each major classification of customers

A. Units sold.

B. Dollar Revenues.

C. Forfeited Discounts (Total if not available classification).

D. Other and Miscellaneous revenues that are to be taken into the utility operating account along with their related costs and expenses.

ii. A detailed explanation of all annualizing and normalizing adjustments showing method utilized and amounts and rates used in calculation to arrive at adjustment.

iii. Segregate, from recorded revenues from the HTY and prior year, the amount of revenues that are contained therein, by appropriate revenue categories, from:

A. Fuel or energy Adjustment Surcharge

B. State Tax Surcharge

C. Any other surcharge being used to collect revenues.

D. Provide explanation whether any of the surcharges are not applicable to the utility’s operations.

23. Provide details of sales for resale, based on periods five years before and projections for five years after the FPFTY. List customers, units sold or projected to be sold, revenues received or projected to be received, source of units sold, contracted or spot sales, whether sales are to affiliated companies, and any other pertinent information.

H. Operating Expenses

1. Provide a summary of operating expenses by operating expense account for the HTY and the two preceding 12-month periods.

2. Provide a summary of claimed operating expenses for the HTY, including annualizing and normalizing adjustments to arrive at adjusted future operating expenses for ratemaking, including supporting data for the FTY and the FPFTY, where applicable.

3. List extraordinary property losses as a separate item, not included in operating expenses or depreciation and amortization (not included in cost of service when the gain or loss on this property has occurred or is likely to occur in the FTY or FPFTY. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed). Sufficient supporting data must be provided, such as explanation and breakdown of costs.

4. Concerning rate case expense:

a. Supply detailed calculations of normalized rate case expense, including supporting data for outside services rendered.

b. Provide justification for the Company’s proposed normalization period for the current rate case.

c. Provide the details by category with related dollar amounts for each category of the rate case expense claim (include the actual billings or invoices, and contracts where applicable, in support of each category of rate case expense).

d. Provide the docket numbers and filing dates indicating fully litigated or settled, for the last three base rate cases filed with the Commission.

e. Provide the details by category with related dollar amounts for each comprising the actual expenses of the prior rate case.

5. Supply exhibits showing an analysis, by functional accounts, of the charges by affiliates (service corporations, etc.) for services rendered and included in claimed operating expenses of the filing company for the HTY, the 12-month period ended prior to the HTY, and claimed expenses for the FTY and the FPFTY:

a. Supply a copy of contracts, if applicable.

b. Explain the nature of the services provided.

c. Explain the basis on which charges are made.

d. If charges are allocated, identify allocation factors used for all parent/affiliate companies along with the filing company and also identify all parent/affiliate companies not receiving allocation with an explanation why not.

e. Supply the components and amounts comprising the expense in this account.

f. Provide details of initial source of charge and reason thereof.

6. Describe costs relative to leasing equipment, computer rentals, and office space, including terms and conditions of the lease (including but not limited to, beginning and end date(s) of lease(s), monthly or annual dollar amount of payment(s), etc. Explain the method of calculating monthly or annual payments. If allocated from the parent company, provide an explanation and supporting documentation for the method of allocation.

7. Submit detailed calculations (or best estimates) of the cost resulting from storm, climate or similar damage in the HTY and claimed amounts for the FTY and the FPFTY. Fully explain the basis for any estimates.

8. Submit schedules for the HTY and for the 12-month prior periods showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories. Explain major variances between the HTY expenses and those expenses for the prior two 12-month period. Additionally, provide similar schedules showing claimed above-the-line amounts for the FTY and the FPFTY.

a. Miscellaneous general expenses.

b. Outside service expense.

c. Regulatory commission expenses.

d. Advertising expenses broken down by category for claimed amounts, including but not limited to advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim.

e. Research and development expenses, provide a listing of major projects.

f. Charitable and civic contributions, by recipient and amount, showing types of social and service organization memberships paid for, the cost thereof, the accounting and tax treatment, and whether included in above-the-line claimed expenses.

g. Lobbying expenses, including but not limited to amounts that are a portion of membership dues.

I. Employee Costs, Including Related Costs Such as Benefits And Retiree Costs

1. Concerning employee numbers, using calendar-year-end counts.

a. Provide employee counts, total and by operational divisions and by managerial, nonunion, and union categories for the HTY, the FTY, and the FPFTY.

b. Indicate number of employee positions that have been eliminated since the commencement of the HTY or are expected to be eliminated during the FTY or FPFTY.

c. Indicate whether employment changes have happened due to, or are expected to happen as a result of, attrition, reductions in force, sale or acquisition of operations or facilities, mergers, etc., in the HTY, the FTY, and the FPFTY.

d. Provide a copy of all wage, salary, incentive compensation and bonus, benefit, leave, insurance, pension/thrift, and similar plan documents.

2. Submit detailed computation of adjustments to operating expenses for salary, wage, and fringe benefit increases (union and non-union merit, progression, promotion, and general, etc.) granted during the HTY, the FTY, and the FPFTY. Supply data for the HTY, the FTY, and the FPFTY claims showing:

a. Payroll expense (regular and overtime separately) by categories of operating expenses*, i.e.*, maintenance, operating transmission, distribution, other (specify by type). Indicate management, non-union, and union.

b. Date, percentage increase and annual amount of each general payroll increase by category, *i.e.*, maintenance, operating transmission, distribution, other. Indicate management, non-union, and union and provide supporting documentation for each increase.

c. Dates and annual amounts of merit, incentive plan, and/or bonus increases and management salary adjustments by category, *i.e.*, maintenance, operating transmission, distribution, other.

d. Total annual payroll increases by date and percentage in the HTY and as anticipated for the FTY and the FPFTY.

e. Proof that the actual payroll plus the increases equal the payroll expense claimed in the supporting data (by categories of expenses) for the HTY. Provide assurance that similar verification will be conducted for the FTY and FPFTY and indicate procedures for addressing any material differences between estimated expenses and actual expenses for the FTY and FPFTY.

f. Detailed list of employee benefits and cost thereof for union and non-union personnel. Include specific benefits and costs for executives and officers.

g. Support the annualized pension cost figures.

h. If the pension cost figures include any unfunded pension costs, state the unfunded portion.

3. Provide the following payroll and employee benefit data – regular and overtime – separately for the HTY and for the 12-month period immediately prior to the HTY. Provide projections for the FTY and the FPFTY.

a. Average and year-end numbers of employees and the unadjusted annual payroll expense and employee benefit expense associated with contract and temporary employees.

b. Summary of employee benefit changes granted in HTY or to be granted in or anticipated for the FTY or FPFTY.

c. Claimed payroll expense in employee benefit expense.

d. Percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof. Provide similar percentages for the HTY and the two immediately preceding years, and the claimed percentages for the FTY and the FPFTY.

e. Level of related bonus payments included in the cost of service. Provide information for the two years preceding the HTY and any changes since the last rate case. Provide projections for the FTY and the FPFTY.

f. Most recent insurance premiums for each type of insurance coverage, both employee benefit and those purchased for the utility, reflected in the utility’s HTY. Provide estimated premiums for the FTY and the FPFTY and explain the basis for the estimates. Indicate whether utility is self-insured or third-party insured. Indicate any reserves for claims. Indicate extent to which employees contribute to such coverage.

g. Level of payments made to industry or professional organizations included in the cost of service along with a description of each payee organization and purpose for the HTY and provide projections for the FTY and the FPFTY, normalized for applicable year. That is, prepayments and late payments are to be adjusted to time period applicable.

h. Explanation of how the utility accounts for vacation, sick, military, and other off-the-job pay for book and ratemaking purposes. Quantity the amounts for each account for the HTY and provide projections for the FTY and the FPFTY.

4. Submit a schedule showing any deferred income and consultant fees, paid to both corporate officers and employees in the HTY and the two 12-month period ended prior to the HTY. Provide projections for the FTY and the FPFTY.

5. Pension Expenses and Other Post-Employment Benefits Expense (OPEB)

a. Provide the three most recent actuarial studies for both pension expense and post-employment benefits other than pensions (OPEBs). Indicate whether it is expected to fluctuate up or down and provide details of the plan to accommodate for anticipated increases in costs.

b. Identify the total pension expense understatement of the Statement of Accounting Standards (SFAS) No. 87 for the HTY and the portion charged to operation and maintenance (O&M) as well as other discreet cost centers. Include an analysis showing the contribution to the pension plan and the amount deferred or expensed for each of the HTY and preceding two years. Also provide any estimates for the FTY and the FPFTY providing supporting calculations and explanation of the basis for such estimates.

c. Provide an analysis of OPEBs showing the accrual amount under SFAS No. 106 and the pay-as-you-go expense (cash basis.

d. Reconcile the HTY and FTY test year SFAS No. 106 expense levels with the amount identified in the actuarial report.

e. Identify the actual or projected amounts contributed to SFAS No. 106 funds for the HTY, the FTY, and the FPFTY. Identify the actual or projected dates and amounts of the contributions.

f. Explain the funding options or plans which are being used for SFAS No. 106 costs. Identify the portion of costs which are eligible for tax preferred funding.

g. State whether the utility is studying or anticipating any changes to its postretirement benefits offered to employees as a result of SFAS No. 106 or for other reasons. If yes, provide the study and explain the anticipated changes.

h. State whether the HTY expenses reflect any accruals for postemployment benefits under SFAS No. 112. If yes, provide complete details including supporting documentation, assumptions, and funding mechanisms.

i. Support the annualized pension cost figures by addressing whether these figures include any unfunded pension costs and explain provisions to address any unfunded costs.

j. Provide a copy of the utility’s pension funding policy.

6. Provide proof that the actual payroll plus the increases equal the payroll expenses claimed in the supporting data by categories of expenses for the HTY. Provide assurance that similar verification will be conducted for the FTY and the FPFTY and indicate procedures for addressing any material differences between estimated expenses and actual expenses for the FTY and the FPFTY. Provide the same analysis for other employee, former employee, and retiree costs and for claimed expenses.

7. Submit detailed computation of adjustments to operating expenses for salary, wage, and fringe benefit increases (union and nonunion merit, progression, promotion, and general) granted during the HTY. Supply data for the HTY and projections for the FTY and the FPFTY, showing:

a. Actual payroll expense (regular and overtime separately) by categories of operating expenses, *i.e*., maintenance, operating transmission, distribution, other.

b. Date, percentage increase and annual amount of each general payroll increase.

c. Dates and annual amounts of merit increases or management salary adjustments.

d. Total annual payroll increases in the HTY and the 12-month period ended prior to the HTY.

e. Detailed list of employee benefits and cost thereof for union and nonunion personnel. Specific benefits for executives and officers should be identified separately and costs thereof.

f. Support for the annualized pension cost figures by providing the following:

i. State whether these figures include any unfunded pension costs. Explain.

ii. Provide the most current and two prior actuarial studies used for determining pension accrual rates.

g. Schedule showing any deferred income and consultant fees, paid to corporate officers and employees in the HTY and the 12-month period ended prior to the HTY.

8. Provide the following payroll and employee benefit data – regular and overtime – separately for the HTY and for the two 12-month period immediately prior to the HTY. Provide also the projections for the FTY and the FPFTY.

a. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with union personnel.

b. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with non-union personnel.

c. The average and year-end numbers of employees and the unadjusted annual payroll expense and employee benefit expense associated with management employees, if different than Subsection II.I.8.b.

d. The summary of the wage rate, salary, and employee benefit changes granted or to be granted during the year.

e. The claimed test year payroll expense in employee benefit expense.

f. The percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof.

9. If the utility has included any costs associated with canceled construction projects or obsolete inventory in requested rates, separately identify the items, provide the related amounts and explain the reason for the cancellation or obsolescence.

10. Provide a list of reports, data, or statements requested by and submitted to the Commission during and subsequent to the HTY.

11. Provide a detail analysis of Special Services pursuant to USoA.

12. List and explain all non-recurring abnormal or extraordinary expenses incurred in the HTY which will not be present in the FTY or the FPFTY.

13. List and explain all expenses included in the HTY, FTY, and FPFTY which do not occur yearly but are of a nature that they do occur over an extended period of years (*e.g.*, non-yearly maintenance programs, etc.).

14. Using the adjusted year’s expenses as adjusted under present rates as a base, give detail necessary for clarification of all expenses adjustments. Give clarifying detail for any such adjustments that occur due to changes in accounting procedure, such as charging a particular expense to a different account than was used previously. Explain any extraordinary declines in expense due to such change of account use.

15. Identify any anticipated change in expense resulting from addition or removal of utility plant. Provide the annualized expense impact of the change or changes for the HTY, the FTY, and the FPFTY and calculate the adjustment to the prior expense to reflect projected on-going expense.

16. Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures.

17. Adjustments which are estimated shall be fully supported by basic information reasonable necessary.

18. Provide explanation, calculations and documentation of adjustments for projecting Operation Expenses for the FTY and the FPFTY.

19. If a utility’s business extends into different states or jurisdictions, then statements must be shown listing Pennsylvania jurisdictional data, other state data and federal data separately and jointly (balance sheets and operating accounts).

J. Depreciation

1. Provide a description of the depreciation methods used to calculate annual depreciation amounts and depreciation reserves, together with a discussion of the factors which were considered in arriving at estimates of service life and dispersion by account. Supply a comprehensive statement of any changes made in method of depreciation, including the impact of DSIC projects on service lives. Provide dates of all field inspections and facilities visited.

2. Include an exhibit and charts depicting the original and estimated survivor curves and a table presenting of the original life table plotted on the chart for each account where the retirement rate method of analysis is utilized. If any utility plant was excluded from the measures of value because it was deemed not to be “used and useful” in the public service, supply a detailed description of each item of property and the associated cost.

3. Provide the surviving original cost at HTY year-end by vintage by account and include applicable depreciation reserves and accruals. These calculations should be provided for plant in service as well as other categories of plant, including contributions in aid of construction and customers’ advances for construction, and anticipated retirements associated with any construction work in progress claims (if applicable).

4. Provide a comparison of the calculated depreciation reserve used for ratemaking purposes compared to the book reserve by account at the end of the HTY, the FTY, and the FPFTY, if they differ.

5. Supply a schedule by account and depreciable group showing the survivor curve and annual accrual rate estimated to be appropriate.

a. For the purposes of this filing.

b. For the purposes of the most recent rate increase filing prior to the current proceedings.

c. Supply an explanation for all changes in annual accrual rates by account or by depreciable group.

d. Supply a comprehensive statement of any changes made in method of depreciation and in the selection of average service lives and dispersion as a result of implementing the DSIC.

6. Provide an exhibit showing gross salvage, cost of removal, and net salvage for the three (3) most recent calendar or fiscal years by account.

7. Provide a table, showing the cumulative depreciated original cost by year of installation for utility plant in service at the end of the HTY. (depreciable plant only) as claimed in the measures of value, in the following form:

a. Year installed.

b. Original cost – the total surviving cost associated with each installation year from all plant accounts.

c. Calculation depreciation reserve – the calculated depreciation reserve associated with each installation year from all plant accounts.

d. Depreciated original cost – (Column B minus Column C).

e. Total – cumulation year by year of the figures from Column D.

f. Column E divided by the total of the figure in Column D.

8. If material and supplies comprise part of the cash working capital claim, attach an exhibit showing the actual book balances for materials and supplies by month for the thirteen months prior to the end of the HTY. Explain any abrupt or significant changes in monthly balances.

9. Regardless of whether claim for net negative or positive salvage is made, attach an exhibit showing gross salvage, cost of removal, and net salvage for the HTY and four previous years by account.

10. Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not previously mentioned, in the measures of value.

K. Taxes

1. Provide a copy of the Corporate Federal Tax Returns and Corporate State Tax Returns, including supporting schedules for the most recent 3 years and, if applicable, any amended returns.

2. Provide a schedule of Federal and Pennsylvania taxes, other than income taxes, calculated on the basis of test year per book, pro forma at present rates, and pro forma at proposed rates, to include the following categories:

a. Social Security.

b. Unemployment.

c. Capital Stock.

d. Public Utility Realty.

e. PUC assessment.

f. Other property.

g. Sales and use tax.

h. Any other appropriate categories.

3. Provide a copy of the most current Pennsylvania Corporate Tax report and the most current Pennsylvania Corporate Tax Settlement.

4. Submit a schedule, if applicable, showing the Gross Receipts Tax base used in computing Pennsylvania Gross Receipts Tax adjustment.

5. Submit details of calculations for taxes, other than income, where a utility is assessed taxes for doing business in another state, or on its property located in another state.

6. State amount of the debt interest utilized for income tax calculations and details of debt interest computations under each of the following rate case bases:

a. Actual HTY.

b. Annualized HTY year-end.

c. Proposed FTY and FPFTY year-end, using present rates and proposed rates.

7. State amount of debt interest utilized for income tax calculations which has been allocated from the debt interest of an affiliate, and details of the allocation, under each of the following rate case bases:

a. Actual HTY.

b. Annualized HTY year-end.

c. Proposed FTY and FPFTY year-end, using present rates and proposed rates.

8. Provide the following income tax data:

a. Consolidated income tax adjustments, if applicable.

b. Interest for tax purposes (basis).

9. Submit a schedule showing for the last 3 years’ income tax refunds, plus interest, net of taxes, received from the federal government due to prior year claims.

10. Provide detailed computations showing the deferred income taxes derived by using accelerated tax depreciation applicable to post-1969 utility property that increases productive capacity, and accelerated depreciation (ADR) rates on property (separate between state and federal; also, rate used). If based on the HTY, justify.

a. State whether tax depreciation is based on all rate base items claimed as of the end of the FTY, and whether it is the annual tax depreciation at the end of the FTY.

b. Reconcile any difference between the deferred tax balance, as shown as a reduction to measures of value (rate base), and the deferred tax balance as shown on the balance sheet.

c. Make appropriate adjustment and projections for the FPPTY.

11. Submit a schedule showing a breakdown of the deferred income taxes by federal and state per book, pro forma, existing rates, and under proposed rates.

12. Submit a schedule showing a breakdown of accumulated investment tax credits, (3%, 4%, 7%, 10%, and 11%), together with details of methods used to write-off the unamortized balances.

13. Submit a schedule showing the adjustments for taxable net income per book, including below-the-line items, and pro-forma under existing rates, together with an explanation of any difference between the adjustments. Indicate charitable donations and contributions in the tax calculation for ratemaking purposes.

14. Submit detailed calculations supporting taxable net income before federal and state income taxes where the income tax is subject to allocation due to operations in another state, or due to operation of other taxable utility or nonutility business, or by operating divisions or areas.

15. Submit detailed calculations showing the derivation of deferred income taxes for amortization of repair allowance if such policy is followed. Submit additional schedules if the utility has more than one accounting area.

16. State the utility’s policy and practice on capitalization of repairs maintenance. If the utility has opted out of Treasury Regulations 1.162 to 1.263, submit depreciation/amortization schedule to reflect depreciation as taken over the useful life of the asset(s).

17. Provide details of the Federal Surtax Credit allocated to the Pennsylvania jurisdictional area, if applicable.

18. Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.

19. Explain the reason for the use of cost of removal of any retired plant figures in the income tax calculations.

20. Submit the corresponding data applicable to Pennsylvania Corporate Income Tax deferment.

a. Show the amounts of straight line depreciation and accelerated tax depreciation, the difference between which gave rise to the normalizing tax charged back to the HTY operating statement.

b. Show normalization for both federal and state income taxes.

c. Show tax rates used to calculate tax deferment amount.

21. Provide the accelerated tax depreciation and the book depreciation used to calculate HTY deferrals in amounts segregated as follows:

a. Property installed prior to 1970.

b. Property installed subsequent to 1969 (indicate increasing capacity additions and non-increasing capacity additions).

22. State whether all tax savings due to accelerated depreciation on property installed prior to 1970 have been passed through to income. If not, explain.

23. Explain how the utility handled in the HTY the reduction in tax caused by the 2008 change in method for accounting for repairs. Explain the future impact of the change in accounting method on taxable income relative to the FTY and the FPFTY.

24. Show any income tax loss/gain carryovers from previous years that may affect the HTY income taxes or the FTY or the FPFTY Income Taxes. Show loss or gain carryovers by years of origin and amounts remaining by years at the end of the HTY.

25. State whether the utility eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:

a. Set forth amount of construction claimed in this tax savings reduction and explain the basis for this amount.

b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.

c. State the interest rate used to calculated interest on this construction debt portion and the manner in which it is derived.

d. Provide details of calculation to determine tax savings reduction and state whether state taxes are increased to reflect the construction interest elimination.

26. Provide a detailed analysis of taxes accrued per books as of year-end for the HTY and as anticipated for the FTY and the FPFTY. Also supply the basis for the accrual and the amount of taxes accrued monthly.

27. For the HTY as recorded on the HTY’s operating statement:

a. Supply the amount of federal income taxes actually paid.

b. Supply the amount of the federal income tax normalizing charge to tax expense due to excess of accelerated tax depreciation over book depreciation.

c. Supply the normalizing tax charge to federal income taxes for the 10% Job Development Credit during test year.

d. Provide the amount of the credit of federal income taxes due to the amortization or normalizing yearly debit to the reserve for the 10% Job Development Credit.

e. Provide the amount of the credit to federal income taxes for the normalizing of any 3% Investment Tax Credit Reserve that may remain on the utility books.

28. Provide the debit and credit in the HTY to the deferred taxes due to accelerated depreciation for federal income taxes and provide the debit and credit for that Job Development Credits for the HTY.

29. Reconcile all data given any answers to questions on income taxes charged on the HTY operating statement with regard income taxes paid, income taxes charged because of normalization and credits due to yearly write-offs of past years income tax deferrals and from normalization of investment tax and development credits. (Both federal and state income taxes).

30. With respect to determination of federal and state income taxes:

a. Show income tax results of the annualizing and normalizing adjustments to the HTY and FTY before any rate increase.

b. Show income taxes for the annualized and normalized HTY and FTY.

c. Show income tax effect of the rate increase requested.

d. Show income taxes for the normalized and annualized test year after application of the full rate increase.

e. Provide projections for the FPFTY.

31. In adjusting the HTY to an annualized year under present rates, explain any changes that may be due to book or tax depreciation change and to debits and credits to income tax expense due to accelerated depreciation, deferred taxes, job development credits, tax refunds, or other items.

32. State whether section 1552 of the Internal Revenue Code (26 U.S.C. § 1552) or 26 CFR 1.1552-1 (1983) apply to the utility and its parent. If these provisions are not applicable, state why they are not applicable. State whether the parent company has filed a consolidated income tax return for the group. Additionally, if the provisions are applicable:

a. State what option has been chosen by the group.

b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.

c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.

d. Provide the most recent annual income tax return for the group.

e. Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the most recent years for which data is available, together with a summary of the actual tax payments for those years.

f. Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return on each of the members of the consolidated group for the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.

g. Explain any changes in accounting method under IRC Section 446 and 448 and the effects of such changes on the utility’s federal taxable income for the HTY, FTY, and FPFTY.

**L. Long Term Infrastructure Improvement Plan (LTIIP) And Annual Asset Optimization Plan (AAO Plan)**

1. Provide a copy of the most recent Long Term Infrastructure Improvement Plan (LTIIP) approved by the Commission as well as any pending LTIIP filed by the utility.

2. Provide a copy of all of the AAO Plans approved since the most recent approved LTIIP as well as the any pending AAO Plans filed by the utility.

3. Document impact on service reliability, safety enhancements, and operational savings resulting from LTIIPs and AAO Plans such as reduced equipment-failure-related expenses, fewer field investigations for outages, fewer complaints, for example.

**M. Industry Specific Data – This subsection details additional information, based on specific utility type, that is required in a FPFTY filing.**

**M.1. GAS, STEAMHEAT, AND PIPELINE UTILITIES ONLY**

1. Provide a description of the property of the utility and an explanation of the system’s operation using available projections if actual data is unavailable. This description should include, but not be limited to, the following:

a. If the utility has various gas service areas, indicate if they are integrated such that the gas supply is available to all customers.

b. Provide all pertinent information regarding utility policy related to the addition of new consumers in the utility’s service area.

c. Explain how the utility obtains its gas supply, as follows:

i. Explain how the utility stores or manufactures gas; if applicable.

ii. State whether the utility has peak shaving facilities.

iii. Provide details of coal-gasification programs, if any.

iv. Describe the potential for emergency purchases of gas.

v. Provide the amount of gas in Mcf supplied by various suppliers in the test year (include a copy of all contracts).

vi. Provide the amount of gas in Mcf supplied from utility-owned wells during the test year.

d. Provide plans for future gas supply, as follows:

i. Supply details of anticipated gas supply from the utility’s near-term development of gas wells, if any.

ii. Provide gas supply agreements and well development ventures and identify the parties thereto.

e. Indicate any anticipated curtailments and explain the reasons for the curtailments.

f. Provide current information on any FERC action or programs that may affect, or tend to affect, the natural gas supply to the gas utility.

2. Submit a schedule showing a reconciliation of the historic test year and two prior twelve-month periods showing a breakdown of City Gate Requirements, City Gate Source volumes, Mcf sales, and line losses. List all amounts of gas purchased, manufactured, used, transported, and sold.

3. Provide calculations substantiating the adjustment to revenues for annualization of changes in number of customers and annualization of changes in volume sold for all customers for the test year.

a. Break down changes in number of customers by rate schedules.

b. If an annualization adjustment for changes in customers and changes in volume sold is not submitted, explain why not.

4. Provide the three most recent Annual Unaccounted-for Gas (UFG) Reports filed with the Commission.

5. Provide the schedules included in the three most recent Purchased Gas Cost (PGC) filings that show the reconciliation of the calculation of UFG in the Annual UFG Report and the calculation of the UFG used to determine the Company’s retainage rate.

6. Submit a schedule showing the sources of gas supply associated with annualized Mcf sales.

7. If the utility has a Fuel Adjustment Clause:

a. State the base fuel cost per Mcf chargeable against basic customers’ rates during the test year. If there was any change in this basic fuel charge during the HTY, give details and explanation thereof.

b. State the amount in which the fuel adjustment clause cost per Mcf exceeds the fuel cost per Mcf charged in base rates at the end of the HTY.

c. If fuel cost deferment is used at the end of the HTY, give:

i. The amount of deferred fuel cost contained in the operating statement that was deferred from the 12-month operating period immediately preceding the HTY.

ii. The amount of deferred fuel cost that was removed from the HTY and deferred to the period immediately following the HTY.

d. State the amount of Fuel Adjustment Clause revenues credited to the HTY operating account.

e. State the amount of fuel cost charged to the operating expense account in the HTY which is the basis of Fuel Adjustment Clause billings to customers in that year. Provide summary details of this charge.

f. From the recorded HTY operating account, remove the Fuel Adjustment Clause Revenues. Also remove from the HTY recorded operating account the excess of fuel cost over base rate fuel charges, which is the basis for the Fuel Adjustment charges. Explain any difference between FAC Revenues and excess fuel costs. This is intended to limit the operating account to existing customers’ base rate revenues and expense deductions relative thereto.

g. Provide projections for the FTY and the FPFTY.

8. Submit a schedule showing fuel cost in excess of base compared to fuel cost recovery for the period two months prior to HTY and the HTY.

9. Supply a detailed analysis of Purchased Gas for the HTY and the prior twelve months. Provide projections for the FTP and the FPFTY.

10. Submit calculations supporting energy cost per Mcf and operating ratio used to determine increase in costs other than production to serve additional load.

11. Submit detailed calculations for bulk gas transmission service costs under supply and/or interconnection agreements.

12. Submit a schedule for gas producing units retired or scheduled for retirement subsequent to the HTY showing station, units, Mcf capacity, hours of operation during HTY, net output produced, cents/Mcf of maintenance, and fuel expenses.

13. Provide a statement explaining the details of firm gas purchase (long-term) contracts with affiliated and nonaffiliated utilities, including determination of costs, terms of contract, and other pertinent information.

14. Provide intrastate operations percentages by expense categories for two years prior to the HTY. Provide projections for the FTY and the FPFTY.

15. Provide a schedule showing suppliers, Mcf purchased, cost (small purchases from independent suppliers may be grouped), emergency purchases, listing same information; curtailments during the year; gas put into and taken out of storage; line loss, and any other gas input or output not in the ordinary course of business.

16. Provide a schedule showing the determination of the fuel costs included in the base cost of fuel.

17. Providing a schedule showing the calculation of any deferred fuel costs shown in Account 174. Also, explain the accounting, with supporting detail, for any associated income taxes.

18. Submit a schedule showing maintenance expenses, gross plant, and the relation of maintenance expense thereto as follows:

a. Gas Production Maintenance Expenses per Mcf production, per $1,000 Mcf production and per $1,000 of Gross Production Plant;

b. Transmission Maintenance Expenses per Mmcf mile and per $1,000 of Gross Transmission Plant;

c. Distribution Maintenance Expense per customer and per $1,000 of Gross Distribution Plant;

d. Storage Maintenance Expenses per Mmcf of Storage Capacity and $1,000 of Gross Storage Plant. This schedule shall include three years prior to HTY and projections for the FTY and the FPFTY.

19. Prepare a five-column schedule of expenses, as described below, for the periods listed (supply sub-accounts, if significant, to clarify basic accounts). Provide the annual recorded expense by accounts claimed amounts. Include all accounts used but not specifically listed below:

a. Columns 1 and 2 – The two preceding years to the HTY.

b. Column 3 – HTY.

c. Column 4 – FTY.

d. Column 5 – FPFTY.

**OPERATING EXPENSES**

Steam Production

Manufactured Gas Production

Raw Gas Material

Other Storage Expenses

Transmission Expense

Distribution Expense

Customer Accounts Expense

Administrative and General Expenses

Maintenance Expenses

Total Operating Expenses

**OTHER EXPENSES**

Depreciation Expenses

Taxes Other than Income

**INTEREST EXPENSE**

**TOTAL EXPENSES**

20. Provide the most recent three-year monthly balances for current gas storage and notes, including the interest rate, financing such storage.

21. Provide a schedule that compares the dollar amount of mains and services projected in the last base rate case to be installed in the FTY with the actual dollar amount of mains and services installed in that FTY period. If the actual amounts were less than projected, explain why they were less.

22. Provide a schedule that compares the dollar amount of mains and services projected in the last base rate case to be installed in the FPFTY with the actual dollar amount of mains and services actually in that FPFTY. If the actual amounts were less than projected, explain why they were less.

23. State the amount of gas, in Mcf, obtained through various suppliers in past years.

24. In determining pro forma expense, exclude cost of gas adjustments applicable to fuel adjustment clause and exclude fuel adjustment clause revenues, so that the operating statement is on the basis of base rates only.

25. Identify utility’s policy with respect to replacing customers lost through attrition.

26. Identify procedures developed to govern relationship between the utility and potential customers – *e.g.*, expansion, alternate energy requirements, availability of distribution facilities, smart metering, and ownership of metering-related facilities.

27. If Unrecovered Fuel Cost policy is implemented, provide the following:

a. State manner in which amount of Unrecovered Fuel Cost on balance sheet at the end of the HTY was determined and the month in the HTY in which such fuel expense was actually incurred. Provide amount of adjustment made on the rate case operating account for the HTY year-end unrecovered fuel cost. (If different than balance sheet amount, explain.)

b. Provide amount of Unrecovered Fuel Cost that appeared on the balance sheet at the opening date of the HTY and the manner in which it was determined. State whether this amount is in the HTY operating account.

c. Provide projections for the FTY and the FPFTY.

28. Provide details of times and amounts comprising the accounting entries for Deferred Fuel Cost at the beginning and end of the HTY.

29. Submit the following simultaneously with any rate increase filing:

a. Provide a Cost of Service Study showing the rate of return under the present and proposed tariffs for all customer classifications. The study should include a summary of the allocated measures of value, operating revenues, operating expenses, and net return for each of the customer classifications at present and proposed rates for the FTY and FPFTY.

b. Provide a statement of testimony describing the complete methodology of the cost of service study.

c. Provide a complete description and back-up calculations for all allocation factors.

d. Provide an exhibit for each customer classification showing the following data for the HTY and the four previous years:

i. The maximum coincident peak day demand.

ii. The maximum coincident 3-day peak day demand.

iii. The average monthly consumption in Mcf during the Primary Heating Season (November-March).

iv. The average monthly consumption in Mcf during the Non-heating season (April-October).

v. The average daily consumption in Mcf for each 12‑month period.

30. Submit a Bill Frequency Analysis for each rate. The analysis should include the rate schedule and block interval, the number of bills at each interval, the cumulative number of bills at each interval, the Mcf or therms at each interval, the accumulation of Mcf or therms passing through each interval, and the revenue at each interval for both the present rate and the proposed rates. The analysis should show only those revenues collected from the basic tariff.

31. Supply a map showing the Gas System Facilities and Gas Service Areas. The map should include transmission lines, distribution lines, other companies’ lines interconnecting with the interconnecting points clearly designated, major compressor stations, gas storage areas, and gas storage lines. The normal direction of gas flow within the transmission system should be indicated by arrows. Separate service areas within the system should be clearly designated.

32. Supply a cost analysis supporting minimum charges for all rate schedules.

33. Supply a cost analysis supporting demand charges for all tariffs which contain demand charges.

34. Supply the net fuel clause adjustment by month for the HTY. Provide projections for the FTY and the FPFTY.

35. Supply a tabulation of base rate bills for each rate schedule comparing the existing rates to proposed rates. The tabulation should show the dollar difference and the percent increase or decrease.

36. Submit the projected demands for all customer classes for both purchased and produced gas for the three years following the HTY filing.

37. Supply an exhibit showing the gas deliveries to each customer class for the most recent 24-month period. The exhibit should identify the source of the gas as “purchased” (pipeline), “production” (includes purchases from local producers), “storage withdrawal,” “propane/air,” and “unaccounted for.”

38. Describe how the net billing and gross billing is determined. For example, if the net billing is based on the rate blocks plus Fuel Cost Adjustment (FCA) and State Tax Adjustment (STA), and the gross billing is determined by a percentage increase (1, 3, or 5 percent), then state whether the percentage increase is being applied to all three items of revenue *i.e.,* rate blocks plus FCA and STA.

39. Provide a schedule that shows the number of miles of distribution main replaced in the HTY and the projected amount to be replaced in the FTY and FPFTY.

40. For the ten longest main replacement projects completed in the HTY, provide the following information:

a. Total cost of the project.

b. Length of distribution main replaced.

c. Total restoration costs.

d. A breakdown of the restoration costs (permits, trench paving, street paving, curbing, sidewalks, landscaping).

41. For the ten longest main replacement projects to be completed in the FTY, provide the following information:

a. Total cost of the project.

b. Length of distribution main replaced.

c. Total restoration costs.

d. A breakdown of the restoration costs (permits, trench paving, street paving, curbing, sidewalks, landscaping).

42. For the ten longest main replacement projects to be completed in the FPTY, provide the following information:

a. Total cost of the project.

b. Length of distribution main replaced.

c. Total restoration costs.

d. A breakdown of the restoration costs (permits, trench paving, street paving, curbing, sidewalks, landscaping).

**M.2. ELECTRIC UTILITIES ONLY**

1. Provide a description of the property of the utility and an explanation of the system’s operation using available projections if actual data is unavailable. This description should include, but not limited to the following:

a. A schedule of generating capability showing for the HTY and for the two consecutive 12-month periods prior to the HTY, net dependable capacity in KW by unit, plant capacity factor by unit, and total fuel consumption by type and cost of each unit, if available, or for each station, and operation and maintenance expenses by station. Provide projection for the FTY and the FPFTY.

b. A schedule showing for the HTY, and for the 12-month period immediately prior to the HTY, the scheduled and unscheduled outages (in excess of 48 hours), for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage, if available, and amounts reimbursable from suppliers or insurance companies. Provide projections for the FTY and the FPFTY.

c. A schedule for each unit retired during the HTY or subsequent to the end of the HTY, which shows the unit’s KW capacity, hours of operation during the HTY, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement. Provide projections for the FTY and the FPFTY.

d. A schedule showing most current projections of capacity additions and retirements (costs and KW), and reserve capacity at the time of peak for at least 10 years beyond the HTY, including the in-service dates (actual or expected) and AFDC cutoff dates, if different from in-service dates, for all new generating units coming on line during or subsequent to the HTY, if claimed. Provide projections for the FTY and the FPFTY.

2. When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa. C.S. §1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

a. The total cost of the generating unit.

b. The following costs:

i. Cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.

ii. Cost and quantity of each category of bulk materials, such as concrete, cable, structural steel, and the like.

iii. Manual labor.

iv. Direct and indirect costs of architect/engineering services.

v. Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures, and the like.

vi. Distributed costs.

c. A cost increase of $5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa C.S. § 515(a)(relating to construction cost of electric generating units) and its causes.

d. Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa. C.S. § 515(a).

3. Provide details regarding smart meter deployment, actual and/or projected operational savings, and what is being done to leverage the smart meter capabilities.

**M.3. WATER AND WASTEWATER UTILITIES ONLY**

1. Provide a breakdown of the number and size of private fire services for according to the general service class of customers. Include sprinkler systems serving municipal buildings.

2. List all public fire customers showing the number of public hydrants by size for each customer for the end of the HTY and projected for the FTY and the FPFTY.

3. Provide a calculation of the utility’s base cost of water or wastewater per billing unit.

4. Furnish the name of each supplier, gallonage and expense for water purchased as recorded in the Water Purchased for Resale for the HTY and two preceding years. Provide projections for the FTY and the FPFTY.

5. Quality of Service

a. Indicate whether the utility is in violation of any provision of the Pennsylvania Safe Drinking Water Act (SDWA) or any rule, regulation or order, or any condition of any permit variance or exemption granted by the Pennsylvania Department of Environmental Protection (PA DEP), or its predecessor.

i. Provide information indicating whether the utility is in compliance with SDWA provisions at 25 Pa. Code § 109.407 regarding general public notification requirements:

A. Provide a copy of each public notification given in accordance with this section, since the last rate proceeding. [[[5]](#footnote-5)]

B. Provide a detailed explanation of all actions taken to remedy an acute violation, and to comply with the requirements prescribed by a variance or exemption.

C. State whether any fines or penalties were assessed by PA DEP, and indicate the amounts paid by the utility.

ii. Provide the most recent copies of all annual consumer confidence reports issued pursuant to SDWA Amendments of 1996 since the last rate proceeding.

A. Provide any annual consumer confidence reports which reflect violations of State and Federal safe drinking water requirements.

B. Explain how these violations were resolved.

b. Indicate whether the utility is in compliance with 52 Pa. Code § 65.6(d) regarding pressure surveys at regular intervals.

i. Provide details on any water pressure problems lasting longer than 5 days which have occurred since the last rate proceeding in any part of the water transmission and distribution system.

ii. Describe any action taken on a temporary basis, and the long-term solutions developed to address any water pressure problems.

c. Provide support to demonstrate that water or wastewater service is being furnished on a continuous basis by supplying a summary of the utility’s records of each service interruption greater than 24 hours since the last rate proceeding.

d. Indicate whether the utility is in compliance with 52 Pa. Code § 65.4(b) regarding complete and current mapping of the entire distribution or collection system. If not in compliance, indicate what needs to be done to get into compliance.

e. Provide a summary report demonstrating the utility’s efforts in water conservation, since the last rate proceeding, pursuant to 52 Pa. Code § 65.20.

f. Provide a discussion of the utility’s policy, or provide a copy of the policy if in written form, on tracking and responding to customer complaints. [[[6]](#footnote-6)]

g. Provide a summary report demonstrating the utility’s compliance with 52 Pa. Code § 65.3 regarding the full and prompt investigation of service or facility complaints and the recordkeeping requirements of such complaints.

h. Provide a discussion of the utility’s policy regarding meter requirements, replacements and testing. State if the utility’s procedures are in compliance with 52 Pa. Code § 65.8(b).

i. Provide meter test records as required in 52 Pa. Code § 65.8(c) for the 50 meters most recently removed from service.

ii. Provide a discussion on the utility’s policy and history of compliance with 52 Pa. Code § 65.9 regarding adjustments of bills for meter error with in the last year.

6. Cost of Service – Wastewater Utilities

a. Provide a cost of service allocation study if an interval of 5 years has passed between a previous cost of service study and the anticipated date of the start of the FPFTY. The cost of service study shall provide the necessary data to determine if the rate structure is fair and equitable to all customer classes. The study shall allocate cost driving factors such as volume, phosphorus (P), nitrogen (N), biological oxygen demand (BOD), and suspended solids (SS) equitably among the customer classes based on acceptable industry cost driving factors. The study shall use the FPFTY proposed revenue requirement. Summaries of conclusions and back-up calculations shall be made part of the submission of the allocation study and shall include the following:

i. A description of the allocation method and development of allocation factors used and a schedule of the allocated cost of service by class (and service area if applicable) at the present and proposed revenues.

ii. A comparative schedule showing the rate of return produced at present and proposed rates by customer class (and by service area if applicable.)

iii. Indicate if the method for calculating the allocation factors is consistent with the previous rate case study and explain the impact of any changes.

iv. Provide the average day, volume, P, N, BOD, and SS by the treatment plant for the HTY and 2 prior years.

v. Provide workpapers, calculations, and supporting documentation which develop the equivalent meters and equivalent service line weightings used in the utility’s cost of service study.

vi. Provide a detailed cost analysis that supports the utility’s customer charges, by meter or service line size, showing all direct and indirect costs included.

b. Provide a listing of negotiated special rate contracts and a comparison of revenues for special rate contracts and under tariff rates. Special rates are defined as rates not contained in the currently effective tariff.

**M.4. PHILADELPHIA GAS WORKS (PGW) and any other city natural gas company or municipal authority under Commission jurisdiction**

1. Attach copies of the Company’s approved budget for the HTY, FTY, and FPFTY.

2. Provide the most recent Customer Responsibility and Universal Service Program Plan and Evaluation detailing participation, cost, and recovery.

**M.5. Pittsburgh Water and Sewer Authority (PWSA) and any other municipal or authority water/wastewater company under Commission jurisdiction**

1. Attach copies of the Company’s approved budget for the HTY, FTY, and FPFTY.

2. Provide the most recent Customer Responsibility and Universal Service Program Plan and Evaluation detailing participation, cost, and recovery.

1. The provisions of Section 53.53 were adopted September 2, 1977, 7 *Pa.B*. 2527; amended through March 29, 1985, effective for rate increase requests filed on and after July 1, 1985. Those utilities meeting the filing requirements in the new regulations were permitted, upon request, to file under the new regulations at an earlier date, 15 *Pa.B*. 1178; amended October 23, 1987, effective November 23, 1987, 17 *Pa.B*. 4221; corrected May 13, 1994, effective December 3, 1983, 24 *Pa.B*. 2533; amended May 20, 2005, effective May 21, 2005, 35 *Pa.B.* 3024. [↑](#footnote-ref-1)
2. Exhibit B is not at issue either as it refers to communications utilities, which are not affected by Act 11. [↑](#footnote-ref-2)
3. For ease of reference during the advance notice process, we are using standard redlining available in Microsoft Word-compatible programs for existing regulations. When the Annex is finalized for proposed rulemaking purposes, we shall use standard rulemaking formatting to indicate changes. [↑](#footnote-ref-3)
4. Note: Exhibit E is anticipated proposed new material and printed in regular type to enhance readability. When the Annex is finalized for proposed rulemaking purposes, we shall use standard rulemaking formatting to indicate changes. [↑](#footnote-ref-4)
5. Request for specific stakeholder comment during the advance notice comment period: Should a DSIC (or CSIC) proceeding suffice if such a proceeding has concluded more recently than a general rate case? [↑](#footnote-ref-5)
6. Request for specific stakeholder comment during the advance notice comment period: Relative to subsections f. through h.2, should similar inquiries regarding customer service be included for the energy utilities that elect to use a FPFTY? Relative to subsection h.2., is one year long enough? [↑](#footnote-ref-6)