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March 24, 2021

By Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Filing Room
Harrisburg, PA 17120

Re: Pike County Light & Power Company 2020 General Base Rate Increase (Gas)
Filing; Docket No. R-2020-3022134; **PCLP PRE-SERVED TESTIMONY AND
EXHIBITS**

Dear Secretary Chiavetta:

Enclosed for filing are the following Pre-Served Testimony and Exhibits of Pike County light and Power Company (Gas):

Direct Testimony of Gas Rate Panel Paul M. Normand and Debbie L Gajewski	Pike County light and Power Company Statement No. 1	Exhibits G-6, G-7 and G-8
Direct Testimony of Accounting Panel Chuck Lens and Richard A. Kane	Pike County light and Power Company Statement No. 2	Exhibits G-1, G-2, G-3, G-4 and G-5
Direct Testimony of Steven L. Grandinali	Pike County light and Power Company Statement No. 3	Exhibits G-3 and G-4
Rebuttal Testimony of Gas Rate Panel Paul M. Normand and Debbie L Gajewski	Pike County light and Power Company Statement No. 1-R	Exhibits G-6 and G-7
Rebuttal Testimony of Accounting Panel Chuck Lens and Richard A. Kane	Pike County light and Power Company Statement No. 2-R	Exhibits G-3 and G-4
Rebuttal Testimony of Steven L. Grandinali	Pike County light and Power Company Statement No. 3-R	No exhibits

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
March 24, 2021
Page 2

Thank you for your attention to this matter. If you have any questions, please feel free to contact me at (717) 236-1300.

Very truly yours,

/s/ Bryce R. Beard

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Whitney E. Snyder, Esq.
Kevin J. McKeon, Esq.
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Counsel for Pike County Light and Power Company

BRB/das

Enclosures

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Marissa Boyle (via email maboyle@pa.gov)
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Per Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the forgoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

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Dated: March 24, 2021

Pike County Light & Power Company (Gas)

Statement No. 1

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	
v.	:	DOCKET NO. R-2020-3022134
	:	
Pike County Light & Power Company (gas)	:	
	:	

PIKE COUNTY LIGHT & POWER COMPANY

Statement No. 1

Direct Testimony of the Gas Rate Panel

Paul M. Normand and Debbie L. Gajewski

Exhibit G-6 – Gas Embedded Cost of Service

Exhibit G-7 - Gas Cost of Service Proposed Revenues

Exhibit G-8 - Gas Rate Design Recommendations



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**DIRECT TESTIMONY OF THE GAS RATE PANEL
ON BEHALF OF
PIKE COUNTY LIGHT & POWER COMPANY**

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**DIRECT TESTIMONY OF THE GAS RATE PANEL
ON BEHALF OF
PIKE COUNTY LIGHT & POWER COMPANY**

LIST OF EXHIBITS

EXHIBIT G-6 Gas Embedded Cost of Service

Exhibit G-6 Schedules

Description

GRP-1-G Qualifications of the Gas Rate Panel

GRP-2-G Gas Embedded Cost of Service Summary Results
– Existing Rate of Return, Based on 12 Months Ended 06/30/2020
(Exhibit G-6, Summary)

GRP-3-G Summary of Gas Revenue Requirements at Existing Rate of Return,
Equalized Rate of Return, and at Proposed Revenue Levels.

GRP-4-G Gas Embedded Cost of Service Detailed Results
Based on 12 Months Ended 06/30/2020 (Exhibit G-6, Detail)

GRP-5-G Gas Embedded Class Cost of Service – Unbundled Summary of Results
– Existing Rate of Return, Based on 12 Months Ended 06/30/2020
– Proposed Equalized ROR, Based on 12 Months Ended 6/30/2021

GRP-6-G Description of Gas Allocation Factors

EXHIBIT G-7 Gas Embedded Cost of Service Summary Results
– Proposed at Equalized ROR, Based on 12 Months Ended 06/30/2021

EXHIBIT G-8 Gas Rate Design and Bill Impact Analysis



1 **INTRODUCTION**

2 **Q. Would the members of the Gas Rate Panel (“Panel”) please state your names and**
3 **business address?**

4 A. Paul M. Normand and Debbie L. Gajewski, 1103 Rocky Drive, Suite 201, Reading, PA
5 19609.

6
7 **Q. By whom are you employed and what position do you hold?**

8 A. We are both employed by Management Applications Consulting, Inc. Paul M.
9 Normand’s position is management consultant and president of the firm. Debbie L
10 Gajewski’s position is management consultant.

11

12 **Q. Please state your qualifications.**

13 A. Paul M. Normand and Debbie L. Gajewski’s qualifications are shown on Schedule GRP-
14 1-G.

15

16 **SCOPE OF TESTIMONY**

17 **Q. What is your responsibility in connection with this filing?**

18 A. We are sponsoring the following three exhibits:

- 19
- Exhibit G-6, the Gas Embedded Cost of Service Study
 - Exhibit G-7, the Gas Embedded Cost of Service Summary at Proposed Rates
- 20



- 1 • Exhibit G-8, the Gas Present and Proposed Rate Design.

2
3 **Q. What is the scope of the Panel's direct testimony in this proceeding?**

4 A. Our testimony will present:

- 5 1. The Pike County Light & Power Company ("Pike" or "Company") Gas Embedded
6 Cost of Service ("COS") Study as of June 30, 2020;
7 2. The Company's Gas Embedded COS Study as of June 30, 2021;
8 3. The Company's proposal for revenue allocation and rate design; and
9 4. The impact of the proposed rate changes on customers' bills.

10
11 **Q. Please describe the general arrangement of Exhibit G-6.**

12 A. Exhibit G-6 consists of six schedules, Schedule GRP-1-G through GRP-6-G. Schedule
13 GRP-1-G includes the Panel's qualifications. Schedule GRP-2-G contains the class
14 embedded cost of service study summary results at the actual return using a test period
15 ended June 30, 2020. Schedule GRP-3-G contains the class embedded cost of service
16 study summary at existing, claimed (uniform) and proposed rate of return. Schedule
17 GRP-4-G presents the complete detailed output of the test period class embedded cost of
18 service study as summarized in Schedule GRP-2-G. Schedule GRP-5-G, pages 1 and 2
19 presents the Unbundled Costs Summary of Results of Schedule GRP-3-G by the major
20 COS cost component categories based on the present revenue level test period ended June
21 30, 2020. Schedule GRP-5-G, pages 3 and 4 present the same information at the
22 proposed equalized rate of return revenue levels using the future test period June 30,

1 2021. Schedule GRP-6-G provides a description of the allocation factors used in the
2 embedded cost of service study (Schedule GRP-4-G). Exhibit G-7 includes the
3 embedded cost of service summary of results at the proposed future test period ended
4 June 30, 2021. Exhibit G-8 presents the gas rate design calculations for the proposed
5 rates and associated revenue targets. Also included in Exhibit G-8 are the gas bill impacts
6 at the present and proposed revenue target levels.

7
8 **EMBEDDED COST OF SERVICE STUDY**

9 **Embedded Cost of Service Study**

10 **Q. Would you briefly define an Embedded Cost of Service Study?**

11 A. The cost to serve the customers of any utility company generally consists of allowable
12 investments, operating expenses, and a return. For a historical test period, these costs are
13 on record and the overall cost to serve the collective customers of the utility may be
14 readily established. On the other hand, the unique cost to provide services and energy to
15 customers of the various service classifications is much less apparent. Costs can vary
16 significantly between customer classes depending upon the nature of their demands upon
17 the system and the facilities required to serve them. The purpose of an Embedded Cost of
18 Service Study is to directly assign costs based on the utility records or to allocate each
19 relevant and identifiable component of cost on an appropriate basis in order to determine
20 the proper cost to serve the utility's respective customer classes. These analyses result in
21 matrices which display the detailed total costs of serving each customer class of service

1 in the study. Additionally, these costs are further unbundled into more detailed cost
2 component categories reflecting the various services provided by the Company to its
3 customers for energy delivery.

4
5 **Q. Please describe the procedure that you used in preparing your Embedded Cost of**
6 **Service Study?**

7 A. Through the application of a computerized microcomputer cost model developed by
8 Management Applications Consulting specifically for Pike's gas operations, it was
9 possible to treat each element of Rate Base, Revenue and Operating Expense in detail
10 and to classify and directly assign or allocate each item to the customer classes. This
11 distribution cost of service classified all costs as being demand-related or customer-
12 related since there are no commodity-related costs in this study.

13
14 The demand-related costs are fixed costs created by the loads placed on the various
15 components of the gas system. The customer-related costs are fixed costs created by the
16 customers connected to the system regardless of their usage. The complete detailed line-
17 by-line allocation process is presented in Schedule GRP-4-G for Pike's gas operations for
18 the test period ended June 30, 2020. This schedule is the underlying support for all the
19 cost of service results presented in Schedules GRP-2-G, GRP-3-G, and GRP-5-G.

20
21 **Q. Please summarize your cost of service study.**

1 A. Schedule GRP-3-G shows a summary of class revenue requirements at existing rates, at
2 an overall uniform 7.09% targeted (claimed) rate of return identified by the Company,
3 and at proposed revenue levels. A second analysis, Schedule GRP-5-G, summarizes the
4 unbundled costs to serve each major cost component category at present rates and at an
5 equalized target rate of return for each class of service to assist in the rate design process.
6 The calculated monthly customer charge for each class of service is shown on at existing
7 (page 2, line 24) and uniform (page 4, line 24) ROR schedules. The specific customer
8 costs included in the total monthly customer costs are shown in detail on lines 24 through
9 30.

10

1 **Description of Cost of Service (COS) Model**

2 **Q. How does the computerized cost of service model operate?**

3 A. The cost of service model is essentially a cost matrix. The vertical dimension of the
4 study consists of the costs to serve as provided by the Company. The development of the
5 cost of service study begins with rate base and continues with revenues, operating
6 expenses, taxes, and the computation of a labor allocator. The cost model includes three
7 additional pieces, a summary of costs to serve, a list of the allocation factors employed in
8 the study and a revenue requirements section. The horizontal portion consists of the
9 assignment of all costs to each of the Company's customer classes.

10

11 Each page, starting with page 1 has an important column immediately preceding the
12 numerical data marked "ALLOC", an abbreviation for ALLOCATOR. The ALLOC
13 column contains an acronym to indicate the allocation factor used to allocate the costs
14 shown in the Total Gas Company column to each customer class. A tabulation of these
15 allocators in absolute form, typically total dollars or volumes and as a percent of total has
16 been provided at the end of the study beginning on page 15 in Schedule GRP-4-G and is
17 repeated in the same sequence as a percent of the total value for each allocator at the end
18 of the study beginning on page 21.

19

20 Using these allocation factors, costs shown in the Total Company column that were not
21 directly assigned were allocated to each customer class. The cost of service information

1 provided in the “Total” vertical column is based on the testimony and exhibits for the test
2 year provided by the Company.

3

4 **Q. What customer classes did you recognize in your Cost of Service Study?**

5 A. The cost of service study recognized and allocated the Company’s cost to the rate classes
6 as follows:

<u>Rate Designation</u>	<u>Description</u>
SC-1, 231	Residential Space Heating
SC-1, 631	Residential Domestic
SC-1, 531&731	Residential Other
SC-2, 162	General Service Commercial
SC-2, 331	Commercial Space Heating

7 **Cost of Service Model Allocation Methodology**

8 **Q. Would you please tell us how you chose allocation factors for your cost study?**

9 A. In the cost allocation process, we attempted to determine the intended use of specific
10 plant investments and then examined the specific use of these assets in the test year. As
11 part of the cost of service process, we then separately developed the required external
12 allocators or selected internal allocators to assign the various costs appropriately to each
13 customer class. A complete and detailed list of each allocation factor has been provided
14 in Schedule GRP-4-G, pages 15 through 26. Pages 15 through 20 present the total actual
15 Company values while the remaining pages 21 through 26 reformat and unitize these

1 same values with each factor totaling to unity or one. A description of these allocation
2 factors has been provided in Exhibit G-6, Schedule GRP-6-G.
3

1 **Rate Base Allocation**

2 **Q. Please describe the allocation of rate base to customer classes.**

3 A. Rate base allocation is shown on pages 3 through 5 of Schedule GRP-4-G. The gas
4 supply is set to zero in this study. Distribution plant represents investment in facilities to
5 deliver gas to the customer meter.

6
7 **Q. Please describe the allocation of Distribution Mains Acct 376 to customer classes.**

8 A. The Distribution Mains account has been classified as demand (46.97%) and customer
9 (53.93%) related based on the results of the minimum-size study developed for use in the
10 2013 General Base Rate Increase Filing. The demand-related Distribution Mains as well
11 as other demand-related Distribution plant was allocated to customer classes using the
12 Design Day factors shown on page 15 of Schedule GRP-4-G. The customer-related
13 portion of Distribution Mains was allocated on the number of customers by rate class.

14
15 **Q. What are the other customer-related allocation factors included in your cost study?**

16 A. Customer-related plant items were allocated using various CUST-prefixed allocators for
17 services, meters, and other such customer-related items. A complete list of these factors
18 has been provided on page 16 of the cost of service study.

19
20 **Q. How was general plant allocated on page 3 of Schedule GRP-4-G?**

1 A. General plant was allocated on an internally generated labor allocation factor (**LABOR**)
2 based on labor expensed in the test. Each Operations and Maintenance account was
3 examined to determine the labor portion of expense included. The labor portions of these
4 costs were allocated separately in the same manner as the total Operations and
5 Maintenance accounts were allocated. The development of this allocator is shown on
6 Schedule GRP-4-G, pages 13 and 14.

7
8 **Q. How was each account of depreciation reserves assigned?**

9 A. The plant Depreciation Reserves by function and the distribution account detail were
10 obtained from the Company's records and allocated to customer classes based on the
11 allocation of the corresponding plant account.

12
13 **Q. How was Construction Work in Progress assigned?**

14 A. The Construction Work in Progress was allocated to customer classes based on total
15 plant.

16
17 **Q. What other elements of rate base were included in your study?**

18 A. Each adjustment to rate base has been detailed on Schedule GRP-4-G, page 5. Additions
19 to net plant included allowance for working capital which includes Cash Working
20 Capital, Materials and Supplies and Prepayments. The deductions from net plant include
21 customer deposits, deferred credits (net of tax), and accumulated deferred income taxes
22 and credits.

1
2 Each adjustment to rate base was allocated on the most appropriate allocation factor. For
3 example, allowance for working capital items materials and supplies and prepayments of
4 property tax and insurance were allocated on **TOTPLT**, prepayments of PA PUC
5 assessment were allocated on claimed revenues (**CLAIMREV**) and cash working capital
6 was allocated on O&M expense excluding purchased gas (**OMXPP**).

7 **Operating Revenue Allocation**

8 **Q. How were operating revenues assigned?**

9 A. Operating revenues (Schedule GRP-4-G, page 6) are based on the Company's books and
10 records by customer class allocated on the most appropriate allocation factor. Sales of
11 Gas revenue were directly assigned to each class. Other operating revenue account 487,
12 late payment charges, was allocated on the basis of the late payment charges incurred for
13 each rate class. Miscellaneous service revenues and other gas revenues were allocated on
14 total plant (**TOTPLT**).

15

16 **Operating Expense Allocation**

17 **Q. How were the Operation and Maintenance Expenses allocated?**

18 A. Distribution O&M expenses follow the allocation of distribution plant. Customer
19 Accounts, Sales Expenses, and Administrative and General Expenses were allocated
20 using a variety of methods based on direct assignments, revenues, plant, and labor costs.
21 Whenever possible, specific information detailing class cost responsibilities or

1 weightings were utilized in order to develop the most accurate cost study possible.

2 Customer Service and Sales Expenses used a composite allocation factor that was
3 weighted 50% on customers and 50% on sales.

4
5 A&G expenses were primarily allocated on the **LABOR** allocator. The regulatory
6 commission expense was allocated on the **CLAIMREV** allocator and the remaining
7 A&G expenses were allocated on **TOTPLT**, and General plant in service (**GENLPLT**).

8
9 **Q. What are the remaining operating expenses?**

10 A. The remaining operating expenses consist of depreciation expenses, taxes other than
11 income taxes, state income taxes and a detailed federal income tax calculation.

12
13 **Q. How were they allocated?**

14 A. Depreciation expenses were allocated on the basis of plant in service. Taxes Other Than
15 Income Taxes were allocated using the **TOTPLT**, **LABOR**, and **CLAIMREV** allocation
16 factors; PURTA taxes, capital stock, and real estate taxes were allocated on **TOTPLT**.
17 Payroll related taxes were allocated on the **LABOR** allocation factor and the PA and
18 local use tax was allocated on the **CLAIMREV** allocation factor. Federal income taxes
19 and state taxes were computed for each customer class based on the allocated expenses
20 previously discussed.

21
22 **Cost of Service Study Results**

1 **Q. Could you summarize the results of your cost study at present rates?**

2 A. The results of the test year ended June 30, 2020 cost of service study show that the rates
3 presently in effect generate somewhat different rates of return for each customer class.
4 Schedules GRP-2-G and GRP-3-G show that the Company's current rates produce
5 inequities between the customer classes as summarized in the following table:

Cost of Service Results – Present ROR

	<u>Schedule GRP-2-G</u>	
	<u>ROR (%)</u>	<u>ROR Index</u>
Total Company	5.06	1.00
Residential Space Heating	4.21	0.83
Residential Domestic	-0.28	-0.05
Residential Other	1.09	0.22
General Service Commercial	18.74	3.71
Commercial Space Heating	7.23	1.43

6 **Q. Has the Panel employed “tolerance bands” around the total system rate of return in**
7 **developing class revenue responsibilities?**

8 A. Yes. The proposed class revenue target responsibility has been measured with respect to
9 a ±10% tolerance band around the total system average rate of return. Classes would not
10 be considered “surplus” or “deficient” if the class COS rate of return falls within this
11 band.

12
13 **Q. Based on the application of a ±10% tolerance band around the calculated total**
14 **system rate of return of 5.06%, which classes are considered to be deficient and**
15 **which classes are surplus?**

- 1 A. The customer class ROR inequities shown in Schedules GRP-2-G and GRP-3-G indicate
2 that the Service Classification No. 2 General Service and Commercial customer classes
3 are surplus and are subsidizing the Service Classification No.1 Residential customer
4 classes which are deficient.
5

1 **RATE DESIGN**

2 **Q. How did you approach the task of rate design in this case?**

3 A. The class cost of service unbundled revenue requirement summary results at a proposed
4 revenue levels presented in Exhibit G-6, Schedule GRP-5-G, pages 3 and 4 which use a
5 future test period for the twelve months ended of June 30, 2021 provided the basis or
6 starting point for all of the proposed rate designs presented in Exhibit G-8.

7
8 **Q. Was there a logical progression in your efforts to perform the rate design?**

9 A. Our rate design efforts were performed in three discrete steps. First, we determined the
10 total costs incurred to serve each customer class using the June 30, 2021 future test year,
11 Exhibit G-7. Next, we examined the embedded cost of service study at the Company's
12 uniform ROR (equalized annual increase) and compared these results to the revenues
13 currently produced by each customer class, Exhibit G-6, Schedule GRP-3-G. Finally, we
14 developed the proposed (moderated) class revenue targets and rate designs utilizing these
15 results and adjusted present rate charges to all rates.

16

17 **Q. Could you briefly list the factors that you considered in arriving at your proposed**
18 **rate designs?**

19 A. The proposed rate year rate design and class revenue targets considered several very
20 important factors which we will list in the order that they were considered in my decision
21 process:

- 1 1. Existing Rate Structure
- 2 2. Present Rate of Returns & Index of Returns (Schedules GRP-2-G and GRP-3-G)
- 3 3. Cost of Service at a Uniform Target Rate of Return (Exhibit G-7 and GRP-3-G)
- 4 4. Use of unbundled costs results presented in Schedule GRP-5-G
- 5 5. Initial Target Class Revenue Increases using Rate Year Revenue Requirement

6

7 **Q. Have you prepared an unbundling cost study for Pike?**

8 A. Yes, we have. Exhibit G-6, Schedule GRP-5-G provides for the detailed results by major
9 cost categories that are presented in the Panel’s testimony. The most important aspect of
10 these unbundled results is with respect to the customer-related costs presented on
11 Schedule GRP-5-G, pages 3 and 4, at a uniform ROR level for each customer class.
12 These results indicate the proper level of customer-related costs that should be recovered
13 on a monthly basis and was used as a guide in establishing the proposed rate designs
14 presented in Exhibit G-8, pages 1 through 4. While it is important to recognize that the
15 delivery only revenue requirements are essentially fixed and invariant to throughput, the
16 overall goal representing customer impacts prevents establishing the total delivery
17 revenue requirement as a monthly fixed cost for each customer and requiring a continued
18 dependence on volumetric charges.

19

20 **Bill Impact Analysis**

21 **Q. Have you prepared an analysis of the impact of your proposed rates?**

1 A. Yes. This analysis is shown on pages 5 through 13 of Exhibit G-8. For each rate class,
2 we have shown the total charges under present and proposed rates for a variety of usage
3 levels for the Service Classification No. 1 (SC-1) and Service Classification No. 2 (SC-2)
4 as shown on page 6 of Exhibit G-8. This page shows that the total monthly bill,
5 including gas costs, for a SC-1 Residential Heating customer using 100 Ccf would
6 increase from \$115.29 to \$137.53, or an 19.3% increase. The proposed rates reflect an
7 overall increase of 19.7% increase for the SC-1 class and an overall 1.8% increase for the
8 SC-2 class as shown on Exhibit G-8, page 12.

9

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does. We reserve the right to update or amend this testimony.

Schedule GRP-1-G

Qualifications
of
Paul M. Normand
and
Debbie L. Gajewski

1 **Qualification of Paul M. Normand**

2 **Q. Mr. Normand, what is your present position?**

3 A. I am a principal in the consulting firm of Management Applications Consulting, Inc.
4 (MAC). This Company provides consulting services to the utility industry in such fields
5 as loss studies, econometric studies, cost analyses, rate design, expert testimony, and
6 regulatory assistance. The Company is located in Reading, Pennsylvania.

7 **Q. What is your educational background?**

8 A. I graduated from Northeastern University in 1975, with a Bachelor of Science Degree and
9 a Master of Science Degree in Electrical Engineering-Power System Analysis. I have
10 attended various conferences and meetings concerning engineering and cost analysis.

11 **Q. What is your professional background?**

12 A. I was employed by the Massachusetts Electric Company in the Distribution Engineering
13 Department while attending Northeastern University. My principal areas of assignment
14 included new service, voltage conversions, and system planning. Upon graduation from
15 Northeastern University, I joined Westinghouse Electric Corporation Nuclear Division in
16 Pittsburgh, Pennsylvania. In that position, I assisted in the procurement and economic
17 analysis of electrical/electronic control equipment for the nuclear reactor system.

18 In 1976, I joined Gilbert Associates as an Engineer providing consulting services in the
19 rate and regulatory area to utility companies. I was promoted to Senior Engineer in 1977,
20 Manager of the Austin office 1980, and Director of Rate Regulatory Service in 1981.

21 In June, 1983, I left Gilbert to form a separate consulting firm and I am now a
22 principal and President of Management Applications Consulting, Inc. My principal areas
23 of concentration have been in loss studies, economic analyses, and pricing.

1 **Q. Have you testified in support of any cost studies that you participated in or**
2 **performed?**

3 A. Yes, I have testified about such studies before the following regulatory agencies: the
4 Maine Public Utility Commission, the Public Utility Commission of Texas, Illinois
5 Commerce Commission, New Hampshire Public Utilities Commission, New Jersey
6 Board of Public Utilities, New York Public Service Commission, Pennsylvania Public
7 Utility Commission, the Massachusetts Department of Public Utilities, the Kentucky
8 Public Service Commission, the Arkansas Public Service Commission, the Public Service
9 Commission of Louisiana, the Public Utilities Commission of Ohio, the Public Service
10 Commission of Missouri, the Delaware Public Service Commission, the Maryland Public
11 Service Commission, the Indiana Utility Regulatory Commission, the North Carolina
12 Utilities Commission and the Federal Energy Regulatory Commission.

13 **Q. Could you please briefly discuss your technical experience?**

14 A. I have performed numerous embedded and marginal cost of service studies, time
15 differentiated bundled and fully unbundled cost studies for both electric and gas utilities
16 since 1980. I have also used such studies in the design and presentation of detailed rate
17 proposals before regulatory agencies.

18 My additional experience has been in the area of unaccounted for loss evaluations for
19 electric and gas utilities for over thirty years. These studies include a detailed review of
20 each system and the calculation of appropriate recovery factors.

21

1 **Qualifications of Debbie L. Gajewski**
2

3 **Q. Ms. Gajewski, what is your present position?**

4 A. I am a Managing Consultant in the consulting firm of Management Applications
5 Consulting, Inc. ("MAC"), 1103 Rocky Drive – Suite 201, Reading, Pennsylvania 19609.
6 This Company provides consulting services to the utility industries provide services in
7 the fields of utility rate and regulatory analysis.
8

9 **Q. What is your educational background?**

10 A. I received a Bachelor of Science degree in Business Administration from Albright
11 College in 1983. I was enrolled in the Ashford University M.B.A. program in 2009 and
12 completed one year.
13

14 **Q. What is your professional background?**

15 A. I began as a technical assistant in the Cost and Load Analysis Department of Gilbert
16 Associates in 1980. I was promoted to the position of Management Consultant in 1982. I
17 joined Management Applications Consulting in 1985 as a Consultant and I became a
18 Managing Consultant in 1997. During this time I have been involved with the
19 preparation and presentation of embedded and marginal cost of service studies for both
20 gas and electric utilities.
21

22 I have reviewed cost of service and revenue requirement data for over 100 applications
23 on behalf of both investor owned and municipal utilities. In addition to cost of service
24 studies, I have performed rate tariff and pricing, econometric and forecasting analyses,
25 allocation factor development, and other gas and energy related matters. My experience
26 includes gathering, processing, and analyzing engineering, operating, and accounting data
27 necessary for these studies as well as cost of service model development and training.
28

29 **Q. Have you presented testimony in support of any cost studies that you participated in
30 or performed?**

- 1 A. Yes, I have presented testimony about these studies before the following regulatory
2 agencies: Massachusetts Department of Public Utilities, Maine Public Utilities
3 Commission, Public Service Commission of Maryland, and the Railroad Commission of
4 Texas.

Pike Gas Exhibit G-6

PIKE COUNTY LIGHT & POWER COMPANY

LIST OF EXHIBITS

EXHIBIT G-6 Gas Embedded Cost of Service

Exhibit G-6 Schedules

Description

GRP-1-G	Qualifications of the Gas Rate Panel
GRP-2-G	Gas Embedded Cost of Service Summary Results – Existing Rate of Return, Based on 12 Months Ended 06/30/2020 (Exhibit G-6, Summary)
GRP-3-G	Summary of Gas Revenue Requirements at Existing Rate of Return, Equalized Rate of Return, and at Proposed Revenue Levels.
GRP-4-G	Gas Embedded Cost of Service Detailed Results Based on 12 Months Ended 06/30/2020 (Exhibit G-6, Detail)
GRP-5-G	Gas Embedded Class Cost of Service – Unbundled Summary of Results – Existing Rate of Return, Based on 12 Months Ended 06/30/2020 – Proposed Equalized ROR, Based on 12 Months Ended 6/30/2021
GRP-6-G	Description of Gas Allocation Factors

EXHIBIT G-7 Gas Embedded Cost of Service Summary Results
– Proposed at Equalized ROR, Based on 12 Months Ended 06/30/2021

EXHIBIT G-8 Gas Rate Design and Bill Impact Analysis



Schedule GRP-1-G

Qualifications
of
Paul M. Normand
and
Debbie L. Gajewski



1 **Qualification of Paul M. Normand**

2 **Q. Mr. Normand, what is your present position?**

3 A. I am a principal in the consulting firm of Management Applications Consulting, Inc.
4 (MAC). This Company provides consulting services to the utility industry in such fields
5 as loss studies, econometric studies, cost analyses, rate design, expert testimony, and
6 regulatory assistance. The Company is located in Reading, Pennsylvania.

7 **Q. What is your educational background?**

8 A. I graduated from Northeastern University in 1975, with a Bachelor of Science Degree and
9 a Master of Science Degree in Electrical Engineering-Power System Analysis. I have
10 attended various conferences and meetings concerning engineering and cost analysis.

11 **Q. What is your professional background?**

12 A. I was employed by the Massachusetts Electric Company in the Distribution Engineering
13 Department while attending Northeastern University. My principal areas of assignment
14 included new service, voltage conversions, and system planning. Upon graduation from
15 Northeastern University, I joined Westinghouse Electric Corporation Nuclear Division in
16 Pittsburgh, Pennsylvania. In that position, I assisted in the procurement and economic
17 analysis of electrical/electronic control equipment for the nuclear reactor system.

18 In 1976, I joined Gilbert Associates as an Engineer providing consulting services in the
19 rate and regulatory area to utility companies. I was promoted to Senior Engineer in 1977,
20 Manager of the Austin office 1980, and Director of Rate Regulatory Service in 1981.

21 In June, 1983, I left Gilbert to form a separate consulting firm and I am now a
22 principal and President of Management Applications Consulting, Inc. My principal areas
23 of concentration have been in loss studies, economic analyses, and pricing.



1 **Q. Have you testified in support of any cost studies that you participated in or**
2 **performed?**

3 A. Yes, I have testified about such studies before the following regulatory agencies: the
4 Maine Public Utility Commission, the Public Utility Commission of Texas, Illinois
5 Commerce Commission, New Hampshire Public Utilities Commission, New Jersey
6 Board of Public Utilities, New York Public Service Commission, Pennsylvania Public
7 Utility Commission, the Massachusetts Department of Public Utilities, the Kentucky
8 Public Service Commission, the Arkansas Public Service Commission, the Public Service
9 Commission of Louisiana, the Public Utilities Commission of Ohio, the Public Service
10 Commission of Missouri, the Delaware Public Service Commission, the Maryland Public
11 Service Commission, the Indiana Utility Regulatory Commission, the North Carolina
12 Utilities Commission and the Federal Energy Regulatory Commission.

13 **Q. Could you please briefly discuss your technical experience?**

14 A. I have performed numerous embedded and marginal cost of service studies, time
15 differentiated bundled and fully unbundled cost studies for both electric and gas utilities
16 since 1980. I have also used such studies in the design and presentation of detailed rate
17 proposals before regulatory agencies.

18 My additional experience has been in the area of unaccounted for loss evaluations for
19 electric and gas utilities for over thirty years. These studies include a detailed review of
20 each system and the calculation of appropriate recovery factors.

21



1 **Qualifications of Debbie L. Gajewski**
2

3 **Q. Ms. Gajewski, what is your present position?**

4 A. I am a Managing Consultant in the consulting firm of Management Applications Consulting,
5 Inc. ("MAC"), 1103 Rocky Drive – Suite 201, Reading, Pennsylvania 19609. This Company
6 provides consulting services to the utility industries provide services in the fields of utility
7 rate and regulatory analysis.
8

9 **Q. What is your educational background?**

10 A. I received a Bachelor of Science degree in Business Administration from Albright College in
11 1983. I was enrolled in the Ashford University M.B.A. program in 2009 and completed one
12 year.
13

14 **Q. What is your professional background?**

15 A. I began as a technical assistant in the Cost and Load Analysis Department of Gilbert
16 Associates in 1980. I was promoted to the position of Management Consultant in 1982. I
17 joined Management Applications Consulting in 1985 as a Consultant and I became a
18 Managing Consultant in 1997. During this time I have been involved with the preparation
19 and presentation of embedded and marginal cost of service studies for both gas and electric
20 utilities.
21

22 I have reviewed cost of service and revenue requirement data for over 100 applications on
23 behalf of both investor owned and municipal utilities. In addition to cost of service studies, I
24 have performed rate tariff and pricing, econometric and forecasting analyses, allocation
25 factor development, and other gas and energy related matters. My experience includes
26 gathering, processing, and analyzing engineering, operating, and accounting data necessary
27 for these studies as well as cost of service model development and training.
28

29 **Q. Have you presented testimony in support of any cost studies that you participated in or**
30 **performed?**



- 1 A. Yes, I have presented testimony about these studies before the following regulatory agencies:
2 Massachusetts Department of Public Utilities, Maine Public Utilities Commission, Public
3 Service Commission of Maryland, and the Railroad Commission of Texas.



Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
SUM	1	SUMMARY AT PRESENT RATES									
SUM	2										
SUM	3	DEVELOPMENT OF RETURN									
SUM	4										
SUM	5	OPERATING REVENUE									
SUM	6	Sales of Gas Revenue - Base	SCH REV, LN 4	714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
SUM	7	Other Operating Revenue	SCH REV, LN 12	2,500	1,987	513	1,951	27	9	123	390
SUM	8	TOTAL OPERATING REVENUE		717,251	589,382	127,868	569,077	17,776	2,529	64,834	63,035
SUM	9										
SUM	10	OPERATING EXPENSES									
SUM	11	Operation and Maintenance Expense	SCH EOM, LN 85	420,632	372,559	48,073	354,859	15,744	1,956	16,701	31,372
SUM	12	Depreciation and Amortization Expense	SCH EDA, LN 22	91,309	78,850	12,458	75,300	3,114	436	4,782	7,676
SUM	13	Taxes Other Than Income Taxes	SCH TXO, LN 10	10,227	9,002	1,225	8,577	372	52	436	789
SUM	14	State and Federal Income Taxes	SCH TXI, LN 44	34,526	18,320	16,206	19,558	(1,159)	(79)	11,236	4,969
SUM	15	TOTAL OPERATING EXPENSES		556,693	478,731	77,962	458,294	18,072	2,366	33,155	44,806
SUM	16										
SUM	17	OPERATING INCOME (RETURN)		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228
SUM	18										
SUM	19	DEVELOPMENT OF RATE BASE									
SUM	20	Gas Utility Plant in Service	SCH RBP, LN 40	3,398,667	2,948,816	449,850	2,818,653	114,207	15,956	179,825	270,026
SUM	21	Less: Utility Accumulated Depreciation	SCH RBD, LN 23	274,814	238,408	36,406	227,526	9,545	1,337	13,698	22,709
SUM	22	Plus: Rate Base Additions	SCH RBO, LN 11	200,616	174,960	25,656	167,040	6,946	974	9,877	15,779
SUM	23	Less: Rate Base Deductions	SCH RBO, LN 21	148,815	130,771	18,044	125,972	4,211	588	6,948	11,096
SUM	24	TOTAL RATE BASE	SCH RBO, LN 23	3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
SUM	25										
SUM	26	RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
SUM	27	INDEX RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		1.00	0.79	2.34	0.83	-0.05	0.22	3.71	1.43
SUM	28										
SUM	29										
SUM	30										
SUM	31										
SUM	32										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RRW	1	DISTRIBUTION REVENUE REQUIREMENTS									
RRW	2										
RRW	3	PRESENT RATE OF RETURN (EXISTING RATES)									
RRW	4	-----									
RRW	5	Rate Base		3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
RRW	6	Net Operating Income (Present Rates)		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228
RRW	7	Rate of Return @ Present Rates		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
RRW	8	Relative Rate of Return		1.00	0.79	2.34	0.83	-0.05	0.22	3.71	1.43
RRW	9	Sales Revenue at Present Rates		714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
RRW	10	Revenue Present Rates \$/Ccf		\$491.6764	\$534.9214	\$358.1368	\$533.1397	\$590.4222	\$587.8409	\$334.6940	\$386.0701
RRW	11	Revenue Required - \$/Month/Customer		\$47,615.12	\$41,914.91	\$127,738.14	\$42,577.05	\$29,096.50	\$30,004.53	\$200,964.96	\$92,806.24
RRW	12										
RRW	13										
RRW	14	CLAIMED RATE OF RETURN									
RRW	15	-----									
RRW	16	Claimed Rate of Return		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
RRW	17	Return Required for Claimed Rate of Return		287,990	249,832	38,157	238,741	9,731	1,360	15,299	22,858
RRW	18	Sales Revenue Required @ Claimed ROR		1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615
RRW	19	Sales Revenue Deficiency		296,571	299,355	(2,784)	277,158	18,851	3,346	(20,755)	17,971
RRW	20	Percent Increase Required		41.49%	50.96%	-2.19%	48.87%	106.21%	132.75%	-32.07%	28.69%
RRW	21	Annual Booked Throughput Sales (Ccf)		1,453,701	1,098,097	355,604	1,063,748	30,061	4,288	193,343	162,261
RRW	22	Sales Revenue Required \$/Ccf		\$695.6871	\$807.5338	\$350.3073	\$793.6879	\$1,217.5164	\$1,368.1994	\$227.3441	\$496.8245
RRW	23	Sales Revenue Deficiency \$/Ccf		\$204.0107	\$272.6124	(\$7.8295)	\$260.5483	\$627.0943	\$780.3585	(\$107.3499)	\$110.7544
RRW	24										
RRW	25										
RRW	26	PROPOSED RATE OF RETURN									
RRW	27	-----									
RRW	28	Rate Base at Future Test Year 06/30/2021		4,061,954	3,523,764	538,190	3,367,327	137,258	19,179	215,792	322,398
RRW	29	Proposed Base Gas Sales Revenues		1,011,297	871,148	140,150	841,258	26,169	3,720	70,288	69,862
RRW	30	Base Sales Revenue Deficiency		296,547	283,752	12,795	274,132	8,421	1,200	5,577	7,217
RRW	31	Return Required for Proposed Revenue		287,976	240,911	47,066	237,011	3,767	133	30,357	16,709
RRW	32	Percent Increase Required at Proposed Rates		41.49%	48.31%	10.05%	48.34%	47.44%	47.60%	8.62%	11.52%
RRW	33	Proposed Rate of Return		7.09%	6.84%	8.75%	7.04%	2.74%	0.69%	14.07%	5.18%
RRW	34	Relative Rate of Return		1.00	0.96	1.23	0.99	0.39	0.10	1.98	0.73
RRW	35										
RRW	36										
RRW	37										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
SUM	1	SUMMARY AT PRESENT RATES									
SUM	2										
SUM	3	DEVELOPMENT OF RETURN									
SUM	4										
SUM	5	OPERATING REVENUE									
SUM	6	Sales of Gas Revenue - Base	SCH REV, LN 4	714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
SUM	7	Other Operating Revenue	SCH REV, LN 12	2,500	1,987	513	1,951	27	9	123	390
SUM	8	TOTAL OPERATING REVENUE		717,251	589,382	127,868	569,077	17,776	2,529	64,834	63,035
SUM	9										
SUM	10	OPERATING EXPENSES									
SUM	11	Operation and Maintenance Expense	SCH EOM, LN 85	420,632	372,559	48,073	354,859	15,744	1,956	16,701	31,372
SUM	12	Depreciation and Amortization Expense	SCH EDA, LN 22	91,309	78,850	12,458	75,300	3,114	436	4,782	7,676
SUM	13	Taxes Other Than Income Taxes	SCH TXO, LN 10	10,227	9,002	1,225	8,577	372	52	436	789
SUM	14	State and Federal Income Taxes	SCH TXI, LN 44	34,526	18,320	16,206	19,558	(1,159)	(79)	11,236	4,969
SUM	15	TOTAL OPERATING EXPENSES		556,693	478,731	77,962	458,294	18,072	2,366	33,155	44,806
SUM	16										
SUM	17	OPERATING INCOME (RETURN)		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228
SUM	18										
SUM	19	DEVELOPMENT OF RATE BASE									
SUM	20	Gas Utility Plant in Service	SCH RBP, LN 40	3,398,667	2,948,816	449,850	2,818,653	114,207	15,956	179,825	270,026
SUM	21	Less: Utility Accumulated Depreciation	SCH RBD, LN 23	274,814	238,408	36,406	227,526	9,545	1,337	13,698	22,709
SUM	22	Plus: Rate Base Additions	SCH RBO, LN 11	200,616	174,960	25,656	167,040	6,946	974	9,877	15,779
SUM	23	Less: Rate Base Deductions	SCH RBO, LN 21	148,815	130,771	18,044	125,972	4,211	588	6,948	11,096
SUM	24	TOTAL RATE BASE	SCH RBO, LN 23	3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
SUM	25										
SUM	26	RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
SUM	27	INDEX RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		1.00	0.79	2.34	0.83	-0.05	0.22	3.71	1.43
SUM	28										
SUM	29										
SUM	30										
SUM	31										
SUM	32										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)	
SUM	1	HISTORICAL AND FUTURE YEAR DIFFERENCE ADJUSTMENTS:										
SUM	2	(For Future Test Year 12 Months Ended June 30 2021)										
SUM	3											
SUM	4	OPERATING INCOME (RETURN) @ PRESENT RATES		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228	
SUM	5	LESS Historical and Future Year Differences:										
SUM	6	Retail Sales Revenue	CLAIMREV	35,700	31,303	4,397	29,804	1,292	207	1,552	2,846	
SUM	7	487-Late Payment Charges	REV_487	300	238	62	234	3	1	15	47	
SUM	8	PLUS Historical and Future Year Differences:										
SUM	9	O&M Expense - Labor Related	LABOR	34,900	30,940	3,960	29,434	1,320	186	1,308	2,652	
SUM	10	O&M Expense - 904-Uncollectible Accounts	EXP_904	39,000	34,137	4,863	31,483	1,688	965	0	4,863	
SUM	11	O&M Expense - 928-Regulatory Commission	CLAIMREV	5,600	4,910	690	4,675	203	32	243	446	
SUM	12	Depreciation Expense	TOTPLT	33,700	29,239	4,461	27,949	1,132	158	1,783	2,677	
SUM	13	TOIT - Base Payroll Taxes	LABOR	9,015	7,992	1,023	7,604	341	48	338	685	
SUM	14	TOIT - PA Property Tax	TOTPLT	11	10	1	9	0	0	1	1	
SUM	15	State and Federal Income Taxes	CLAIMREV	(31,000)	(27,182)	(3,818)	(25,880)	(1,122)	(180)	(1,347)	(2,471)	
SUM	16	OPERATING INCOME @ PRESENT RATES WITH DIFFERENCES		105,331	62,145	43,186	65,546	(2,563)	(838)	30,919	12,267	
SUM	17											
SUM	18	RATE BASE		SCH SUM, LN 24	3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
SUM	19	Historical and Future Year Difference Adjustments:										
SUM	20	Gas Utility Plant & Reserves Adjustments	TOTPLT	899,800	780,702	119,098	746,241	30,237	4,224	47,609	71,490	
SUM	21	Additions:										
SUM	22	Cash Working Capital	OMXPP	13,500	11,953	1,547	11,373	508	71	519	1,029	
SUM	23	Materials and Supplies	TOTPLT	6,700	5,813	887	5,557	225	31	354	532	
SUM	24	Deferred Debits (Net of Tax)	TOTPLT	16,000	13,882	2,118	13,269	538	75	847	1,271	
SUM	25	Deductions:										
SUM	26	Customer Deposits	CUSTDEP	700	669	31	669	0	0	0	31	
SUM	27	Deferred Income Taxes and Credits	TOTPLT	49,000	42,514	6,486	40,638	1,647	230	2,593	3,893	
SUM	28	RATE BASE WITH ADJUSTMENTS		4,061,954	3,523,764	538,190	3,367,327	137,258	19,179	215,792	322,398	
SUM	29											
SUM	30	EQUALIZED RETURN AT PROPOSED ROR OF 7.09%										
SUM	31	DEVELOPMENT OF RETURN (RATE BASE * 7.09% ROR)		287,990	249,832	38,157	238,741	9,731	1,360	15,299	22,858	
SUM	32	PLUS OPERATING EXPENSES										
SUM	33	Operation and Maintenance Expense		504,123	446,647	57,477	424,236	19,223	3,188	17,911	39,565	
SUM	34	Depreciation and Amortization Expense		125,009	108,090	16,919	103,249	4,247	594	6,566	10,353	
SUM	35	Taxes Other Than Income Taxes		19,253	17,004	2,249	16,190	714	100	774	1,475	
SUM	36	State and Federal Income Taxes		77,746	67,402	10,344	64,053	2,715	635	3,542	6,802	
SUM	37	TOTAL OPERATING EXPENSES		726,131	639,143	86,988	607,728	26,899	4,516	28,794	58,195	
SUM	38											
SUM	39	EQUALS TOTAL COST OF SERVICE		1,014,121	888,975	125,146	846,469	36,630	5,876	44,093	81,053	
SUM	40											
SUM	41	LESS: Other Operating Revenues		2,800	2,225	575	2,185	30	10	138	437	
SUM	42	BASE RATE SALES @ EQUALIZED ROR 7.09%		1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615	
SUM	43	BASE RATE SALES REVENUE INCREASE		296,571	299,355	(2,784)	277,158	18,851	3,346	(20,755)	17,971	
SUM	44											
SUM	45											
SUM	46											
SUM	47											
SUM	48											
SUM	49											
SUM	50											

Pike County Light & Power Company
 Gas Class Cost of Service Study
 12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBP	1	DEVELOPMENT OF RATE BASE									
RBP	2										
RBP	3	GAS PLANT IN SERVICE									
RBP	4	INTANGIBLE PLANT									
RBP	5	301-Organization	TOTPLT	0	0	0	0	0	0	0	0
RBP	6	303-Miscellaneous Intangible Plant	TOTPLT	0	0	0	0	0	0	0	0
RBP	7	TOTAL INTANGIBLE PLANT									
RBP	8										
RBP	9	DISTRIBUTION PLANT									
RBP	10	374-Land & Land Rights	DDIST	715	566	149	549	15	2	73	75
RBP	11	375-Structures & Improvements	DDIST	0	0	0	0	0	0	0	0
RBP	12	376-Mains									
RBP	13	Demand	DDIST	826,796	654,969	171,827	635,198	17,417	2,354	84,987	86,840
RBP	14	Customer	CUSTDIST	967,907	903,323	64,583	859,032	38,828	5,463	20,877	43,706
RBP	15	Total Account 376									
RBP	16	378-Measuring & Regulating Station Equip-Gen	DDIST	1,794,703	1,558,292	236,411	1,494,230	56,245	7,818	105,864	130,546
RBP	17	380-Services	CUSTSERV	101,978	80,785	21,193	78,346	2,148	290	10,482	10,711
RBP	18	381-Meters	CUSTMET	753,794	658,312	95,482	626,034	28,297	3,981	30,866	64,616
RBP	19	382-Meter Installations	CUSTMETIN	69,921	49,649	20,273	47,214	2,134	300	6,553	13,719
RBP	20	384-House Regulator Installations	CUSTREGUL	212,246	189,084	23,162	179,813	8,128	1,144	7,487	15,675
RBP	21	385-Industrial Regulators	CUSTREGUL	9,180	8,487	693	8,071	365	51	224	469
RBP	22	TOTAL DISTRIBUTION PLANT									
RBP	23										
RBP	24	GENERAL PLANT									
RBP	25	389-Land and Land Rights	LABOR	0	0	0	0	0	0	0	0
RBP	26	390-Structures and Improvements	LABOR	0	0	0	0	0	0	0	0
RBP	27	391-Office Furniture & Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	28	393-Store Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	29	394-Tools, Shop & Garage Equip.	LABOR	26,914	23,860	3,054	22,699	1,018	143	1,009	2,045
RBP	30	395-Laboratory Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	31	397-Communication Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	32	398-Miscellaneous Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	33	TOTAL GENERAL PLANT									
RBP	34										
RBP	35	TOTAL GAS PLANT IN SERVICE									
RBP	36										
RBP	37	COMMON PLANT IN SERVICE (Allocated)	LABOR	293,575	260,263	33,312	247,599	11,103	1,561	11,006	22,306
RBP	38	CWIP not taking interest	TOTPLT	103,431	89,741	13,690	85,780	3,476	486	5,473	8,218
RBP	39										
RBP	40	TOTAL GAS UTILITY PLANT									
RBP	41										
RBP	42										
RBP	43										
RBP	44										
RBP	45										
RBP	46										
RBP	47										
RBP	48										
RBP	49										
RBP	50										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBD	1	LESS: ACCUMULATED DEPRECIATION									
RBD	2										
RBD	3	INTANGIBLE PLANT ACCUM DEPRECIATION	INTPLT	0	0	0	0	0	0	0	0
RBD	4										
RBD	5	DISTRIBUTION PLANT ACCUMULATED DEPRECIATION									
RBD	6	374-Land Rights	PLT_374	42	34	9	33	1	0	4	4
RBD	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
RBD	8	376-Mains	PLT_376	86,820	75,384	11,437	72,285	2,721	378	5,121	6,315
RBD	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	11,525	9,130	2,395	8,855	243	33	1,185	1,211
RBD	10	380-Services	PLT_380	40,015	34,947	5,069	33,233	1,502	211	1,639	3,430
RBD	11	381-Meters	PLT_381	12,494	8,871	3,622	8,436	381	54	1,171	2,451
RBD	12	382-Meter Installations	PLT_382	5,199	4,631	567	4,404	199	28	183	384
RBD	13	384-House Regulator Installations	PLT_384	781	722	59	687	31	4	19	40
RBD	14	385-Industrial Regulators	PLT_385	3,531	3,264	267	3,104	140	20	86	180
RBD	15	TOTAL DISTRIBUTION PLANT ACCUMULATED DEPRECIATION		160,408	136,983	23,424	131,037	5,218	728	9,408	14,016
RBD	16										
RBD	17	GENERAL PLANT ACCUMULATED DEPREC	GENLPLT	6,603	5,854	749	5,569	250	35	248	502
RBD	18										
RBD	19	TOTAL ACCUMULATED DEPRECIATION OF GAS PLANT		167,011	142,837	24,174	136,606	5,468	763	9,656	14,518
RBD	20										
RBD	21	COMMON PLANT ACCUM DEPRECIATION	COMPLT	107,803	95,570	12,232	90,920	4,077	573	4,042	8,191
RBD	22										
RBD	23	TOTAL UTILITY PLANT RESERVES		274,814	238,408	36,406	227,526	9,545	1,337	13,698	22,709
RBD	24										
RBD	25										
RBD	26	NET GAS PLANT IN SERVICE		3,123,853	2,710,409	413,444	2,591,127	104,662	14,620	166,127	247,317
RBD	27										
RBD	28										
RBD	29										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBO	1	ADDITIONS AND DEDUCTIONS TO RATE BASE									
RBO	2										
RBO	3	PLUS: ADDITIONS TO RATE BASE									
RBO	4										
RBO	5	WORKING CAPITAL									
RBO	6	Cash Working Capital	OMXPP	49,200	43,561	5,639	41,449	1,851	261	1,891	3,749
RBO	7	Materials and Supplies	TOTPLT	147,200	127,716	19,484	122,079	4,946	691	7,788	11,695
RBO	8	Prepayments - PA PUC Assessment	CLAIMREV	2,704	2,371	333	2,257	98	16	118	216
RBO	9	Prepayments - Property Tax and Insurance	TOTPLT	1,512	1,312	200	1,254	51	7	80	120
RBO	10	TOTAL WORKING CAPITAL		200,616	174,960	25,656	167,040	6,946	974	9,877	15,779
RBO	11	TOTAL ADDITIONS TO RATE BASE		200,616	174,960	25,656	167,040	6,946	974	9,877	15,779
RBO	12										
RBO	13										
RBO	14	LESS: DEDUCTIONS TO RATE BASE									
RBO	15	Customer Deposits	CUSTDEP	21,700	20,753	947	20,753	0	0	0	947
RBO	16	Deferred Credits (Net of Tax)	TOTPLT	(20,300)	(17,613)	(2,687)	(16,836)	(682)	(95)	(1,074)	(1,613)
RBO	17	Deferred Income Taxes and Credits									
RBO	18	Plant	DGPLT	147,415	127,631	19,784	122,055	4,893	683	8,022	11,762
RBO	19	Common Plant	COMPLT	0	0	0	0	0	0	0	0
RBO	20	Total Deferred Income Taxes and Credits		147,415	127,631	19,784	122,055	4,893	683	8,022	11,762
RBO	21	TOTAL DEDUCTIONS TO RATE BASE		148,815	130,771	18,044	125,972	4,211	588	6,948	11,096
RBO	22										
RBO	23	TOTAL RATE BASE		3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
RBO	24										
RBO	25										
RBO	26										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
REV	1	OPERATING REVENUES									
REV	2										
REV	3	SALES REVENUES									
REV	4	Sales of Gas Revenues - Base		714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
REV	5	Sales Revenues - Purchased Gas-PGC	EGAS	0	0	0	0	0	0	0	0
REV	6	TOTAL SALES OF GAS		714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
REV	7										
REV	8	OTHER OPERATING REVENUES									
REV	9	487-Late Payments Charges	REV_487	2,500	1,987	513	1,951	27	9	123	390
REV	10	488-Miscellaneous Service Revenues	TOTPLT	0	0	0	0	0	0	0	0
REV	11	494-Other Gas Revenue (Adjustment)	TOTPLT	0	0	0	0	0	0	0	0
REV	12	TOTAL OTHER OPERATING REV		2,500	1,987	513	1,951	27	9	123	390
REV	13										
REV	14	TOTAL OPERATING REVENUES		717,251	589,382	127,868	569,077	17,776	2,529	64,834	63,035
REV	15										
REV	16										
REV	17										
REV	18										
REV	19										
REV	20										
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Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EOM	1	OPERATION & MAINTENANCE EXPENSE									
EOM	2	PRODUCTION EXPENSE									
EOM	3	Other Gas Supply Expense									
EOM	4	Operation									
EOM	5	804-Natural Gas Purchases-PGC	EGAS	0	0	0	0	0	0	0	0
EOM	6	805-Other Natural Gas Purchases	ETHRUPUT	0	0	0	0	0	0	0	0
EOM	7	807-Purchased Gas Expenses	ETHRUPUT	0	0	0	0	0	0	0	0
EOM	8	808.1 Gas withdrawn from storage—Debt.	ETHRUPUT	0	0	0	0	0	0	0	0
EOM	9	Total Other Gas Supply Expense									
EOM	10	TOTAL PRODUCTION EXPENSE									
EOM	11										
EOM	12	DISTRIBUTION EXPENSES									
EOM	13	Operation									
EOM	14	870-Operation Supervision and Engineering	LABORDO	4,699	4,087	612	3,909	156	22	252	360
EOM	15	874-Mains and Services Expenses	PLT_376380	964	839	126	802	32	4	52	74
EOM	16	875-Measuring & Reg. Station Exp.	PLT_378	0	0	0	0	0	0	0	0
EOM	17	878-Meter & House Regulator Expenses	PLT_3815	0	0	0	0	0	0	0	0
EOM	18	880-Other Expenses	DISTPLT	0	0	0	0	0	0	0	0
EOM	19	Total Distribution Operation									
EOM	20	Maintenance									
EOM	21	887-Maintenance of Mains	PLT_376	6,347	5,511	836	5,284	199	28	374	462
EOM	22	889-Maint. of Measuring & Reg. Station Equip.-Ger	PLT_378	0	0	0	0	0	0	0	0
EOM	23	892-Maintenance of Services	PLT_380	103,088	90,030	13,058	85,616	3,870	544	4,221	8,837
EOM	24	893-Maint. of Meters & House Regulators	PLT_3815	0	0	0	0	0	0	0	0
EOM	25	894-Maintenance of Other Equipment	DISTPLT	0	0	0	0	0	0	0	0
EOM	26	Total Distribution Maintenance									
EOM	27	TOTAL DISTRIBUTION PLANT O&M EXPENSES									
EOM	28										
EOM	29										
EOM	30										
EOM	31										
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Pike County Light & Power Company
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12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EOM	51	OPERATION & MAINTENANCE EXPENSE	EXP_904								
EOM	52										
EOM	53	CUSTOMER ACCOUNTS EXPENSES									
EOM	54	902-Meter Reading	CUSTMTRDG	44,200	40,364	3,836	38,385	1,735	244	1,240	2,596
EOM	55	903-Customer Records and Collection Expense	CUSTREC	5,800	5,415	385	5,146	236	32	124	261
EOM	56	904-Uncollectible Accounts	EXP_904	(13,950)	(12,211)	(1,740)	(11,261)	(604)	(345)	0	(1,740)
EOM	57	TOTAL CUSTOMER ACCTS EXPENSE		36,050	33,568	2,482	32,270	1,367	(69)	1,365	1,117
EOM	58										
EOM	59	CUSTOMER SERVICE & SALES EXPENSES									
EOM	60	908-Customer Assistance	CUSTASST	141	119	22	114	4	1	11	11
EOM	61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0
EOM	62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0
EOM	63	912-Demonstrating and Selling Expenses	CUSTSALES	0	0	0	0	0	0	0	0
EOM	64	916 Miscellaneous Sales Expenses	CUSTSALES	5,788	4,892	896	4,691	176	25	444	451
EOM	65	TOTAL CUSTOMER SERVICE & SALES EXP		5,929	5,012	917	4,806	180	25	455	462
EOM	66										
EOM	67	TOTAL OPER & MAINT EXCL A&G		157,077	139,046	18,031	132,687	5,804	555	6,719	11,312
EOM	68										
EOM	69										
EOM	70	ADMINISTRATIVE & GENERAL EXPENSE									
EOM	71	920-Administrative Salaries	LABOR	69,049	61,214	7,835	58,236	2,611	367	2,589	5,246
EOM	72	921-Office Supplies & Expense	LABOR	53,070	47,048	6,022	44,759	2,007	282	1,990	4,032
EOM	73	922-Administrative Expenses Transferred - Credit	LABOR	51	45	6	43	2	0	2	4
EOM	74	923-Outside Service Employed	LABOR	55,136	48,879	6,256	46,501	2,085	293	2,067	4,189
EOM	75	924-Property Insurance	TOTPLT	4,416	3,831	584	3,662	148	21	234	351
EOM	76	925-Injuries and Damages	LABOR	3,309	2,934	376	2,791	125	18	124	251
EOM	77	926-Employee Pensions & Benefits	LABOR	68,915	61,095	7,820	58,122	2,606	366	2,584	5,236
EOM	78	928-Regulatory Commission	CLAIMREV	5,480	4,805	675	4,575	198	32	238	437
EOM	79	930.2-Miscellaneous General	LABOR	663	588	75	559	25	4	25	50
EOM	80	932-Maintenance of General Plant	GENLPLT	3,466	3,073	393	2,923	131	18	130	263
EOM	81	TOTAL A&G EXPENSE		263,555	233,513	30,042	222,171	9,940	1,401	9,982	20,061
EOM	82										
EOM	83	TOTAL OPERATION & MAINTENANCE EXPENSES		420,632	372,559	48,073	354,859	15,744	1,956	16,701	31,372
EOM	84										
EOM	85	TOTAL O&M EXPENSES		420,632	372,559	48,073	354,859	15,744	1,956	16,701	31,372
EOM	86										
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Pike County Light & Power Company
Gas Class Cost of Service Study
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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EDA	1	DEPRECIATION & AMORTIZATION EXPENSE									
EDA	2										
EDA	3	INTANGIBLE PLANT EXPENSE	INTPLT	0	0	0	0	0	0	0	0
EDA	4										
EDA	5	DISTRIBUTION PLANT EXPENSE									
EDA	6	374-Land Rights	PLT_374	4,580	3,628	952	3,519	96	13	471	481
EDA	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
EDA	8	376-Mains	PLT_376	23,305	20,235	3,070	19,403	730	102	1,375	1,695
EDA	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	4,804	3,806	998	3,691	101	14	494	505
EDA	10	380-Services	PLT_380	9,403	8,212	1,191	7,810	353	50	385	806
EDA	11	381-Meters	CUSTMET	3,969	2,818	1,151	2,680	121	17	372	779
EDA	12	382-Meter Installations	CUSTMETIN	4,590	4,089	501	3,889	176	25	162	339
EDA	13	387-Other Equipment	PLT_378387	204	164	40	158	5	1	20	20
EDA	14	388-Asset Retirement Costs for Distribution Plant	PLT_388	921	852	70	810	37	5	22	47
EDA	15	TOTAL DISTRIBUTION PLANT EXPENSE		51,776	43,804	7,972	41,959	1,619	225	3,300	4,672
EDA	16										
EDA	17	GENERAL PLANT DEPRE & AMORT EXPENSE	GENLPLT	4,510	3,998	512	3,804	171	24	169	343
EDA	18										
EDA	19	COMMON PLANT DEPRE & AMORT EXPENSE	COMPLT	35,023	31,049	3,974	29,538	1,325	186	1,313	2,661
EDA	20										
EDA	21										
EDA	22	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		91,309	78,850	12,458	75,300	3,114	436	4,782	7,676
EDA	23										
EDA	24										
EDA	25										
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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXO	1	OTHER OPERATING EXPENSES									
TXO	2										
TXO	3	TAXES OTHER THAN INCOME TAXES									
TXO	4	General Taxes									
TXO	5	PURTA Taxes	TOTPLT	0	0	0	0	0	0	0	0
TXO	6	Capital Stock	TOTPLT	0	0	0	0	0	0	0	0
TXO	7	Payroll Related	LABOR	7,133	6,324	809	6,016	270	38	267	542
TXO	8	Real Estate Tax	DGPLT	3,093	2,678	415	2,561	103	14	168	247
TXO	9	PA and Local Use Tax	CLAIMREV	0	0	0	0	0	0	0	0
TXO	10	Total General Taxes		10,227	9,002	1,225	8,577	372	52	436	789
TXO	11										
TXO	12										
TXO	13	Franchise and Revenue Taxes	CLAIMREV	0	0	0	0	0	0	0	0
TXO	14										
TXO	15	TOTAL TAXES OTHER THAN INCOME		10,227	9,002	1,225	8,577	372	52	436	789
TXO	16										
TXO	17										
TXO	18										
TXO	19										
TXO	20										
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TXO	45										
TXO	46										
TXO	47										
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TXO	49										
TXO	50										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXI	1	DEVELOPMENT OF INCOME TAXES									
TXI	2										
TXI	3	TOTAL OPERATING REVENUES		717,251	589,382	127,868	569,077	17,776	2,529	64,834	63,035
TXI	4	LESS:									
TXI	5	OPERATION & MAINTENANCE EXPENSE	SCH EOM, LN 85	420,632	372,559	48,073	354,859	15,744	1,956	16,701	31,372
TXI	6	DEPRECIATION & AMORTIZATION EXPENSE	SCH EDA, LN 22	91,309	78,850	12,458	75,300	3,114	436	4,782	7,676
TXI	7	TAXES OTHER THAN INCOME TAXES	SCH TXO, LN 15	10,227	9,002	1,225	8,577	372	52	436	789
TXI	8	NET OPERATING INCOME BEFORE TAXES		195,083	128,971	66,112	130,341	(1,455)	85	42,915	23,197
TXI	9	LESS:									
TXI	10	Interest Expense (incl amort of debt exp)	RATEBASE	75,584	65,562	10,022	62,649	2,556	357	4,024	5,998
TXI	11										
TXI	12	BASE TAXABLE DISTRIBUTION INCOME		119,499	63,409	56,091	67,692	(4,011)	(272)	38,891	17,200
TXI	13										
TXI	14										
TXI	15	CALCULATION OF PA STATE INCOME TAXES									
TXI	16	BASE STATE TAXABLE INCOME (pretax)	SCH TXI, LN 12	119,499	63,409	56,091	67,692	(4,011)	(272)	38,891	17,200
TXI	17	PLUS:									
TXI	18	Book Depreciation	TOTPLT	91,300	79,215	12,085	75,719	3,068	429	4,831	7,254
TXI	19	LESS:									
TXI	20	State Tax Depreciation (Over) Under Book	TOTPLT	227,125	197,062	30,062	188,364	7,632	1,066	12,017	18,045
TXI	21	PA STATE TAXABLE INCOME		(16,326)	(54,438)	38,113	(44,953)	(8,575)	(910)	31,704	6,408
TXI	22	PA STATE INCOME TAXES @ Tax Rate 9.99%		(1,631)	(5,438)	3,807	(4,491)	(857)	(91)	3,167	640
TXI	23	PLUS:									
TXI	24	Deferred Income Tax Dr.- Account 410	TOTPLT	22,690	19,687	3,003	18,818	762	107	1,201	1,803
TXI	25	Deferred Income Tax Cr.- Account 411	TOTPLT	(9,121)	(7,914)	(1,207)	(7,564)	(306)	(43)	(483)	(725)
TXI	26	TOTAL STATE INCOME TAX EXPENSE		11,938	6,335	5,603	6,762	(401)	(27)	3,885	1,718
TXI	27										
TXI	28										
TXI	29	CALCULATION OF FEDERAL INCOME TAXES									
TXI	30	PA STATE TAXABLE INCOME	SCH TXI, LN 21	(16,326)	(54,438)	38,113	(44,953)	(8,575)	(910)	31,704	6,408
TXI	31	LESS:									
TXI	32	PA State Income Taxes	SCH TXI, LN 26	11,938	6,335	5,603	6,762	(401)	(27)	3,885	1,718
TXI	33	Federal Tax Adjustments	TOTPLT	0	0	0	0	0	0	0	0
TXI	34	FEDERAL ADJUSTED TAXABLE INCOME		(28,264)	(60,773)	32,509	(51,716)	(8,174)	(883)	27,819	4,690
TXI	35	FEDERAL INCOME TAXES @ Tax Rate 21.00%		(5,935)	(12,762)	6,827	(10,860)	(1,717)	(185)	5,842	985
TXI	36	PLUS:									
TXI	37	Deferred Income Tax Dr.- Account 410	TOTPLT	47,696	41,383	6,313	39,556	1,603	224	2,524	3,789
TXI	38	Deferred Income Tax Cr.- Account 411	TOTPLT	(19,173)	(16,635)	(2,538)	(15,901)	(644)	(90)	(1,014)	(1,523)
TXI	39	TOTAL FEDERAL INCOME TAX EXPENSE		22,588	11,986	10,602	12,795	(758)	(51)	7,351	3,251
TXI	40										
TXI	41										
TXI	42	TOTAL PA INCOME TAX EXPENSE		11,938	6,335	5,603	6,762	(401)	(27)	3,885	1,718
TXI	43	TOTAL FEDERAL INCOME TAX EXPENSE		22,588	11,986	10,602	12,795	(758)	(51)	7,351	3,251
TXI	44	TOTAL INCOME TAX EXPENSE		34,526	18,320	16,206	19,558	(1,159)	(79)	11,236	4,969
TXI	45										
TXI	46	TOTAL OPERATING EXPENSES		556,693	478,731	77,962	458,294	18,072	2,366	33,155	44,806
TXI	47										
TXI	48										
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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXI	51	DEVELOPMENT OF INCOME TAXES CONTINUED									
TXI	52										
TXI	53										
TXI	54										
TXI	55										
TXI	56	TAX RATES & FACTORS									
TXI	57	GROSS RECEIPTS TAX RATE	0.00000								
TXI	58	STATE TAX RATE	0.09990								
TXI	59	EFFECTIVE STATE TAX RATE	0.09841								
TXI	60	FEDERAL TAX RATE - CURRENT	0.21000								
TXI	61	1 - EFFECTIVE TAX RATE	0.00000								
TXI	62	EFFECTIVE TAX RATE	0.28892								
TXI	63	EFFECTIVE FEDERAL RATE	0.18610								
TXI	64	RETENTION FACTOR	1.42816								
TXI	65	UNCOLLECTIBLES EXPENSE FACTOR	0.01530								
TXI	66										
TXI	67										
TXI	68										
TXI	69										
TXI	70										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
LAB	1	DEVELOPMENT OF LABOR ALLOCATION FACTOR									
LAB	2										
LAB	3	PRODUCTION LABOR EXPENSE									
LAB	4	Other Gas Supply Expense									
LAB	5	Operation - Accounts 804-808	OX_PRODO	0	0	0	0	0	0	0	0
LAB	6	Total Other Gas Supply		0	0	0	0	0	0	0	0
LAB	7	TOTAL PRODUCTION LABOR EXP		0	0	0	0	0	0	0	0
LAB	8										
LAB	9	DISTRIBUTION LABOR EXPENSE									
LAB	10	Operation									
LAB	11	874-Mains and Services Expenses	OX_874	964	839	126	802	32	4	52	74
LAB	12	875-Measuring & Reg. Station Exp.	OX_875	0	0	0	0	0	0	0	0
LAB	13	878-Meter & House Regulator Expenses	OX_878	0	0	0	0	0	0	0	0
LAB	14	880-Other Expenses	OX_880	0	0	0	0	0	0	0	0
LAB	15	Total Operation		964	839	126	802	32	4	52	74
LAB	16	Maintenance									
LAB	17	887-Maintenance of Mains	MX_887	5,207	4,521	686	4,335	163	23	307	379
LAB	18	889-Maint. of Measuring & Reg. Station Equip.	MX_889	0	0	0	0	0	0	0	0
LAB	19	892-Maintenance of Services	MX_892	73,900	64,539	9,361	61,375	2,774	390	3,026	6,335
LAB	20	893-Maint. of Meters & House Regulators	MX_893	0	0	0	0	0	0	0	0
LAB	21	894-Maintenance of Other Equipment	MX_894	0	0	0	0	0	0	0	0
LAB	22	Total Distribution Maintenance		79,107	69,060	10,047	65,710	2,937	413	3,333	6,714
LAB	23	TOTAL DISTRIBUTION LABOR EXP		80,071	69,899	10,172	66,512	2,969	417	3,385	6,787
LAB	24										
LAB	25	TOTAL OPER & MAINT LABOR EXP (PROD & DIST)		80,071	69,899	10,172	66,512	2,969	417	3,385	6,787
LAB	26										
LAB	27										
LAB	28										
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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
LAB	51	DEVELOPMENT OF LABOR ALLOCATION FACTOR CONTINUED									
LAB	52										
LAB	53	CUSTOMER ACCOUNTS EXPENSES									
LAB	54	902-Meter Reading	CUSTMTRDG	37,041	33,826	3,215	32,168	1,454	205	1,039	2,176
LAB	55	903-Customer Records and Collection Expense	CUSTREC	2,092	1,953	139	1,856	85	12	45	94
LAB	56	904-Uncollectible Accounts	EXP_904	0	0	0	0	0	0	0	0
LAB	57	TOTAL CUSTOMER ACCTS LABOR EXPENSE		39,133	35,779	3,354	34,024	1,539	216	1,084	2,270
LAB	58										
LAB	59	CUSTOMER SERVICE & SALES EXPENSES									
LAB	60	908-Customer Assistance	CUSTASST	0	0	0	0	0	0	0	0
LAB	61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0
LAB	62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0
LAB	63	912-Demonstrating and Selling Expenses	CUSTSALES	0	0	0	0	0	0	0	0
LAB	64	916 Miscellaneous Sales Expenses	CUSTSALES	0	0	0	0	0	0	0	0
LAB	65	TOTAL CUST SERVICE & SALES LABOR EXP		0	0	0	0	0	0	0	0
LAB	66										
LAB	67	TOTAL OPER & MAINT LABOR EXP EXCL A&G		119,204	105,678	13,526	100,536	4,508	634	4,469	9,057
LAB	68										
LAB	69	ADMINISTRATIVE & GENERAL EXPENSE									
LAB	70	920-Administrative Salaries	LABORXAG	66,400	58,866	7,534	56,002	2,511	353	2,489	5,045
LAB	71	921-Office Supplies & Expense	LABORXAG	2,092	1,854	237	1,764	79	11	78	159
LAB	72	923-Outside Service Employed	LABORXAG	0	0	0	0	0	0	0	0
LAB	73	924-Property Insurance	TOTPLT	0	0	0	0	0	0	0	0
LAB	74	925-Injuries and Damages	LABORXAG	0	0	0	0	0	0	0	0
LAB	75	926-Employee Pensions & Benefits	LABORXAG	0	0	0	0	0	0	0	0
LAB	76	928-Regulatory Commission	CLAIMREV	0	0	0	0	0	0	0	0
LAB	77	930.2-Miscellaneous General	LABORXAG	0	0	0	0	0	0	0	0
LAB	78	935-Maintenance of General Plant	GENLPLT	0	0	0	0	0	0	0	0
LAB	79	TOTAL A&G LABOR EXPENSE		68,492	60,720	7,772	57,766	2,590	364	2,568	5,204
LAB	80										
LAB	81	TOTAL OPER & MAINTENANCE LABOR EXP		187,696	166,398	21,298	158,302	7,099	998	7,037	14,261
LAB	82										
LAB	83										
LAB	84										
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Pike County Light & Power Company
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12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	1	ALLOCATION FACTOR TABLE									
AF	2	<u>EXTERNALLY DEVELOPED ALLOCATION FACTORS</u>									
AF	3										
AF	4	<u>CAPACITY</u>									
AF	5										
AF	6										
AF	7										
AF	8										
AF	9										
AF	10										
AF	11	<u>CAPACITY - DISTRIBUTION RELATED (Design Day)</u>									
AF	12	Capacity Distribution	DDIST	15,953	12,638	3,315	12,256	336	45	1,640	1,676
AF	13										
AF	14										
AF	15										
AF	16										
AF	17										
AF	18										
AF	19										
AF	20	<u>COMMODITY</u>									
AF	21	Annual Gas Cost (PGC)	EGAS	0	0	0	0	0	0	0	0
AF	22										
AF	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1,482,150	1,122,333	359,817	1,087,226	30,725	4,382	195,633	164,183
AF	24										
AF	25										
AF	26										
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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	51	ALLOCATION FACTOR TABLE CONTINUED									
AF	52	<u>EXTERNALLY DEVELOPED ALLOCATION FACTORS</u>									
AF	53										
AF	54	<u>CUSTOMER</u>									
AF	55	Distribution Mains	CUSTDIST	14,882	13,889	993	13,208	597	84	321	672
AF	56										
AF	57	Service Investment	CUSTSERV	856,735	748,214	108,521	711,528	32,161	4,525	35,081	73,441
AF	58	Meter Investment	CUSTMET	133,876	95,060	38,815	90,399	4,086	575	12,547	26,268
AF	59	Meter Installations	CUSTMETIN	321,558	286,467	35,091	272,421	12,313	1,733	11,344	23,747
AF	60	Regulators Investment	CUSTREGUL	19,418	17,952	1,466	17,072	772	109	474	992
AF	61										
AF	62										
AF	63	Customer Deposits	CUSTDEP	6,920	6,618	302	6,618	0	0	0	302
AF	64										
AF	65										
AF	66										
AF	67	902-Meter Reading Expense	CUSTOMTRDG	2,450	2,237	213	2,127	96	14	69	144
AF	68	903-Customer Records and Collections	CUSTREC	15,011	14,014	997	13,320	610	84	322	675
AF	69										
AF	70	908-Customer Assistance	CUSTASST	1,0000	0.8453	0.1547	0.8105	0.0304	0.0043	0.0768	0.0780
AF	71	909-Informational and Instructional Advertising	CUSTADVT	1,0000	0.8453	0.1547	0.8105	0.0304	0.0043	0.0768	0.0780
AF	72	910-Miscellaneous Customer Service	CUSTCSM	1,0000	0.8453	0.1547	0.8105	0.0304	0.0043	0.0768	0.0780
AF	73	916-Miscellaneous Sales Expense	CUSTSALES	1,0000	0.8453	0.1547	0.8105	0.0304	0.0043	0.0768	0.0780
AF	74										
AF	75	Number of Bills	CUSTBILLS	15,011	14,014	997	13,320	610	84	322	675
AF	76	Number of Customers (Average Annual)	CUST	14,882	13,889	993	13,208	597	84	321	672
AF	77										
AF	78										
AF	79										
AF	80										
AF	81										
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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	101	ALLOCATION FACTOR TABLE CONTINUED									
AF	102	INTERNALLY DEVELOPED ALLOCATION FACTORS									
AF	103	Plant Related									
AF	104	Intangible Plant	INTPLT	0	0	0	0	0	0	0	0
AF	105	Distribution Plant in Service	DISTPLT	2,974,747	2,574,953	399,794	2,462,575	98,611	13,767	162,337	237,457
AF	106	Distribution Plant in Service - Capacity Related	DDISTPLT	1,069,885	984,108	85,777	937,378	40,976	5,754	31,360	54,417
AF	107	General Plant in Service	GENLPLT	26,914	23,860	3,054	22,699	1,018	143	1,009	2,045
AF	108	Common Plant in Service	COMPLT	293,575	260,263	33,312	247,599	11,103	1,561	11,006	22,306
AF	109	Total Gas Utility Plant In Service	TOTPLT	3,398,667	2,948,816	449,850	2,818,653	114,207	15,956	179,825	270,026
AF	110	Distribution Plant Excl Asset Retirement	DISTPLTXAR	2,974,747	2,574,953	399,794	2,462,575	98,611	13,767	162,337	237,457
AF	111	Total Distribution and General Plant	DGPLT	3,001,661	2,598,813	402,848	2,485,274	99,629	13,910	163,346	239,502
AF	112	Rate Base	RATEBASE	3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
AF	113										
AF	114	Account 374 - Land & Land Rights	PLT_374	715	566	149	549	15	2	73	75
AF	115	Account 375 - Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
AF	116	Account 376 - Mains	PLT_376	1,794,703	1,558,292	236,411	1,494,230	56,245	7,818	105,864	130,546
AF	117	Account 378 - Meas & Reg Station Equip-General	PLT_378	101,978	80,785	21,193	78,346	2,148	290	10,482	10,711
AF	118	Account 380 - Services	PLT_380	753,794	658,312	95,482	626,034	28,297	3,981	30,866	64,616
AF	119	Account 381 - Meters	PLT_381	69,921	49,649	20,273	47,214	2,134	300	6,553	13,719
AF	120	Account 382 - Meter Installations	PLT_382	212,246	189,084	23,162	179,813	8,128	1,144	7,487	15,675
AF	121	Account 384-House Regulator Installations	PLT_384	9,180	8,487	693	8,071	365	51	224	469
AF	122	Account 385-Industrial Regulators	PLT_385	32,210	29,778	2,432	28,318	1,280	180	786	1,646
AF	123	Account 387 - Other Equipment	PLT_387	9,180	8,487	693	8,071	365	51	224	469
AF	124	Account 388-Asset Retirement Costs for Distribution	PLT_388	32,210	29,778	2,432	28,318	1,280	180	786	1,646
AF	125	Accounts 376 & 378 - Mains & M&R	PLT_376379	1,896,681	1,639,077	257,604	1,572,576	58,393	8,108	116,347	141,257
AF	126	Accounts 376 & 380 - Mains & Services	PLT_376380	2,548,497	2,216,604	331,893	2,120,264	84,541	11,799	136,730	195,163
AF	127	Accounts 380 & 381 - Services & Meters	PLT_380381	753,794	658,312	95,482	626,034	28,297	3,981	30,866	64,616
AF	128	Accounts 381 through 385	PLT_3815	323,557	276,998	46,559	263,416	11,906	1,675	15,051	31,509
AF	129	Accounts 378 & 387	PLT_378387	111,158	89,272	21,886	86,417	2,513	342	10,706	11,180
AF	130										
AF	131	Distribution Plant in Service - Capacity Related									
AF	132	Residential Space Heating	DPLTRESSH	937,378	937,378	0	937,378	0	0	0	0
AF	133	Residential Domestic	DPLTRESO	40,976	40,976	0	0	40,976	0	0	0
AF	134	Residential Other	DPLTRESO	5,754	5,754	0	0	0	5,754	0	0
AF	135	General Service Commercial	DPLTGSC	31,360	0	31,360	0	0	0	31,360	0
AF	136	Commercial Space Heating	DPLTCSH	54,417	0	54,417	0	0	0	0	54,417
AF	137										
AF	138										
AF	139										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	151	ALLOCATION FACTOR TABLE CONTINUED									
AF	152	<u>INTERNALLY DEVELOPED ALLOCATION FACTORS</u>									
AF	153										
AF	154	<u>Production Expense Related</u>									
AF	155	Other Production Operation Expense	OX_PRODO	0	0	0	0	0	0	0	0
AF	156										
AF	157										
AF	158										
AF	159										
AF	160										
AF	161										
AF	162										
AF	163	<u>Distribution Expense Related</u>									
AF	164	Account 874 - Mains & Services Exp	OX_874	964	839	126	802	32	4	52	74
AF	165	Account 875 - Meas & Reg Station Exp - Gen	OX_875	0	0	0	0	0	0	0	0
AF	166	Account 878-Meter & House Regulator Expenses	OX_878	0	0	0	0	0	0	0	0
AF	167	Account 880 - Other Dist Oper Exp	OX_880	0	0	0	0	0	0	0	0
AF	168	Account 887 - Maint of Mains Exp	MX_887	6,347	5,511	836	5,284	199	28	374	462
AF	169	Account 889 - Maint of Meas & Reg Station Exp - Gen	MX_889	0	0	0	0	0	0	0	0
AF	170	Account 892 - Maint of Services Exp	MX_892	103,088	90,030	13,058	85,616	3,870	544	4,221	8,837
AF	171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0	0	0	0	0	0	0	0
AF	172	Account 894 - Maint of Other Equipment Exp	MX_894	0	0	0	0	0	0	0	0
AF	173	O&M Accounts 874-880	OX_DIST	964	839	126	802	32	4	52	74
AF	174	O&M Accounts 887-894	MX_DIST	103,088	90,030	13,058	85,616	3,870	544	4,221	8,837
AF	175										
AF	176										
AF	177	<u>Customer Distribution Expense Related</u>									
AF	178	Account 902	OX_902	44,200	40,364	3,836	38,385	1,735	244	1,240	2,596
AF	179	Account 903	OX_903	5,800	5,415	385	5,146	236	32	124	261
AF	180	Account 904	OX_904	(13,950)	(12,211)	(1,740)	(11,261)	(604)	(345)	0	(1,740)
AF	181	O&M Accounts 902-905	OX_CA	36,050	33,568	2,482	32,270	1,367	(69)	1,365	1,117
AF	182										
AF	183	Account 908	OX_908	141	119	22	114	4	1	11	11
AF	184	Account 909	OX_909	0	0	0	0	0	0	0	0
AF	185	Account 910	OX_910	0	0	0	0	0	0	0	0
AF	186	O&M Accounts 908-910	OX_CS	141	119	22	114	4	1	11	11
AF	187	Accounts 901-910	X_CACS	41,979	38,580	3,399	37,076	1,547	(43)	1,820	1,580
AF	188										
AF	189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	434,582	384,769	49,813	366,120	16,348	2,302	16,701	33,112
AF	190										
AF	191										
AF	192										
AF	193										
AF	194										
AF	195										
AF	196										
AF	197										
AF	198										
AF	199										
AF	200										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	201	ALLOCATION FACTOR TABLE CONTINUED									
AF	202	<u>INTERNALLY DEVELOPED ALLOCATION FACTORS</u>									
AF	203										
AF	204	<u>Labor Expense Related</u>									
AF	205	Labor Distribution Accounts 870-880	LABORDO	964	839	126	802	32	4	52	74
AF	206	Labor Distribution Accounts 887-894	LABORDM	79,107	69,060	10,047	65,710	2,937	413	3,333	6,714
AF	207	Labor Customer Accounts 902-905	LABORCA	39,133	35,779	3,354	34,024	1,539	216	1,084	2,270
AF	208	Labor Customer Accounts 908-910	LABORCS	0	0	0	0	0	0	0	0
AF	209	Labor Excluding Admin & Gen	LABORXAG	119,204	105,678	13,526	100,536	4,508	634	4,469	9,057
AF	210	Total Labor Expense	LABOR	187,696	166,398	21,298	158,302	7,099	998	7,037	14,261
AF	211										
AF	212										
AF	213	Base Rate Sales Revenue	SALESREV	714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
AF	214										
AF	215	Claimed Rate Sales Revenue	CLAIMREV	1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615
AF	216										
AF	217	Residential Space Heating	SREVRESSH	844,284	844,284	0	844,284	0	0	0	0
AF	218	Residential Domestic	SREVRESO	36,600	36,600	0	0	36,600	0	0	0
AF	219	Residential Other	SREVRESO	5,866	5,866	0	0	0	5,866	0	0
AF	220	General Service Commercial	SREVGSC	43,955	0	43,955	0	0	0	43,955	0
AF	221	Commercial Space Heating	SREVCSH	80,615	0	80,615	0	0	0	0	80,615
AF	222			1,011,321							
AF	223										
AF	224										
AF	225										
AF	226										
AF	227										
AF	228										
AF	229										
AF	230										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	251	REVENUES AND BILLING DETERMINANTS									
AF	252										
AF	253										
AF	254	PRESENT REVENUES FROM SALES INPUT									
AF	255										
AF	256	Total Sales of Gas Revenues		743,782	612,718	131,064	591,703	18,399	2,616	66,567	64,497
AF	257	Total Delivery Revenues - Actual		714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
AF	258	Total Delivery Revenues - Weather Adjustment		29,032	25,323	3,709	24,577	651	95	1,856	1,853
AF	259										
AF	260										
AF	261										
AF	262										
AF	263										
AF	264	12 Months Ended June 30, 2020									
AF	265	BILLING DETERMINATE INPUTS									
AF	266	Annual Booked Throughput Sales (Ccf)	SCH AF, LN 23	1,482,150	1,122,333	359,817	1,087,226	30,725	4,382	195,633	164,183
AF	267	Number of Customer Bills	SCH AF, LN 75	15,011	14,014	997	13,320	610	84	322	675
AF	268	Average Use Per Customer		99	80	361	82	50	52	608	243
AF	269										
AF	270										
AF	271	RATE OF RETURN									
AF	272	Rate of Return (Equalized)	SCH AF, LN 272	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
AF	273										
AF	274										
AF	275										
AF	276										
AF	277										
AF	278										
AF	279										
AF	280	12 Months Ended June 30, 2021									
AF	281	BILLING DETERMINATE INPUTS									
AF	282	Annual Booked Throughput Sales (Ccf)		1,453,701	1,098,097	355,604	1,063,748	30,061	4,288	193,343	162,261
AF	283	Number of Customer Bills		14,976	14,016	960	13,329	602	85	310	650
AF	284	Average Use Per Customer		97	78	370	80	50	51	623	250
AF	285										
AF	286										
AF	287										
AF	288										
AF	289										
AF	290										
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AF	300										

Pike County Light & Power Company
 Gas Class Cost of Service Study
 12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	1	ALLOCATION PROPORTIONS TABLE									
AP	2	EXTERNALLY DEVELOPED ALLOCATION FACTO									
AP	3										
AP	4	CAPACITY									
AP	5										
AP	6										
AP	7										
AP	8										
AP	9										
AP	10										
AP	11	CAPACITY - DISTRIBUTION RELATED (Design Day									
AP	12	Capacity Distribution	DDIST	1.00000	0.79218	0.20782	0.76826	0.02107	0.00285	0.10279	0.10503
AP	13										
AP	14										
AP	15										
AP	16										
AP	17										
AP	18										
AP	19										
AP	20	COMMODITY									
AP	21	Annual Gas Cost (PGC)	EGAS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	22										
AP	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1.00000	0.75723	0.24277	0.73355	0.02073	0.00296	0.13199	0.11077
AP	24										
AP	25										
AP	26										
AP	27										
AP	28										
AP	29										
AP	30										
AP	31										
AP	32										
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AP	48										
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AP	50										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	51	ALLOCATION PROPORTIONS TABLE CONTINUED									
AP	52	EXTERNALLY DEVELOPED ALLOCATION FACTORS									
AP	53										
AP	54	CUSTOMER									
AP	55	Distribution Mains	CUSTDIST	1.00000	0.93328	0.06672	0.88752	0.04012	0.00564	0.02157	0.04516
AP	56										
AP	57	Service Investment	CUSTSERV	1.00000	0.87333	0.12667	0.83051	0.03754	0.00528	0.04095	0.08572
AP	58	Meter Investment	CUSTMET	1.00000	0.71007	0.28993	0.67525	0.03052	0.00429	0.09373	0.19621
AP	59	Meter Installations	CUSTMETIN	1.00000	0.89087	0.10913	0.84719	0.03829	0.00539	0.03528	0.07385
AP	60	Regulators Investment	CUSTREGUL	1.00000	0.92450	0.07550	0.87917	0.03974	0.00559	0.02441	0.05109
AP	61										
AP	62										
AP	63	Customer Deposits	CUSTDEP	1.00000	0.95636	0.04364	0.95636	0.00000	0.00000	0.00000	0.04364
AP	64										
AP	65										
AP	66										
AP	67	902-Meter Reading Expense	CUSTOMTRDG	1.00000	0.91321	0.08679	0.86843	0.03925	0.00552	0.02806	0.05874
AP	68	903-Customer Records and Collections	CUSTREC	1.00000	0.93358	0.06642	0.88735	0.04064	0.00560	0.02145	0.04497
AP	69										
AP	70	908-Customer Assistance	CUSTASST	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	71	909-Informational and Instructional Advertising	CUSTADVT	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	72	910-Miscellaneous Customer Service	CUSTCSM	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	73	916-Miscellaneous Sales Expense	CUSTSALES	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	74										
AP	75	Number of Bills	CUSTBILLS	1.00000	0.93358	0.06642	0.88735	0.04064	0.00560	0.02145	0.04497
AP	76	Number of Customers (Average Annual)	CUST	1.00000	0.93328	0.06672	0.88752	0.04012	0.00564	0.02157	0.04516
AP	77										
AP	78										
AP	79										
AP	80										
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AP	99										
AP	100										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	101	ALLOCATION PROPORTIONS TABLE CONTINUED									
AP	102	INTERNALLY DEVELOPED ALLOCATION FACTORS									
AP	103	Plant Related									
AP	104	Intangible Plant	INTPLT	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	105	Distribution Plant in Service	DISTPLT	1.00000	0.86560	0.13440	0.82783	0.03315	0.00463	0.05457	0.07982
AP	106	Distribution Plant in Service - Capacity Related	DDISTPLT	1.00000	0.91983	0.08017	0.87615	0.03830	0.00538	0.02931	0.05086
AP	107	General Plant in Service	GENPLT	1.00000	0.88653	0.11347	0.84339	0.03782	0.00532	0.03749	0.07598
AP	108	Common Plant in Service	COMPLT	1.00000	0.88653	0.11347	0.84339	0.03782	0.00532	0.03749	0.07598
AP	109	Total Gas Utility Plant In Service	TOTPLT	1.00000	0.86764	0.13236	0.82934	0.03360	0.00469	0.05291	0.07945
AP	110	Distribution Plant Excl Asset Retirement	DISTPLTXAR	1.00000	0.86560	0.13440	0.82783	0.03315	0.00463	0.05457	0.07982
AP	111	Total Distribution and General Plant	DGPLT	1.00000	0.86579	0.13421	0.82797	0.03319	0.00463	0.05442	0.07979
AP	112	Rate Base	RATEBASE	1.00000	0.86741	0.13259	0.82887	0.03382	0.00473	0.05323	0.07935
AP	113										
AP	114	Account 374 - Land & Land Rights	PLT_374	1.00000	0.79218	0.20782	0.76826	0.02107	0.00285	0.10279	0.10503
AP	115	Account 375 - Structures & Improvements	PLT_375	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	116	Account 376 - Mains	PLT_376	1.00000	0.86827	0.13173	0.83258	0.03134	0.00436	0.05899	0.07274
AP	117	Account 378 - Meas & Reg Station Equip-General	PLT_378	1.00000	0.79218	0.20782	0.76826	0.02107	0.00285	0.10279	0.10503
AP	118	Account 380 - Services	PLT_380	1.00000	0.87333	0.12667	0.83051	0.03754	0.00528	0.04095	0.08572
AP	119	Account 381 - Meters	PLT_381	1.00000	0.71007	0.28993	0.67525	0.03052	0.00429	0.09373	0.19621
AP	120	Account 382 - Meter Installations	PLT_382	1.00000	0.89087	0.10913	0.84719	0.03829	0.00539	0.03528	0.07385
AP	121	Account 384-House Regulator Installations	PLT_384	1.00000	0.92450	0.07550	0.87917	0.03974	0.00559	0.02441	0.05109
AP	122	Account 385-Industrial Regulators	PLT_385	1.00000	0.92450	0.07550	0.87917	0.03974	0.00559	0.02441	0.05109
AP	123	Account 387 - Other Equipment	PLT_387	1.00000	0.92450	0.07550	0.87917	0.03974	0.00559	0.02441	0.05109
AP	124	Account 388-Asset Retirement Costs for Distribution	PLT_388	1.00000	0.92450	0.07550	0.87917	0.03974	0.00559	0.02441	0.05109
AP	125	Accounts 376 & 378 - Mains & M&R	PLT_376379	1.00000	0.86418	0.13582	0.82912	0.03079	0.00427	0.06134	0.07448
AP	126	Accounts 376 & 380 - Mains & Services	PLT_376380	1.00000	0.86977	0.13023	0.83197	0.03317	0.00463	0.05365	0.07658
AP	127	Accounts 380 & 381 - Services & Meters	PLT_380381	1.00000	0.87333	0.12667	0.83051	0.03754	0.00528	0.04095	0.08572
AP	128	Accounts 381 through 385	PLT_3815	1.00000	0.85610	0.14390	0.81413	0.03680	0.00518	0.04652	0.09738
AP	129	Accounts 378 & 387	PLT_378387	1.00000	0.80311	0.19689	0.77742	0.02261	0.00307	0.09632	0.10058
AP	130										
AP	131	Distribution Plant in Service - Capacity Related									
AP	132	Residential Space Heating	DPLTRESSH	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	133	Residential Domestic	DPLTRESO	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	134	Residential Other	DPLTRESO	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	135	General Service Commercial	DPLTGSC	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	136	Commercial Space Heating	DPLTCSH	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	137										
AP	138										
AP	139										
AP	140										
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Pike County Light & Power Company
 Gas Class Cost of Service Study
 12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	151	ALLOCATION PROPORTIONS TABLE CONTINUED									
AP	152	INTERNALLY DEVELOPED ALLOCATION FACTORS									
AP	153										
AP	154	Production Expense Related									
AP	155	Other Production Operation Expense	OX_PRODO	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	156										
AP	157										
AP	158										
AP	159			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	160			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	161										
AP	162										
AP	163	Distribution Expense Related									
AP	164	Account 874 - Mains & Services Exp	OX_874	1.00000	0.86977	0.13023	0.83197	0.03317	0.00463	0.05365	0.07658
AP	165	Account 875 - Meas & Reg Station Exp - Gen	OX_875	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	166	Account 878-Meter & House Regulator Expenses	OX_878	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	167	Account 880 - Other Dist Oper Exp	OX_880	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	168	Account 887 - Maint of Mains Exp	MX_887	1.00000	0.86827	0.13173	0.83258	0.03134	0.00436	0.05899	0.07274
AP	169	Account 889 - Maint of Meas & Reg Station Exp - Gen	MX_889	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	170	Account 892 - Maint of Services Exp	MX_892	1.00000	0.87333	0.12667	0.83051	0.03754	0.00528	0.04095	0.08572
AP	171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	172	Account 894 - Maint of Other Equipment Exp	MX_894	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	173	O&M Accounts 874-880	OX_DIST	1.00000	0.86977	0.13023	0.83197	0.03317	0.00463	0.05365	0.07658
AP	174	O&M Accounts 887-894	MX_DIST	1.00000	0.87333	0.12667	0.83051	0.03754	0.00528	0.04095	0.08572
AP	175										
AP	176										
AP	177	Customer Distribution Expense Related									
AP	178	Account 902	OX_902	1.00000	0.91321	0.08679	0.86843	0.03925	0.00552	0.02806	0.05874
AP	179	Account 903	OX_903	1.00000	0.93358	0.06642	0.88735	0.04064	0.00560	0.02145	0.04497
AP	180	Account 904	OX_904	1.00000	0.87530	0.12470	0.80726	0.04329	0.02475	0.00000	0.12470
AP	181	O&M Accounts 902-905	OX_CA	1.00000	0.93115	0.06885	0.89514	0.03791	-0.00191	0.03785	0.03100
AP	182										
AP	183	Account 908	OX_908	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	184	Account 909	OX_909	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	185	Account 910	OX_910	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	186	O&M Accounts 908-910	OX_CS	1.00000	0.84525	0.15475	0.81053	0.03042	0.00430	0.07678	0.07796
AP	187	Accounts 901-910	X_CACS	1.00000	0.91902	0.08098	0.88319	0.03686	-0.00103	0.04335	0.03763
AP	188										
AP	189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	1.00000	0.88538	0.11462	0.84246	0.03762	0.00530	0.03843	0.07619
AP	190										
AP	191										
AP	192										
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AP	199										
AP	200										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	201	ALLOCATION PROPORTIONS TABLE CONTINUED									
AP	202	<u>INTERNALLY DEVELOPED ALLOCATION FACTORS</u>									
AP	203										
AP	204	<u>Labor Expense Related</u>									
AP	205	Labor Distribution Accounts 870-880	LABORDO	1.00000	0.86977	0.13023	0.83197	0.03317	0.00463	0.05365	0.07658
AP	206	Labor Distribution Accounts 887-894	LABORDM	1.00000	0.87300	0.12700	0.83065	0.03713	0.00522	0.04213	0.08487
AP	207	Labor Customer Accounts 902-905	LABORCA	1.00000	0.91430	0.08570	0.86944	0.03933	0.00553	0.02770	0.05800
AP	208	Labor Customer Accounts 908-910	LABORCS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	209	Labor Excluding Admin & Gen	LABORXAG	1.00000	0.88653	0.11347	0.84339	0.03782	0.00532	0.03749	0.07598
AP	210	Total Labor Expense	LABOR	1.00000	0.88653	0.11347	0.84339	0.03782	0.00532	0.03749	0.07598
AP	211										
AP	212										
AP	213	Base Rate Sales Revenue	SALESREV	1.00000	0.82182	0.17818	0.79346	0.02483	0.00353	0.09054	0.08764
AP	214										
AP	215	Claimed Rate Sales Revenue	CLAIMREV	1.00000	0.87682	0.12318	0.83483	0.03619	0.00580	0.04346	0.07971
AP	216										
AP	217	Residential Space Heating	SREVRESSH	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	218	Residential Domestic	SREVRESO	1.00000	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP	219	Residential Other	SREVRESO	1.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP	220	General Service Commercial	SREVGSC	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	221	Commercial Space Heating	SREVCSH	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	222										
AP	223										
AP	224										
AP	225										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	251	REVENUES AND BILLING DETERMINANTS									
AP	252										
AP	253										
AP	254	<u>PRESENT REVENUES FROM SALES INPUT</u>									
AP	255										
AP	256	Total Sales of Gas Revenues		1.00000	0.82379	0.17621	0.79553	0.02474	0.00352	0.08950	0.08671
AP	257	Total Delivery Revenues - Actual		1.00000	0.82182	0.17818	0.79346	0.02483	0.00353	0.09054	0.08764
AP	258	Total Delivery Revenues - Weather Adjustment									
AP	259										
AP	260										
AP	261										
AP	262										
AP	263										
AP	264	12 Months Ended June 30, 2020									
AP	265										
AP	267										
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Pike County Light & Power Company
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12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
ADA	1	ALLOCATED DIRECT ASSIGNMENTS									
ADA	2	DIRECT ASSIGN TO CLASSES W/SALES REV FUNCTIONS									
ADA	3										
ADA	4	Net Write-Offs									
ADA	5	Residential Space Heating	SREVRESSH	18,589	18,589	0	18,589	0	0	0	0
ADA	6	Residential Domestic	SREVRESO	997	997	0	0	997	0	0	0
ADA	7	Residential Other	SREVRESO	570	570	0	0	0	570	0	0
ADA	8	General Service Commercial	SREVGSC	0	0	0	0	0	0	0	0
ADA	9	Commercial Space Heating	SREVCSH	2,871	0	2,871	0	0	0	0	2,871
ADA	10										
ADA	11										
ADA	12	Total Write-Offs	EXP_904	23,027	20,156	2,871	18,589	997	570	0	2,871
ADA	13										
ADA	14	Total Write-Offs	EXP_904	1.00000	0.87530	0.12470	0.80726	0.04329	0.02475	0.00000	0.12470
ADA	15										
ADA	16										
ADA	17										
ADA	18										
ADA	19	Forfeited Discounts - Account 487									
ADA	20	Residential Space Heating	SREVRESSH	2,142	2,142	0	2,142	0	0	0	0
ADA	21	Residential Domestic	SREVRESO	30	30	0	0	30	0	0	0
ADA	22	Residential Other	SREVRESO	10	10	0	0	0	10	0	0
ADA	23	General Service Commercial	SREVGSC	135	0	135	0	0	0	135	0
ADA	24	Commercial Space Heating	SREVCSH	429	0	429	0	0	0	0	429
ADA	25										
ADA	26										
ADA	27	Total Forfeited Discounts	REV_487	2,745	2,182	564	2,142	30	10	135	429
ADA	28										
ADA	29	Total Forfeited Discounts	REV_487	1.00000	0.79464	0.20536	0.78034	0.01078	0.00353	0.04919	0.15617
ADA	30										
ADA	31										
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Pike County Light & Power Company
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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RRW	1	DISTRIBUTION REVENUE REQUIREMENTS									
RRW	2										
RRW	3	PRESENT RATE OF RETURN (EXISTING RATES)									
RRW	4	-----									
RRW	5	Rate Base		3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
RRW	6	Net Operating Income (Present Rates)		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228
RRW	7	Rate of Return @ Present Rates		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
RRW	8	Relative Rate of Return		1.00	0.79	2.34	0.83	-0.05	0.22	3.71	1.43
RRW	9	Sales Revenue at Present Rates		714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
RRW	10	Revenue Present Rates \$/Ccf		\$491.6764	\$534.9214	\$358.1368	\$533.1397	\$590.4222	\$587.8409	\$334.6940	\$386.0701
RRW	11	Revenue Required - \$/Month/Customer		\$47,615.12	\$41,914.91	\$127,738.14	\$42,577.05	\$29,096.50	\$30,004.53	\$200,964.96	\$92,806.24
RRW	12										
RRW	13										
RRW	14	CLAIMED RATE OF RETURN									
RRW	15	-----									
RRW	16	Claimed Rate of Return		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
RRW	17	Return Required for Claimed Rate of Return		287,990	249,832	38,157	238,741	9,731	1,360	15,299	22,858
RRW	18	Sales Revenue Required @ Claimed ROR		1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615
RRW	19	Sales Revenue Deficiency		296,571	299,355	(2,784)	277,158	18,851	3,346	(20,755)	17,971
RRW	20	Percent Increase Required		41.49%	50.96%	-2.19%	48.87%	106.21%	132.75%	-32.07%	28.69%
RRW	21	Annual Booked Throughput Sales (Ccf)		1,453,701	1,098,097	355,604	1,063,748	30,061	4,288	193,343	162,261
RRW	22	Sales Revenue Required \$/Ccf		\$695.6871	\$807.5338	\$350.3073	\$793.6879	\$1,217.5164	\$1,368.1994	\$227.3441	\$496.8245
RRW	23	Sales Revenue Deficiency \$/Ccf		\$204.0107	\$272.6124	(\$7.8295)	\$260.5483	\$627.0943	\$780.3585	(\$107.3499)	\$110.7544
RRW	24										
RRW	25										
RRW	26	PROPOSED RATE OF RETURN									
RRW	27	-----									
RRW	28	Rate Base at Future Test Year 06/30/2021		4,061,954	3,523,764	538,190	3,367,327	137,258	19,179	215,792	322,398
RRW	29	Proposed Base Gas Sales Revenues		1,011,297	871,148	140,150	841,258	26,169	3,720	70,288	69,862
RRW	30	Base Sales Revenue Deficiency		296,547	283,752	12,795	274,132	8,421	1,200	5,577	7,217
RRW	31	Return Required for Proposed Revenue		287,976	240,911	47,066	237,011	3,767	133	30,357	16,709
RRW	32	Percent Increase Required at Proposed Rates		41.49%	48.31%	10.05%	48.34%	47.44%	47.60%	8.62%	11.52%
RRW	33	Proposed Rate of Return		7.09%	6.84%	8.75%	7.04%	2.74%	0.69%	14.07%	5.18%
RRW	34	Relative Rate of Return		1.00	0.96	1.23	0.99	0.39	0.10	1.98	0.73
RRW	35										
RRW	36										
RRW	37										
RRW	38										
RRW	39										
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RRW	50										

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
	(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
1	PRESENT RATE OF RETURN SUMMARY SCHEDULE - REVENUE REQUIREMENTS									
2										
3	RATE OF RETURN		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
4										
5	REVENUES REQUIRED									
6	CAPACITY COMPONENT	99,883	99,883	60,339	39,544	59,837	418	84	27,453	12,091
7	CAPACITY PRODUCTION COMPONENT		0	0	0	0	0	0	0	0
8	CAPACITY TRANSMISSION COMPONENT		0	0	0	0	0	0	0	0
9	CAPACITY DISTRIBUTION MAINS		99,883	60,339	39,544	59,837	418	84	27,453	12,091
10	COMMODITY COMPONENT	0	0	0	0	0	0	0	0	0
11	COMMODITY PURCHASED GAS		0	0	0	0	0	0	0	0
12	COMMODITY OTHER COMMODITY		0	0	0	0	0	0	0	0
13	CUSTOMER COMPONENT	614,868	614,868	527,057	87,811	507,289	17,331	2,437	37,258	50,553
14	CUSTOMER DISTRIBUTION MAINS		77,791	66,772	11,019	66,094	543	135	5,888	5,131
15	CUSTOMER SERVICES INVESTMENT		351,942	297,625	54,317	285,445	10,707	1,473	21,964	32,353
16	CUSTOMER METERS & INSTALL INVESTMENT		25,466	17,930	7,536	17,726	166	38	3,915	3,621
17	CUSTOMER REGULATORS		3,045	2,553	491	2,531	17	5	264	227
18	CUSTOMER SERVICE & SALES EXPENSE		5,913	4,986	927	4,784	178	24	470	457
19	CUSTOMER ACCOUNTS EXPENSE		150,710	137,191	13,519	130,709	5,720	762	4,756	8,763
20										
21										
22	TOTAL COMPANY	714,751	714,751	587,396	127,355	567,126	17,749	2,520	64,711	62,644
23										
24										
25										
26										
27	Annual Booked Throughput Sales (Ccf)		1,482,150	1,122,333	359,817	1,087,226	30,725	4,382	195,633	164,183
28	Average Use Per Customer		99	80	361	82	50	52	608	243
29	Number of Customer Bills		15,011	14,014	997	13,320	610	84	322	675
30										
31	Use per Month per Customer		98.74	80.09	360.90	81.62	50.37	52.17	607.56	243.23
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
	(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
1	PRESENT RATE OF RETURN SUMMARY SCHEDULE - UNIT COST									
2										
3	RATE OF RETURN		5.06%	4.02%	11.85%	4.21%	-0.28%	1.09%	18.74%	7.23%
4										
5	<u>\$/Ccf</u>									
6	CAPACITY COMPONENT	\$68.7094	\$68.7094	\$54.9484	\$111.2031	\$56.2515	\$13.8933	\$19.4830	\$141.9919	\$74.5165
7	CAPACITY PRODUCTION COMPONENT		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
8	CAPACITY DISTRIBUTION MAINS		\$68.7094	\$54.9484	\$111.2031	\$56.2515	\$13.8933	\$19.4830	\$141.9919	\$74.5165
9	COMMODITY COMPONENT	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
10	COMMODITY PURCHASED GAS		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
11	COMMODITY OTHER COMMODITY		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
12	CUSTOMER COMPONENT	\$422.9670	\$422.9670	\$479.9730	\$246.9337	\$476.8881	\$576.5288	\$568.3579	\$192.7021	\$311.5536
13	CUSTOMER DISTRIBUTION MAINS		\$53.5126	\$60.8070	\$30.9876	\$62.1332	\$18.0645	\$31.4633	\$30.4537	\$31.6238
14	CUSTOMER SERVICES INVESTMENT		\$242.1009	\$271.0372	\$152.7462	\$268.3386	\$356.1780	\$343.6162	\$113.6015	\$199.3894
15	CUSTOMER METERS & INSTALL INVESTMENT		\$17.5181	\$16.3282	\$21.1928	\$16.6636	\$5.5080	\$8.9646	\$20.2510	\$22.3150
16	CUSTOMER REGULATORS		\$2.0944	\$2.3252	\$1.3818	\$2.3793	\$0.5819	\$1.1200	\$1.3662	\$1.4003
17	CUSTOMER SERVICE & SALES EXPENSE		\$4.0674	\$4.5404	\$2.6070	\$4.4972	\$5.9187	\$5.5706	\$2.4301	\$2.8179
18	CUSTOMER ACCOUNTS EXPENSE		\$103.6735	\$124.9351	\$38.0183	\$122.8762	\$190.2777	\$177.6231	\$24.5998	\$54.0073
19										
20										
21	TOTAL COMPANY	\$491.6764	\$491.6764	\$534.9214	\$358.1368	\$533.1397	\$590.4222	\$587.8409	\$334.6940	\$386.0701
22										
23	<u>\$/MONTH/CUSTOMER</u>									
24	CUSTOMER COMPONENTS	\$40.96	\$40.96	\$37.61	\$88.07	\$38.08	\$28.41	\$29.01	\$115.71	\$74.89
25	CUSTOMER DISTRIBUTION MAINS		\$5.18	\$4.76	\$11.05	\$4.96	\$0.89	\$1.61	\$18.29	\$7.60
26	CUSTOMER SERVICES INVESTMENT		\$23.45	\$21.24	\$54.48	\$21.43	\$17.55	\$17.54	\$68.21	\$47.93
27	CUSTOMER METERS & INSTALL INVESTMENT		\$1.70	\$1.28	\$7.56	\$1.33	\$0.27	\$0.46	\$12.16	\$5.36
28	CUSTOMER REGULATORS		\$0.20	\$0.18	\$0.49	\$0.19	\$0.03	\$0.06	\$0.82	\$0.34
29	CUSTOMER SERVICE & SALES EXPENSE		\$0.39	\$0.36	\$0.93	\$0.36	\$0.29	\$0.28	\$1.46	\$0.68
30	CUSTOMER ACCOUNTS EXPENSE		\$10.04	\$9.79	\$13.56	\$9.81	\$9.38	\$9.07	\$14.77	\$12.98
31										
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Pike County Light & Power Company
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12 Months Ended June 30, 2020

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
	(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
1	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - REVENUE REQUIREMENTS									
2	(For Future Test Year 12 Months Ended June 30 2021)									
3	RATE OF RETURN		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
4										
5	REVENUES REQUIRED									
6	CAPACITY COMPONENT	155,698	155,698	123,850	31,848	119,987	3,346	517	15,148	16,700
7	CAPACITY PRODUCTION COMPONENT		0	0	0	0	0	0	0	0
8	CAPACITY DISTRIBUTION MAINS		155,698	123,850	31,848	119,987	3,346	517	15,148	16,700
9	COMMODITY COMPONENT	0	0	0	0	0	0	0	0	0
10	COMMODITY PURCHASED GAS		0	0	0	0	0	0	0	0
11	COMMODITY OTHER COMMODITY		0	0	0	0	0	0	0	0
12	CUSTOMER COMPONENT	855,623	855,623	762,901	92,722	724,298	33,254	5,349	28,807	63,915
13	CUSTOMER DISTRIBUTION MAINS		156,717	146,340	10,378	138,924	6,389	1,027	3,183	7,195
14	CUSTOMER SERVICES INVESTMENT		462,166	403,725	58,441	383,342	17,557	2,826	18,057	40,384
15	CUSTOMER METERS & INSTALL INVESTMENT		45,427	38,279	7,147	36,340	1,671	269	2,194	4,953
16	CUSTOMER REGULATORS		6,197	5,733	464	5,442	250	40	142	322
17	CUSTOMER SERVICE & SALES EXPENSE		5,959	5,044	915	4,831	183	30	440	475
18	CUSTOMER ACCOUNTS EXPENSE		179,157	163,780	15,377	155,418	7,203	1,158	4,791	10,586
19										
20										
21	TOTAL COMPANY	1,011,321	1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615
22										
23										
24										
25	12 Months Ended June 30, 2021									
26	Annual Booked Throughput Sales (Ccf)		1,453,701	1,098,097	355,604	1,063,748	30,061	4,288	193,343	162,261
28	Number of Customer Bills		14,976	14,016	960	13,329	602	85	310	650
27	Average Use Per Customer		99	80	361	82	50	52	608	243
29										
30										
31										
32										
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Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
	(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
1	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - UNIT COSTS									
2	(For Future Test Year 12 Months Ended June 30 2021)									
3	RATE OF RETURN		7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%	7.09%
4										
5	<u>\$/Ccf</u>									
6	CAPACITY COMPONENT	\$107.1045	\$107.1045	\$112.7857	\$89.5613	\$112.7960	\$111.3136	\$120.5478	\$78.3495	\$102.9209
7	CAPACITY PRODUCTION COMPONENT		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
8	CAPACITY DISTRIBUTION MAINS		\$107.1045	\$112.7857	\$89.5613	\$112.7960	\$111.3136	\$120.5478	\$78.3495	\$102.9209
9	COMMODITY COMPONENT	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
10	COMMODITY PURCHASED GAS		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
11	COMMODITY OTHER COMMODITY		\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
12	CUSTOMER COMPONENT	\$588.5826	\$588.5826	\$694.7481	\$260.7460	\$680.8920	\$1,106.2029	\$1,247.6517	\$148.9946	\$393.9037
13	CUSTOMER DISTRIBUTION MAINS		\$107.8057	\$133.2666	\$29.1831	\$130.5988	\$212.5167	\$239.5220	\$16.4634	\$44.3393
14	CUSTOMER SERVICES INVESTMENT		\$317.9239	\$367.6588	\$164.3437	\$360.3691	\$584.0490	\$659.0736	\$93.3930	\$248.8852
15	CUSTOMER METERS & INSTALL INVESTMENT		\$31.2489	\$34.8597	\$20.0988	\$34.1619	\$55.5879	\$62.6524	\$11.3481	\$30.5256
16	CUSTOMER REGULATORS		\$4.2631	\$5.2208	\$1.3057	\$5.1163	\$8.3261	\$9.3839	\$0.7365	\$1.9840
17	CUSTOMER SERVICE & SALES EXPENSE		\$4.0992	\$4.5937	\$2.5723	\$4.5417	\$6.1013	\$6.9210	\$2.2749	\$2.9268
18	CUSTOMER ACCOUNTS EXPENSE		\$123.2418	\$149.1485	\$43.2424	\$146.1043	\$239.6218	\$270.0989	\$24.7787	\$65.2428
19										
20										
21	TOTAL COMPANY	\$695.6871	\$695.6871	\$807.5338	\$350.3073	\$793.6879	\$1,217.5164	\$1,368.1994	\$227.3441	\$496.8245
22										
23	<u>\$/MONTH/CUSTOMER</u>									
24	CUSTOMER COMPONENTS	\$57.13	\$57.13	\$54.43	\$96.59	\$54.34	\$55.20	\$63.11	\$92.83	\$98.38
25	CUSTOMER DISTRIBUTION MAINS		\$10.46	\$10.44	\$10.81	\$10.42	\$10.60	\$12.11	\$10.26	\$11.07
26	CUSTOMER SERVICES INVESTMENT		\$30.86	\$28.80	\$60.88	\$28.76	\$29.14	\$33.34	\$58.19	\$62.16
27	CUSTOMER METERS & INSTALL INVESTMENT		\$3.03	\$2.73	\$7.44	\$2.73	\$2.77	\$3.17	\$7.07	\$7.62
28	CUSTOMER REGULATORS		\$0.41	\$0.41	\$0.48	\$0.41	\$0.42	\$0.47	\$0.46	\$0.50
29	CUSTOMER SERVICE & SALES EXPENSE		\$0.40	\$0.36	\$0.95	\$0.36	\$0.30	\$0.35	\$1.42	\$0.73
30	CUSTOMER ACCOUNTS EXPENSE		\$11.96	\$11.69	\$16.02	\$11.66	\$11.96	\$13.66	\$15.44	\$16.30
31										
32										
33										
34										
35										
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The listing of all external allocation factors shown are in pages 15 to 16 of the Allocation Factor Table and pages 20 to 21 of the Ratio Table of Exhibit G-6, Schedule GRP-4-G of the Pike County Light & Power Company embedded gas cost of service study.

DESCRIPTION OF ALLOCATION FACTORS

Reference for Internal Allocators Not Shown in Allocation Factor Table

External Allocators – Capacity Related, Page 21

1. DDIST – Demand Distribution Allocator.
Based on the daily sendout at 74 design degree day for all firm rate classes. Allocator Ratio is on Page 21, line 12.

External Allocators – Commodity Related, Page 21

2. EGAS – Commodity Allocator
Annual Gas Costs (PGC) – not currently used in this study.
Allocator Ratio is on Page 21, line 21.
3. ETHRUPUT – Commodity Allocator
Annual Gas Deliveries – Throughput (Ccf). Allocator Ratio is on Page 21, line 23.

External Allocators – Customer Related, Page 22

4. CUSTDIST - Acct 376 – Customer Distribution Function.
This allocator represents the average annual number of customers.
Allocation Ratio is on Page 22, line 55.
5. CUSTSERV – Acct 380 Service Investment – Customer Services Function.
This allocator represents the direct assignment of service plant account to the customer classes. See Workpapers for details. Allocation Ratio is on Page 22, line 57.
6. CUSTMET – Acct 381 Meter Investments – Customer Meters Function.
This allocator represents the direct assignment of meter plant account to the customer classes. See Workpapers for detail. Allocation Ratio is on Page 22, line 58.
7. CUSTMETIN - Acct 382 – Meter Installations – Customer Meters Function.
This allocator represents the assignment of plant to classes. Allocation Ratio is on Page 22, line 59
8. CUSTREGUL - Acct 384 & 385 – Regulators Investment – Customer Regulators Function.
This allocator represents the assignment of plant to classes. Allocation Ratio is on Page 22, line 60

DESCRIPTION OF ALLOCATION FACTORS

Reference for Internal Allocators Not Shown in Allocation Factor Table

External Allocators – Customer Related, Page 21, continued

9. CUSTDEP - Customer Deposits – Customer Other Function
This allocator represents the assignment of customer deposits to the Residential Space Heating and Commercial Space Heating customer classes based on the number of customers. See Workpapers for detail. Allocation Ratio is on Page 22, line 63.
10. CUSTMTRDG – Acct 902 Meter Reading Expense – Customer Accounts Expense Function
This allocator was based on the number of meters by rate class with a weighting factor applied to daily read meters. Allocation Ratio is on Page 22, line 67.
11. CUSTREC – Acct 903 Customer Records & Collection Expenses – Customer Accounts Expense Function
This allocator was based on the number of bills by rate class. Allocation Ratio is on Page 22, line 68.
12. CUSTASST - Customer Assistance Expense – Customer Services Expense Function.
This allocator was developed internally in the cost of service model. Since these costs are not totally related to the total number of customers or the amount of sales, a weighted allocation factor was developed. The allocator is based on a 50% weighting on the annual number of customers (Page 22, line 76) and a 50% weighting on the total annual throughput Ccf sales at the meter (Page 21, line 23). Allocation Ratio is on Page 22, line 70.
13. CUSTADV T – Customer Informational Advertising Expenses – Customer Service Expense Function
This allocator was developed in the same manner as the CUSTASST allocator. Allocation Ratio is on Page 21, line 71.
14. CUSTCSM – Miscellaneous Customer Assistance Expenses – Customer Service Expense Function
This allocator was developed in the same manner as the CUSTASST allocator. Allocation Ratio is on Page 21, line 72.
15. CUSTSALES – Demonstrating and Selling Expenses – Sales Expense Function
This allocator was developed in the same manner as the CUSTASST allocator. Allocation Ratio is on Page 21, line 73.

External Allocators – Revenue Related, Page 27

DESCRIPTION OF ALLOCATION FACTORS

Reference for Internal Allocators Not Shown in Allocation Factor Table

16. EXP_904 – Account 904 – Uncollectible Accounts
This allocator is a direct assignment allocator that was developed using write-offs by class. Allocation Ratio is on Page 27, line 14.
17. REV_487 – Account 487 – Late Payment Charges
This allocator is a direct assignment allocator that was developed using the forfeited discounts by class. Allocation Ratio is on Page 27, line 29.

Pike Gas Exhibit G-7

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ended June 30, 2020

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331	
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)	
SUM	1	HISTORICAL AND FUTURE YEAR DIFFERENCE ADJUSTMENTS:										
SUM	2	(For Future Test Year 12 Months Ended June 30 2021)										
SUM	3											
SUM	4	OPERATING INCOME (RETURN) @ PRESENT RATES		160,557	110,651	49,906	110,783	(296)	164	31,678	18,228	
SUM	5	LESS Historical and Future Year Differences:										
SUM	6	Retail Sales Revenue	CLAIMREV	35,700	31,303	4,397	29,804	1,292	207	1,552	2,846	
SUM	7	487-Late Payment Charges	REV_487	300	238	62	234	3	1	15	47	
SUM	8	PLUS Historical and Future Year Differences:										
SUM	9	O&M Expense - Labor Related	LABOR	34,900	30,940	3,960	29,434	1,320	186	1,308	2,652	
SUM	10	O&M Expense - 904-Uncollectible Accounts	EXP_904	39,000	34,137	4,863	31,483	1,688	965	0	4,863	
SUM	11	O&M Expense - 928-Regulatory Commission	CLAIMREV	5,600	4,910	690	4,675	203	32	243	446	
SUM	12	Depreciation Expense	TOTPLT	33,700	29,239	4,461	27,949	1,132	158	1,783	2,677	
SUM	13	TOIT - Base Payroll Taxes	LABOR	9,015	7,992	1,023	7,604	341	48	338	685	
SUM	14	TOIT - PA Property Tax	TOTPLT	11	10	1	9	0	0	1	1	
SUM	15	State and Federal Income Taxes	CLAIMREV	(31,000)	(27,182)	(3,818)	(25,880)	(1,122)	(180)	(1,347)	(2,471)	
SUM	16	OPERATING INCOME @ PRESENT RATES WITH DIFFERENCES		105,331	62,145	43,186	65,546	(2,563)	(838)	30,919	12,267	
SUM	17											
SUM	18	RATE BASE		SCH SUM, LN 24	3,175,654	2,754,598	421,056	2,632,194	107,397	15,006	169,056	252,000
SUM	19	Historical and Future Year Difference Adjustments:										
SUM	20	Gas Utility Plant & Reserves Adjustments	TOTPLT	899,800	780,702	119,098	746,241	30,237	4,224	47,609	71,490	
SUM	21	Additions:										
SUM	22	Cash Working Capital	OMXPP	13,500	11,953	1,547	11,373	508	71	519	1,029	
SUM	23	Materials and Supplies	TOTPLT	6,700	5,813	887	5,557	225	31	354	532	
SUM	24	Deferred Debits (Net of Tax)	TOTPLT	16,000	13,882	2,118	13,269	538	75	847	1,271	
SUM	25	Deductions:										
SUM	26	Customer Deposits	CUSTDEP	700	669	31	669	0	0	0	31	
SUM	27	Deferred Income Taxes and Credits	TOTPLT	49,000	42,514	6,486	40,638	1,647	230	2,593	3,893	
SUM	28	RATE BASE WITH ADJUSTMENTS		4,061,954	3,523,764	538,190	3,367,327	137,258	19,179	215,792	322,398	
SUM	29											
SUM	30	EQUALIZED RETURN AT PROPOSED ROR OF 7.09%										
SUM	31	DEVELOPMENT OF RETURN (RATE BASE * 7.09% ROR)		287,990	249,832	38,157	238,741	9,731	1,360	15,299	22,858	
SUM	32	PLUS OPERATING EXPENSES										
SUM	33	Operation and Maintenance Expense		504,123	446,647	57,477	424,236	19,223	3,188	17,911	39,565	
SUM	34	Depreciation and Amortization Expense		125,009	108,090	16,919	103,249	4,247	594	6,566	10,353	
SUM	35	Taxes Other Than Income Taxes		19,253	17,004	2,249	16,190	714	100	774	1,475	
SUM	36	State and Federal Income Taxes		77,746	67,402	10,344	64,053	2,715	635	3,542	6,802	
SUM	37	TOTAL OPERATING EXPENSES		726,131	639,143	86,988	607,728	26,899	4,516	28,794	58,195	
SUM	38											
SUM	39	EQUALS TOTAL COST OF SERVICE		1,014,121	888,975	125,146	846,469	36,630	5,876	44,093	81,053	
SUM	40											
SUM	41	LESS: Other Operating Revenues		2,800	2,225	575	2,185	30	10	138	437	
SUM	42	BASE RATE SALES @ EQUALIZED ROR 7.09%		1,011,321	886,750	124,571	844,284	36,600	5,866	43,955	80,615	
SUM	43	BASE RATE SALES REVENUE INCREASE		296,571	299,355	(2,784)	277,158	18,851	3,346	(20,755)	17,971	
SUM	44											
SUM	45											
SUM	46											
SUM	47											
SUM	48											
SUM	49											

Pike Gas Exhibit G-8

Pike County Light & Power Company
Gas Rate Design
Test Year 12 Months Ended June 30, 2021

Allocation of Proposed Revenue Adjustments to Base Rates

Line No.	Description	Target Base Revenue Proposed Increase (J) (col G + col I)	Target Proposed Base Revenue (K) (col B + col J)	Proposed Total Base Sales Revenue (L)	Base Sales Percent Increase (M)	Overall Increase (N) (3)
1	Rate Schedule:					
2	SC-1 Residential Space Heating 231	\$262,753	\$829,880	\$841,258	48.3%	22.5%
3	SC-1 Residential Domestic 631	\$17,872	\$35,620	\$26,169	47.4%	23.3%
4	SC-1 Residential Other 531 & 731	\$3,172	\$5,692	\$3,720	47.6%	23.3%
5	SC-2 General Service Commercial 162	\$6,490	\$71,201	\$70,288	8.6%	3.0%
6	SC-2 Commercial Space Heating 331	\$6,283	\$68,927	\$69,862	11.5%	4.5%
11	Total	\$296,571	\$1,011,321	\$1,011,297	41.5%	18.5%
12				-\$24 diff		
13						
14	Notes					
15	(1) Source for columns B and C is file					
16	Pike Gas Revenue Proof 6-30-20 Test Year Rev 9-15-20.xlsx					
17	(2) Source for column E is Exhibit G-6, Sch GRP-3-G, line 19.					
18	(3) Overall Increase is based on col D base sales revenue					
19	calculated using historical volumes and col L proposed base					
20	revenues are calculated using test year volumes.					

**Exhibit G-8 - Impact of the Proposed Rate Change on Total Bill Revenues
for the Twelve Months Ended June 30, 2021**

PIKE COUNTY LIGHT AND POWER COMPANY

Present and Proposed Rates

<u>Present SC1</u>		<u>Proposed SC1</u>	
Customer Charge	\$7.50	Customer Charge	\$10.61
Delivery Rate	\$0.46630 / CCF	Delivery Rate	\$0.65790 / CCF
Cost of Gas	\$0.61210 / CCF	Cost of Gas	\$0.61210 / CCF
All CCF @	\$1.07840 / CCF	All CCF @	\$1.27000 / CCF
Plus: State Tax Adjustment	-0.1000%	Plus: State Tax Adjustment	-0.1000%
Plus: GCR	\$0.00000 / CCF	Plus: GCR	\$0.00000 / CCF
Minimum Charge:	\$7.50 / Month	Minimum Charge:	\$10.61 / Month
<u>Present SC2</u>		<u>Proposed SC2</u>	
Customer Charge	\$9.40	Customer Charge	\$13.31
First 300 CCF		First 300 CCF	
Delivery Rate	\$0.46030 / CCF	Delivery Rate	\$0.46980 / CCF
Cost of Gas	\$0.61210 / CCF	Cost of Gas	\$0.61210 / CCF
First 300 CCF @	\$1.07240 / CCF	First 300 CCF @	\$1.08190 / CCF
Over 300 CCF		Over 300 CCF	
Delivery Rate	\$0.30510 / CCF	Delivery Rate	\$0.31140 / CCF
Cost of Gas	\$0.61210 / CCF	Cost of Gas	\$0.61210 / CCF
Over 300 CCF @	\$0.91720 / CCF	Over 300 CCF @	\$0.92350 / CCF
Plus: State Tax Adjustment	-0.1000%	Plus: STAS	-0.1000%
Plus: GCR	\$0.00000 / CCF	Plus: GCR	\$0.00000 / CCF
Minimum Charge:	\$9.40 / Month	Minimum Charge:	\$13.31 / Month

PIKE COUNTY LIGHT AND POWER COMPANY

Monthly Bill Comparison
Reflecting Proposed Rate Increase With & Without Gas Costs

	<u>Monthly Usage (CCF)</u>	<u>Total Bill Monthly Bill @ Present Rate</u>	<u>Total Bill Monthly Bill @ Proposed Rate</u>	<u>Total Bill Change</u>	<u>Total Bill Percent Change</u>	<u>Delivery Only Monthly Bill @ Present Rate</u>	<u>Delivery Only Monthly Bill @ Proposed Rate</u>	<u>Delivery Only Change</u>	<u>Delivery Percent Change</u>
Service Classification No. 1									
	0	\$7.49	\$10.60	\$3.11	41.5%	\$7.49	\$10.60	\$3.11	41.5%
	3	10.73	14.41	3.68	34.3%	\$8.89	\$12.57	3.68	41.4%
	10	18.27	23.29	5.02	27.5%	\$12.15	\$17.17	5.02	41.3%
	30	39.83	48.68	8.85	22.2%	\$21.47	\$30.32	8.85	41.2%
	50	61.39	74.07	12.68	20.7%	\$30.78	\$43.46	12.68	41.2%
	100	115.29	137.53	22.25	19.3%	\$54.08	\$76.32	22.25	41.1%
	200	223.08	264.47	41.39	18.6%	\$100.66	\$142.05	41.39	41.1%
	300	330.87	391.40	60.53	18.3%	\$147.24	\$207.77	60.53	41.1%
	400	438.67	518.34	79.67	18.2%	\$193.83	\$273.50	79.67	41.1%
Service Classification No. 2									
	0	\$9.39	\$13.30	\$3.91	41.6%	\$9.39	\$13.30	\$3.91	41.6%
	3	12.61	16.54	3.93	31.2%	\$10.77	\$14.70	3.93	36.5%
	10	20.11	24.11	4.00	19.9%	\$13.99	\$17.99	4.00	28.6%
	50	62.99	67.37	4.38	7.0%	\$32.38	\$36.76	4.38	13.5%
	100	116.58	121.44	4.86	4.2%	\$55.37	\$60.23	4.86	8.8%
	200	223.78	229.58	5.80	2.6%	\$101.36	\$107.16	5.80	5.7%
	250	277.38	283.65	6.28	2.3%	\$124.35	\$130.63	6.28	5.0%
	300	330.97	337.73	6.75	2.0%	\$147.34	\$154.10	6.75	4.6%
	400	422.66	430.04	7.38	1.7%	\$177.82	\$185.20	7.38	4.2%
	500	514.35	522.36	8.01	1.6%	\$208.30	\$216.31	8.01	3.8%
	750	743.58	753.16	9.59	1.3%	\$284.50	\$294.09	9.59	3.4%
	1,000	972.80	983.96	11.16	1.1%	\$360.70	\$371.86	11.16	3.1%
	2,000	1,889.69	1,907.15	17.45	0.9%	\$665.49	\$682.95	17.45	2.6%
	3,000	2,806.59	2,830.33	23.75	0.8%	\$970.29	\$994.03	23.75	2.4%
	4,000	3,723.48	3,753.52	30.04	0.8%	\$1,275.08	\$1,305.12	30.04	2.4%

Included in the above bill calculations are:

	<u>Present</u>	<u>Proposed</u>
State Tax Adj	-0.1000%	-0.1000%
GCR (\$/Ccf)	\$0.00000	\$0.00000

PIKE COUNTY LIGHT AND POWER COMPANY

Statement of Revenues for the
Twelve Months Ending June 30, 2021
(At Current Rates)

<u>Customer Classification</u>	<u>Delivery Revenue (\$)</u>	<u>Gas Cost & STAS Revenue (\$)</u>	<u>Total Revenue (\$)</u>
SC1	617,163	671,528	1,288,691
SC2	<u>133,820</u>	<u>217,531</u>	<u>351,351</u>
Total	750,982	889,059	1,640,042

Note: Pike has other operating revenues of 2,769

Statement of Total Number of Customers
Served at June 30, 2021

SC1 Residential	1,168
SC2 Commercial	<u>80</u>
Total	<u>1,248</u>

PIKE COUNTY LIGHT AND POWER COMPANY

Tariff Regulations 52 Pa. Code § 53.52(b)(3) to (6)

53.52(b)(3) to (4) -- Statement of the number of gas customers whose bills will be increased and the annual increase in dollars (without gas costs).

<u>Customer Classification</u>	<u>Customers @ 06/30/21</u>	<u>Annual Increase (\$)</u>
SC1 Residential	1,168	253,731
SC2 Commercial	<u>80</u>	<u>6,303</u>
Total	<u>1,248</u>	<u>260,034</u>

53.52(b)(5) to (6) -- Statement of the number of gas customers whose bills will be decreased and the annual decrease in dollars (without gas costs).

<u>Customer Classification</u>	<u>Customers @ 06/30/21</u>	<u>Annual Decrease (\$)</u>
SC1 Residential	0	0
SC2 Commercial	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>

PIKE COUNTY LIGHT & POWER COMPANY

Rate Design Workpapers

Summary of Proposed Increases on Base Rates

	<u>Sales</u>	<u>Delivery Charges</u>	<u>GCR</u>	<u>STAS</u>	<u>Total</u>
<u>Revenue:</u>					
Service Classification No. 1	1,098,097	\$253,985	\$0	(\$254)	\$253,731
Service Classification No. 2	355,604	\$6,309	\$0	(\$6)	\$6,303
Total	1,453,701	<u>\$260,294</u>	<u>\$0</u>	<u>(\$260)</u>	<u>\$260,034</u>

Average Price per Ccf (cents per Ccf):

Service Classification No. 1	23.130	0.000	-0.023	23.106
Service Classification No. 2	1.774	0.000	-0.002	1.772
Total	17.906	0.000	-0.018	17.888

Percentage Increases

Service Classification No. 1	19.7%
Service Classification No. 2	1.8%
Total	15.9%

PIKE COUNTY LIGHT & POWER COMPANY

Rate Design Workpapers

Revenue Summary at Current Rates

	<u>Sales</u>	<u>Delivery Charges</u>	<u>GCR</u>	<u>STAS</u>	<u>Base Cost of Gas</u>	<u>Total</u>
<u>Revenue:</u>						
Service Classification No. 1	1,098,097	\$617,163	\$0	(617)	672,145	\$1,288,691
Service Classification No. 2	355,604	\$133,820	\$0	(134)	217,665	\$351,351
Total	1,453,701	750,982	0	(751)	889,810	1,640,042

Average Price per Ccf (cents per Ccf):

Service Classification No. 1	56.203	0.000	-0.056	61.210	117.357
Service Classification No. 2	37.632	0.000	-0.038	61.210	98.804

PIKE COUNTY LIGHT & POWER COMPANY

Rate Design Workpapers

Revenue Summary at Proposed Rates with Gas Costs

	<u>Sales</u>	<u>Delivery Charges</u>	<u>GCR</u>	<u>STAS</u>	<u>Base Cost of Gas</u>	<u>Total</u>
<u>Revenue:</u>						
Service Classification No. 1	1,098,097	\$871,148	\$0	(\$871)	\$672,145	\$1,542,422
Service Classification No. 2	355,604	\$140,129	\$0	(\$140)	\$217,665	\$357,654
Total	1,453,701	\$1,011,276	\$0	(\$1,011)	\$889,810	\$1,900,076

Average Price per Ccf (cents per Ccf):

Service Classification No. 1	79.332	0.000	-0.079	61.210	140.463
Service Classification No. 2	39.406	0.000	-0.039	61.210	100.576

PIKE COUNTY LIGHT AND POWER COMPANY

**Impact of Proposed Rate Change on Total Billed Revenue with Gas Costs
For the 12 Months Ending June 30, 2021**

<u>Service Class</u>	<u>Type of Service</u>	<u>Annual Bills</u>	<u>Total Sales (CCF)</u>	<u>Total Revenue at:</u>		<u>Increase:</u>	
				<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Rev Change</u>	<u>Percent Change</u>
1	Residential	14,016	1,098,097	\$1,288,691	\$1,542,422	\$253,731	19.7%
2	Commercial	<u>960</u>	<u>355,604</u>	<u>\$351,351</u>	<u>\$357,654</u>	<u>\$6,303</u>	1.8%
Total		<u>14,976</u>	<u>1,453,701</u>	<u>\$1,640,042</u>	<u>\$1,900,076</u>	<u>\$260,034</u>	15.9%

PIKE COUNTY LIGHT AND POWER COMPANY

**Impact of Proposed Rate Change on Delivery Billed Revenue without Gas Costs
For the 12 Months Ending June 30, 2021**

Service Class	Type of Service	Annual Bills	Total Sales (CCF)	Del Revenue at:		Increase:	
				Present Rates	Proposed Rates	Rev Change	Percent Change
1	Residential	14,016	1,098,097	\$616,545	\$870,277	\$253,731	41.2%
2	Commercial	<u>960</u>	<u>355,604</u>	<u>\$133,686</u>	<u>\$139,988</u>	<u>\$6,303</u>	4.7%
Total		<u>14,976</u>	<u>1,453,701</u>	<u>\$750,231</u>	<u>\$1,010,265</u>	<u>\$260,034</u>	34.7%

Note: Delivery Revenues include Delivery State Tax Adjustment

Pike County Light & Power Company (Gas)

Statement No. 2

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility :
Commission :
:
v. : DOCKET NO. R-2020-3022134
:
Pike County Light :
& Power Company (gas) :

**Pike County Light and Power Company
Statement No. 2
Direct Testimony of
Accounting Panel
Chuck Lenns and Richard A. Kane**

PIKE COUNTY LIGHT & POWER COMPANY
GAS RATE CASE
STATEMENT NO. 2
DIRECT TESTIMONY OF ACCOUNTING PANEL
CHUCK LENNS AND RICHARD A. KANE

1 Q. Would the members of the Accounting Panel please state
2 your names and business addresses?

3 A. Chuck Lenns, 330 West William Street, Corning, New
4 York 14830.

5 Richard A. Kane, 77 Leland Avenue, Pleasantville, New
6 York 10570.

7 Q. By whom are you employed and in what capacity?

8 A. **(Lenns)** I am employed by Corning Natural Gas
9 Corporation ("CNG") where I hold the position of Vice
10 President and Chief Financial Officer.

11 **(Kane)** I am a Rate Case Consultant and have been
12 retained by CNG to provide assistance in the
13 development of the exhibits and testimony presented in
14 this rate filing.

15 Q. Please explain your educational background, work
16 experience, and current general responsibilities.

17 A. **(Lenns)** I received my Accounting Degree from the
18 University of Scranton, where I currently teach in the
19 business school. I also hold a law degree from
20 Duquesne University Law School, and am a certified
21 public accountant. I began my professional career in
22 the tax practice of Ernst & Young ("EY"), and have

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1 served clients in the firm's power and utilities tax
2 and M&A practice. I was a tax partner from 1989 until
3 retiring from EY in 2012. From 2012 until 2018 I
4 served as Vice President - Tax for Consolidated Edison
5 Inc. ("CEI") until I reached the mandatory retirement
6 age for Officers with that Corporation. I joined
7 Corning Natural Gas Holding Company ("CNGH") as Vice
8 President and Chief Financial Officer in July of 2020
9 for the parent and all of its subsidiaries, including
10 Corning Natural Gas Corporation ("CNG") and Pike
11 County Light and Power Company ("Pike" or "the
12 Company").

13 **(Kane)** In May 1976, I received a Bachelor of Science
14 degree in Accounting from Manhattan College. I worked
15 for Consolidated Edison Company of New York, Inc.
16 ("CECONY") from August 1976 until January 1978 as a
17 staff accountant. I then joined Orange & Rockland
18 Utilities, Inc. ("ORU") and became Supervisor -
19 Facility Accounting. In 1980, I became Manager -
20 Budgets. In 1989, I became Manager - General
21 Accounting and in 1996, the Accounts Payable Section
22 was added to my responsibilities. As a result of

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1 ORU's merger with CEI, the Accounting Departments for
2 CECONY and ORU were combined. After the merger, I
3 continued to be responsible for overseeing ORU's
4 General Accounting Section and Financial Reporting
5 area until March 2003. At that time, I assumed the
6 position as Department Manager of the Regulatory
7 Accounting & Filings Department until I retired in
8 2014. The primary responsibility of that Department
9 was to coordinate as well as participate in rate
10 filings before regulatory agencies in New York, New
11 Jersey, and Pennsylvania. Since that time, I have
12 continued to provide assistance in several gas, gas,
13 and steam rate case filings involving CECONY, ORU, and
14 Rockland Gas Company ("RECO"). I am very familiar
15 with Pike as it was a wholly owned subsidiary of ORU
16 up until the time I retired. Pike was one of the
17 companies I was responsible for handling in my
18 different capacities at CECONY and ORU. One of the
19 last assignments I had before retiring from CECONY
20 involved overseeing the development of the financial
21 exhibits in the prior Pike Electric & Gas rate filings
22 (Dockets No. R-2013-2397237 - Electric and R-2013-

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1 2397353 - Gas) and participating in settlement
2 negotiations.

3 **Q. Have you previously submitted testimony before the**
4 **Pennsylvania Public Utility Commission ("PAPUC")?**

5 A. **(Lenns)** No.

6 **(Kane)** No.

7 **Q. What is the purpose of the Accounting Panel's**
8 **testimony in this proceeding?**

9 A. The Accounting Panel will cover the following topics:

10 ▪ Provide an overview of the acquisition of Pike by
11 Corning Natural Gas Holding Company, Inc. in
12 2016;

13 ▪ Discuss the major costs driving the rate increase
14 Pike is seeking.

15 **Q. Is the Accounting Panel sponsoring any exhibits in**
16 **this filing?**

17 A. Yes. The Accounting Panel is sponsoring Exhibits G-1
18 through G-5, which explain and detail the following:

19 ▪ Historic financial data and Intercompany cost
20 allocations between CNG and Pike (Exhibit G-1);

21 ▪ Actual and forecast capital structures and rate
22 of return (Exhibit G-2);

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1 and manage utility investments. Administrative
2 support was provided by CNGH's wholly owned subsidiary
3 Corning Natural Gas Corporation. CNG's Information
4 Technology financial and customer systems were
5 upgraded to incorporate Pike's requirements.

6

7

COSTS DRIVING RATE INCREASE

8 **Q. When were Pike's gas delivery rates last changed?**

9 A. Pike has been operating under gas rates that went into
10 effect on September 1, 2014.

11 **Q. Please explain why Pike is seeking a gas base rate
12 increase at this time.**

13 A. As indicated above, the Company has been operating
14 under rates that have been in place since 2014.
15 Since that time Pike has invested significant amounts
16 of capital to improve its infrastructure in order to
17 increase reliability and modernize its gas system in
18 order to better serve its customers. Assuming new
19 rates go into effect in the third quarter of 2021; it
20 will be almost seven years since Pike has had any rate
21 relief. Overall sales for the last several years have
22 remained fairly constant from the levels upon which

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1 rates were based, requiring the Company to absorb
2 increases in operating costs.

3 **Q. Was Pike's last base rate case fully litigated or**
4 **settled?**

5 A. Pike negotiated a "black box" settlement in its last
6 base rate case rate case with PAPUC Staff, the Bureau
7 of Investigation and Enforcement, the Office of
8 Consumer Advocate, and the Office of Small Business
9 Advocate that was then approved by Commission.

10 **Q. Why has Pike waited until now to file for new base**
11 **rates?**

12 A. There are two reasons; the settlement of the
13 acquisition case had a stay-out provision that did not
14 allow for a change in base rates until March 1, 2018.
15 As a practical matter, it has taken CNGH time to
16 properly staff and integrate Pike daily operations.

17 **Q. How large a rate increase is Pike seeking?**

18 A. Pike is seeking to increase its delivery rates by
19 \$262,200; representing an increase of approximately
20 15.9 percent in total forecast revenues. Delivery
21 revenues would increase by 34.7 percent.

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1 Q. What is driving the rate increase the Company is
2 seeking?

3 A. While the 2014 rate case was a black box settlement
4 without an associated detailed revenue requirement
5 calculation, the increase of \$262,200 can be
6 attributed to the following:

7	• Carrying charges on net plant additions	-	\$164,900
8	• Depreciation on net plant additions	-	83,200
9	• Rate Base carrying charges (excl. plant)	-	22,100
10	• Higher Other O&M expenses	-	38,300
11	• Higher payroll and property taxes	-	7,500
12	• Lower overall Cost of Capital	-	(1,300)
13	• Lower FIT Rate	-	(16,100)
14	• Higher Delivery Revenues	-	<u>(36,400)</u>
15	Total Net Increase		<u>\$262,200</u>

16 Q. Please explain how you developed the amounts discussed
17 above.

18 A. Net plant additions have increased by approximately
19 \$1.8 million from levels included in the Pike's last
20 rate filing. This balance multiplied by the requested
21 cost of capital is equates to approximately \$164,900.

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1 Depreciation expense has increased by almost \$83,200.
2 The majority of this increase is attributable to
3 general plant investments in Pike for IT systems,
4 vehicles and tools. These items are amortized over
5 their relatively short useful lives of five to ten
6 years and driving most of the increase.
7 Carrying cost for other rate base items contributes
8 \$22,100 to the increase. This balance is made of
9 higher working capital requirements for Materials and
10 Supplies, prepayments, deferred charges and lower
11 deferred income tax balances.
12 Other O&M increases include the recovery of deferred
13 rate case costs, salaries for full-time staff at Pike,
14 and other inflationary items.
15 Higher taxes are attributable to higher payroll and
16 property taxes.
17 Partially offsetting these increases is the overall
18 cost of capital, which is lower due to lower debt
19 costs and a lower equity ratio, than reflected in
20 rates.
21 Higher delivery revenues also partially offset the
22 increases discussed above.

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EXHIBIT G-1 HISTORICAL FINANCIAL DATA

Q. Please describe Exhibit G-1.

A. Exhibit G-1 contains the historic financial data for Pike as required by PAPUC regulations. Schedule 1 shows the balance sheets of Pike at June 30, 2020 and June 30, 2019. Schedule 2 provides the account balances comprising the Company's net investment in electric, gas and common utility plant in service at June 30, 2020. Schedule 3 is an income statement that shows the derivation of net income for gas and gas operations for the year ended June 30, 2020. Schedule 4 is a comparative income statement for Pike's gas operations for the twelve months ended June 30, 2020 and June 30, 2019. Schedule 5 shows the intercompany charges billed to Pike under the terms of the intercompany agreement with CNG for the twelve months ended June 30, 2020. Schedule 6 shows the intercompany cost allocation factors currently in effect. Schedule 7 show the activity impacting the Intercompany Payable between Pike and CNG between June 30, 2019 and June 30, 2020. These charges and credits

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1 are in accordance with the terms of the intercompany
2 agreement between Pike and CNG.

3

4

INTERCOMPANY COST ALLOCATIONS

5 Q. Is the Accounting Panel familiar with Pike's books and
6 records, as well as the intercompany cost allocations
7 between Pike and Corning Natural Gas Corporation
8 ("CNG"), pursuant to which certain Administrative and
9 General costs, including but not limited to, wages,
10 shared services and taxes, are allocated to Pike?

11 A. Yes.

12 Q. Are the accounts of the Company kept in accordance
13 with the Uniform System of Accounts as prescribed by
14 the PAPUC?

15 A. Yes.

16 Q. Please describe Exhibit G-1, Schedule 5 in more
17 detail.

18 A. Exhibit G-1, Schedule 5, "Statement of Charges Made by
19 Corning Natural Gas Corporation to Pike County Light &
20 Power Company's Gas Operations" is submitted in
21 support of the charges for gas operations billed by
22 CNG to Pike. The schedule sets forth by prime account

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1 each item for which a direct charge is made or which
2 was the result of an allocation.

3 **Q. What types of services are billed by CNG to Pike based**
4 **on direct charges?**

5 A. As part of the approval process for the acquisition of
6 Pike by CNG, the New York State Public Service
7 Commission (NYPSC) and PAPUC have required CNG to bill
8 Pike on a direct charge basis for services rendered by
9 CNG whenever it is practical, based on payroll
10 records, direct payments to vendors and contractors,
11 and usage studies supporting the distribution of
12 clearing accounts. Further CNG is required to develop
13 and update Cost Allocation factors annually for shared
14 expenses. The factors that are currently in effect
15 are shown on Schedule 6 of Exhibit G-1. The direct and
16 allocated charge billings are for activities and
17 services rendered that are for the exclusive benefit
18 of Pike's customers, and are primarily shared
19 administrative costs such as customer billing and
20 collection, processing of invoices, administration of
21 benefit plans, Accounting, Tax and Financing

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1 functions, Information Technology and Computer
2 Services.

3 **Q. Please describe the types of costs allocated by CNG to**
4 **Pike and the methods of allocation used.**

5 A. The types of costs allocated and the basis for such
6 allocations are shown on Schedule 6 of Exhibit G-1.
7 Costs that are impractical to charge on a direct basis
8 are allocated to Pike based on the relationship,
9 during the preceding calendar year, for the type of
10 expense of Pike to the total expenses incurred by CNG
11 and its utility subsidiaries. For the twelve months
12 ended February 28, 2021, the ratios are as follows:

13 "A" Allocation Factor - Invoice Processing
14 Number of Pike Gas Invoices $\frac{164}{6,065} = 2.70\%$
15 Total Invoices Processed

16
17 "B" Allocation Factor - Human Resource Administration
18 Pike Gas Payroll $\frac{\$104,526}{\$5,094,099} = 2.05\%$
19 Total Payroll

20
21 "C" Allocation Factor - Health Insurance, Pension, etc.
22 Three part calculation that combines the payroll used
23 in the B allocation with the number of active
24 employees used in the D allocation and retired
25 employees of which Pike has none. = 1.13%

26
27 "D" Allocation Factor - Payroll Processing
28 Pike Gas Employees $\frac{1}{74} = 1.35\%$
29 Total Employees

30
31 "E" Allocation Factor - Billing & Receipts Processing

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1	Pike Gas Bills Rendered	<u>1,244</u>	= 5.91%
2	Total Bills Rendered	252,576	
3			
4	"F" Allocation - Accounting Functions		
5	Three part calculation that combines plant in service		
6	balances with revenues used in H and payroll used in B		
7	allocation.		= 2.69%
8			
9	"G" Allocation - Plant Close-Outs		
10	Change in Pike Gas Plant	\$ (199,329)	= 0.00%
11	Total change in Plant	\$5,040,099	
12			
13	"H" Allocation - Customer Service (Call Center)		
14	Pike Gas Revenues	<u>\$1,629,723</u>	= 4.59%
15	Total Revenues	\$35,504,844	
16			
17	"I" Allocation - Fixed Asset Accounting		
18	Pike Gas Net Plant	<u>\$2,895,844</u>	= 2.76%
19	Total Net Plant	\$104,939,822	
20			
21	"J" Allocation - Income Taxes		
22	Combines net income with permanent and temporary		
23	income tax timing differences		= 4.31%
24			
25	"K" Allocation - Operational Services		
26	Combines Capital expenditures with O&M expenses		
27	(excluding purchased power)		= 2.15%
28			
29	"L" Allocation - Purchasing Activities		
30	Pike Purchase Requisitions	<u>13</u>	= 3.29%
31	Total Purchase Requisitions	397	
32			

33 With regard to Federal income taxes, CNG and its
34 subsidiaries file a consolidated Federal Income tax
35 return and any tax liability or benefit is allocated
36 among CNG and its subsidiaries as provided for in
37 Section 1152-1 (a) (2) of the Internal Revenue Code of

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1	Long-Term Debt	46.54%
2	Short-Term Debt	5.14%
3	Common Equity	<u>48.32%</u>
4	Total	<u>100.00%</u>

5

6 **Q. Do you believe that this is a reasonable capital**
7 **structure to be employed in this proceeding?**

8 A. Yes, we do.

9 **Q. Please explain why this capital structure is**
10 **appropriate?**

11 A. It reflects the forecast ratios of capital being
12 employed by Pike, as set forth on Exhibit G-2,
13 Schedule 1 for the twelve months ending June 30, 2021.
14 The capital structure reflects the proportions of the
15 actual capital being used in the utility's business
16 plus a projected debt financing. We would note that
17 Exhibit G-2, Schedule 2, page 2 of 2 includes new
18 long-term debt that Pike issued at the end of October
19 2020, in the amount of \$1.315 million for 3.6%. The
20 average daily short-term debt balance for the Twelve
21 Months Ended June 30, 2020 of \$1,318,134 was reflected
22 in the Capital Structure as of June 30, 2021 as a

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1 proxy for the average short-term debt balance at June
2 30, 2021. The current cost of short-term debt of 3.1%
3 was used in calculating the cost of this debt. This
4 capital structure is reasonable when compared to the
5 capital structure of other companies and weighted more
6 towards debt when compared to capital structures filed
7 by Pike in the prior cases.

8 **Q. What is your conclusion as to the reasonableness of**
9 **Pike's requested common equity ratio in this**
10 **proceeding?**

11 A. Based on the above discussion, we conclude that the
12 48.32 percent common equity ratio requested by Pike in
13 this proceeding is reasonable. The equity ratio
14 reflects Pike's forecast of net earnings during the
15 Twelve Months Ended June 30, 2021 and thus is
16 appropriate to use in this proceeding.

17 **Q. What cost of equity return is the Company requesting**
18 **in this proceeding?**

19 A. As shown on Exhibit G-2, Schedule 3, the cost of
20 equity return is 9.75 percent.

21 **Q. What overall rate of return ("ROR") is the Company**
22 **requesting in this proceeding?**

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1 A. As shown on Exhibit G-2, Schedule 3, the overall ROR
2 is 7.09 percent.

3

4

Exhibit G-3 GAS RATE BASE

5 **Q. Please describe Exhibit G-3.**

6 A. Exhibit G-3 consists of a summary and eleven schedules
7 containing Pike's historic and future gas rate base.
8 Schedules 10 and 11 are discussed by Company Witness
9 Grandinali.

10 **Q. Please describe the method used to calculate the**
11 **historic gas rate base at June 30, 2020 as shown on**
12 **the summary page.**

13 A. We began with actual gas utility plant and plant
14 reserves to arrive at net plant at June 30, 2020. To
15 net plant, we added cash working capital, materials
16 and supplies, prepayments, and deferred debits.
17 Finally, we deducted deferred credits, accumulated
18 deferred income taxes, and customer deposits to arrive
19 at gas rate base.

20 **Q. Please describe the method used to calculate the**
21 **forecast gas plant balance at December 31, 2021.**

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1 A. We began with the actual gas plant in service balance
2 per books at June 30, 2020. The completed
3 construction work in progress ("CWIP") projects were
4 transferred to plant as shown on Exhibit G-3, Schedule
5 1, pages 1 and 4. We would note that because of
6 Pike's small size and the effort required to summarize
7 the CWIP projects, they are normally transferred to
8 plant-in service at the end of its fiscal year (i.e.,
9 September 30th). Company Witness Grandinali provided
10 us with the budgeted gas distribution expenditures and
11 additions scheduled for July 1, 2020 through December
12 31, 2021 shown on Exhibit G-3, Schedules 10 and 11.
13 Retirements were projected through December 31, 2021.
14 For distribution plant retirements were based on
15 historic levels. Common general plant, other than
16 computer software, is amortized over five years. As a
17 result, assets placed in service during 2015 - 2016,
18 will be retired in 2020 - 2021. The calculated
19 adjustment for distribution plant of \$954,000 is shown
20 on Exhibit G-3, Schedule 1, page 1 of 4. The
21 adjustment for common general plant allocated to gas

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1 of \$60,900 is shown on Exhibit G-3, Schedule 1, page 2
2 of 4.

3 **Q. What is the purpose of Exhibit G-3, Schedule 1, page 3**
4 **of 4?**

5 A. Exhibit G-3, Schedule 1, page 3 of 4 is necessary to
6 allocate shared net plant related to administrative
7 offices, equipment, and computers used by CNG
8 employees that provide services to Pike. Office space
9 was allocated on the basis of square footage utilized
10 by those employees (i.e., 0.35%). Furniture,
11 equipment, and computers were allocated on the basis
12 of CNG administrative wages charged to Pike (i.e.,
13 0.96%).

14 **Q. What is the purpose of Exhibit G-3, Schedule 1, page 4**
15 **of 4?**

16 A. As discussed above Exhibit G-3, Schedule 1, page 4 of
17 4 is necessary to reclassify completed plant additions
18 from construction work in progress to plant in
19 service. The offset is shown in Exhibit G-3, Schedule
20 1, page 1 of 4.

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1 Q. Please describe the calculation of the accumulated
2 provision for depreciation of gas plant in service for
3 the period ending December 31, 2021.

4 A. We began with the per books balance at June 30, 2020,
5 added accruals projected for the 18 months ending
6 December 31, 2021 and subtracted projected retirements
7 for the same period to arrive at the ending balance at
8 December 31, 2021. Our calculated adjustment of
9 \$24,200 for the gas plant reserve is shown on Exhibit
10 G-3, Schedule 2, page 1 of 2.

11 Q. Please describe the calculation of the accumulated
12 provision for depreciation of common plant in service
13 for the period ending December 31, 2021.

14 A. We began with the per books balance at June 30, 2020
15 and added accruals projected through December 31, 2021
16 and subtracted projected retirements for the same
17 period to arrive at the ending balance at December 31,
18 2021. The calculated adjustment of \$16,900 is shown
19 on Exhibit G-3, Schedule 2, Page 2.

20 Q. How did you calculate the cash working capital for the
21 twelve months ending June 30, 2020 and 2021?

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1 A. We prepared a lead/lag study. The results of the
2 study are shown on Exhibit G-3, Schedule 3 pages 1 and
3 2.

4 **Q. Please provide an overview of the lead/lag study and**
5 **describe its results.**

6 A. The lead/lag study utilizes accounting information and
7 financial studies for the twelve months ended June 30,
8 2020 to determine the net lag days. The net lag days
9 are applied to the cost of service inputs for the
10 years ending June 30, 2021, in order to determine the
11 cash working capital requirements reflected in rate
12 base. The study indicates a cash working capital
13 requirement of \$72,505 for the twelve months ended
14 June 30, 2021 as shown on Exhibit G-3, Schedule 3,
15 pages 2 and 2. We would note that the working capital
16 requirement for the Twelve Months Ended June 30, 2020
17 is shown on Exhibit G-3, Schedule 3, page 1 of 2.
18 The purpose of the cash working capital component of
19 rate base is to compensate the Company for funds it
20 provides to pay operating expenses in advance of
21 receipt of revenue. It reflects the amount of capital
22 over and above investment in plant and other

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1 separately identified rate base items provided by the
2 Company to bridge the gap between the time the Company
3 provides service and the time the Company collects
4 revenue for that service. A lead or lag reflects the
5 amount of time that elapses between when a party
6 provides a product or service, and when that providing
7 party is compensated for the product or service
8 provided. For the purpose of this study, the amount
9 of lead or lag times was calculated in days. We note
10 that the while the study period was a leap year (i.e.,
11 contained 366 days), we reflected 365 days in our
12 calculations, since the twelve months ended June 30,
13 2021 has 365 days.

14 **Q. Please describe the revenue component of the lead/lag**
15 **study.**

16 A. The lag on revenue collection consists of three
17 components:

- 18 • the time between rendering of service and meter
19 reading;
- 20 • the time between meter reading and billing of
21 services; and

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1 • The time between billing of services and
2 collection of revenue.

3 Pike's customers are billed on a monthly cycle. The
4 average time from the rendering of service to meter
5 reading date is calculated to be 15.2 days. The 15.2
6 days was calculated by dividing 365 days by twelve
7 months and then dividing by two to achieve the mid-
8 point for each monthly service period (365 days / 12
9 months / 2 = 15.2 days). Based on an examination of
10 the meter reading and billing data for the year ended
11 June 30, 2020, on average, it took 1.9 days from the
12 time meters were read to the time bills were generated
13 and mailed out. Generally, billing occurs the same
14 day the meter reading is completed for that particular
15 cycle, with mailing occurring the following day. The
16 billing to collection lag was determined by analyzing
17 payments for the Twelve Months Ended June 30, 2020.
18 Average lag days were generated for each revenue class
19 of billing and weighted by their amounts. Based on
20 this analysis, on average, bills were outstanding for
21 17.1 days. Combined, the total lag in revenue recovery

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1 of energy bills and miscellaneous operating revenues
2 is 34.2 days.

3 **Q. Please describe the treatment of cost of service in**
4 **the study.**

5 A. The cost of service was broken down into the basic
6 components of operating expense and operating income.
7 Operating income, which represents a return on
8 invested capital, is included as a component of the
9 cost of service.

10 **Q. Please describe the treatment of purchased power**
11 **expenses in the study.**

12 A. The cost of purchased gas and related expenses are
13 billed monthly and are required to be paid within 10
14 days of receiving the invoice. Invoices are normally
15 received within the first few days following the
16 service month. The lag measured from the mid-point of
17 the month ($365 \text{ days} / 12 \text{ months} / 2 = 15.2 \text{ days}$) to
18 the date of payment for services, normally on or
19 before 15 days after the end of the service month,
20 totals 30.2 days.

21 **Q. How was the System Benefit Charge ("SBC") expense**
22 **reflected?**

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1 A. For purposes of the lead lag calculation both the SBC
2 recoveries and offsetting expense have the same number
3 of lag days (i.e., 34.2 days).

4 **Q. Please describe the treatment of salaries and wages.**

5 A. The lag for salaries and wages was calculated to be 11
6 days. All employees are paid Bi-Weekly on the
7 Thursday following the weeks worked resulting in an
8 11-day lag (service period 14 days) / 2 = 7 day
9 midpoint plus 4 days until payment is made.

10 **Q. Please describe the lag days associated with pensions.**

11 A. The Company sponsors a 401K plan that includes a
12 partial match of employee contributions. The match is
13 paid at the same time as payroll, so the 11 day lag
14 was assigned to fund contributions.

15 **Q. Please describe the lags associated with employee**
16 **welfare expenses.**

17 A. Employee welfare premiums for health, life and
18 Workers' Compensation insurance are administered by
19 CNG. Pike reimburses CNG on the 15th day of the month
20 following the service month. The lag measured from
21 the mid-point of the service month (365 days / 12

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1 months / 2 = 15.2 days) to the date of payment for
2 services (15 days), totals 30.2 days.

3 **Q. How was the lag for intercompany payments calculated?**

4 A. As with employee welfare expenses discussed above, the
5 lag is measured from the mid-point of the month (365
6 days / 12 months / 2 = 15.2 days) to the date of
7 payment for services (15 days), totaling 30.2 days.

8 **Q. Please describe the lag associated with uncollectible**
9 **accounts expense.**

10 A. Uncollectible accounts expense was lagged at 34.2
11 days, consistent with the revenue recovery lag, to
12 reflect the portion of revenue that is uncollectible.

13 **Q. Please describe the lag associated with other**
14 **Operation and Maintenance ("O&M") expenses.**

15 A. The lag on other O&M expenses was calculated to be
16 22.1 days. This calculation is based on an analysis
17 of accounts payable payments made to vendors for
18 materials and services charged to O&M expense. Lag
19 days were measured from the mid-point of the month
20 (365 days / 12 / 2 = 15.2) to the date of payment for
21 services (8.0 days), totals 23.2 days.

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1 Q. Please describe the lead or lag associated with taxes
2 other than income taxes.

3 A. FICA payroll taxes are funded at the same time as
4 payroll and assigned the same 11.0 day lag.
5 Pennsylvania property taxes are amortizations of
6 prepaid costs and were assigned zero lag days. The
7 average unamortized prepaid balance for property taxes
8 is shown and included in Rate Base on Exhibit G-3,
9 Schedule 5. If the prepaid balances are eliminated
10 from Rate Base it will be necessary to adjust the Lead
11 Lag Study to include the (lead) / lag times for
12 prepaid expenses.

13 Q. Please describe the lag days associated with Federal
14 and state income taxes.

15 A. The Federal Income Tax ("FIT") and state income tax
16 lag assumes four annual payments (i.e., September 15th,
17 December 15th, April 15th, and June 15th). We
18 determined that there was a lag of 38.5 days by the
19 number of days that elapsed from the mid-point of the
20 service period (i.e., December 30, 2019) and the four
21 payments, respectively.

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1 Q. Please describe the lag days associated with the
2 amortization of deferred expenses, deferred federal
3 and state income taxes, depreciation, and return on
4 invested capital.

5 A. These components were assigned zero lag days because
6 they are non-cash items.

7 Q. How did you calculate the Plant Materials and Stores
8 component of gas working capital?

9 A. We used the average balance for the twelve months
10 ended August 31, 2020 as a proxy for the plant
11 material balances for the twelve-month period ended
12 June 30 2021. The calculation is shown on Exhibit G-
13 3, Schedule 4.

14 Q. How did you calculate the prepayments component of gas
15 working capital?

16 A. We used the same method we used to calculate the plant
17 material balances. The components of prepayments and
18 the balances used for the calculations are shown on
19 Exhibit G-3, Schedule 5.

20 Q. Please describe Exhibit G-3, Schedule 6.

21 A. Schedule 6 contains the forecast deferred rate case
22 cost that is included in rate base. The Company

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1 estimates that it will incur \$150,000 of outside legal
2 and consulting costs related to the gas and gas rate
3 filings. \$22,500 of these costs was allocated to gas
4 operations based on a net plant split. On Schedule 6,
5 we calculated the after tax amount for this item to be
6 approximately \$16,000.

7 **Q. Please describe Exhibit G-3, Schedule 7.**

8 A. At June 30, 2020, the Company had a negative deferred
9 credit balance of \$28,569 related to timing
10 differences created by the Federal Tax Cuts and Jobs
11 Act (TCJA) that will turn around in the future. The
12 net of Tax balance for this item is forecast to be
13 \$20,300 at June 30, 2021 and is reflected as a rate
14 base addition in Exhibit G-3, Summary.

15 **Q. Please describe the calculation of customer deposits
16 as shown on G-3 Schedule 8.**

17 A. We used the average balance for the twelve months
18 ending August 31, 2020 as a proxy for the twelve-month
19 period ending June 30, 2021.

20 **Q. Did you calculate the deferred income taxes for the
21 twelve months ending June 30, 2021?**

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1 A. Yes. This calculation, shown on Exhibit G-3, Schedule
2 9, presents the difference between the balances of
3 accumulated deferred income taxes at June 30, 2020 and
4 June 30, 2021, respectively.

5

6 **EXHIBIT G-4 GAS COST OF SERVICE**

7 **Q. Please describe Exhibit G-4.**

8 A. Exhibit G-4 consists of a summary and ten schedules
9 containing the historic and future gas cost of
10 service. The Accounting Panel supports all schedules.
11 Page 1 of the Summary shows the historic and forecast
12 cost of service, page 2 of the Summary shows the
13 calculation of the revenue requirement, and page 3 of
14 the Summary lists all of the adjustments to the cost
15 of service.

16 **Q. How did you develop the historical and forecast cost**
17 **of service?**

18 A. We began with the actual per books information for the
19 twelve months ended June 30, 2020. This information
20 is shown in Column 1 of Exhibit G-4, Summary, Page 1
21 of 3. Column 3 sets forth the adjustments necessary
22 to bring historical revenues, expenses, and rate base

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1 in line with the levels of revenues, expenses and rate
2 base projected for the twelve months ending June 30,
3 2021.

4 **Q. Please describe how the revenue requirement of**
5 **\$262,200 shown on page 2 of the Summary was**
6 **calculated?**

7 A. We began with the projected June 30, 2021 rate base
8 from Exhibit G-3, Summary. To this balance we applied
9 the overall rate of return shown on Exhibit G-2,
10 Schedule 3. This produced a return of \$288,698. We
11 compared this number to the earned return projected on
12 page 1, column 4 of the Summary, which was \$105,100.
13 The difference between these two amounts is \$183,598,
14 which we factored up for customer uncollectibles and
15 income taxes to arrive at a revenue requirement of
16 \$262,208 or \$262,200 rounded.

17 **Q. Please describe Exhibit G-4, Schedule 1, Page 1 of 2.**

18 A. Exhibit G-4, Schedule 1, Page 1 of 3 compares the
19 forecast billed gas sales and revenues for the Twelve
20 Months Ended June 30, 2021 to the actual gas sales and
21 revenues for the Twelve Months Ended June 30, 2020.
22 The calculation of the forecast delivery revenues and

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1 gas cost recoveries for the Twelve Months Ended June
2 30, 2021 come from Exhibit G-5, Schedule 6.

3 **Q. Please continue with page 2 of Schedule 1.**

4 A Exhibit G-3 Schedule 1, page 2 of 2 shows Other
5 Operating Revenues for the Twelve Months Ended June
6 30, 2020 and 2021. The forecast of Late Payment Charge
7 ("LPC") revenues was calculated by taking the ratio of
8 actual LPC revenues to total billed gas revenues for
9 the twenty-four months ended June 30, 2020. This
10 resulted in a LPC factor of 0.17%, which was
11 multiplied by the forecast of gas revenues shown on
12 Page 1 of Schedule 1 to project LPC revenues of
13 \$2,769.

14 **Q. Please describe Exhibit G-4, Schedule 2.**

15 A. Exhibit G-4, Schedule 2 reflects the change in
16 purchased gas costs and matches projected gas cost
17 recoveries through the GCR for the Twelve Months Ended
18 June 30, 2021.

19 **Q. Please explain the increases in salaries shown in
20 Exhibit G-4, Schedule 3.**

21 A. Page 1 of Exhibit G-4, Schedule 3 contains the
22 calculation of the annual wage increases. We took

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1 both direct and allocated payroll that was charged to
2 Pike's gas operations and first removed the October
3 2019 increase in order to determine base wages before
4 the increase that went into effect during the twelve
5 months Ended June 30, 2020. We then annualized the
6 October 2019 wage increase by multiplying the base
7 salaries before the increase by 25% of 3.0% (i.e.,
8 0.75 percent), representing the three months beyond
9 the historic test year, representing the increase that
10 will go into effect during July - September 2020. We
11 next applied the estimated annual overall increase of
12 3.0% that will go into effect in October 2020 to the
13 actual payroll for the Twelve Months Ended June 30,
14 2020 plus the annualized increase. This Schedule will
15 be updated for the actual overall wage increase
16 percentage when the Company files an update.

17 **Q. What is the basis for the wage increase factor of 3.0**
18 **percent?**

19 A. The Company's overall general wage increase guidelines
20 were set at 3.0 percent. While some employees may
21 receive more than a 3.0 percent increase due to
22 promotions and changes in responsibilities, others may

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1 receive less. There is always a small level of
2 employee turnover in the mix of salaries, due to
3 retirements and employees leaving for other reasons.
4 In some cases the salary for the replacement is at a
5 lower wage rate and sometimes they are at a higher one
6 than the current incumbent. The Company tries to keep
7 the overall level of increases in wages to be no more
8 than 3.0 percent.

9 **Q. Please continue.**

10 A. Page 2 of Exhibit G-4, Schedule 3 reflects the cost of
11 three new positions to be added during the Twelve
12 Months Ended June 30, 2021. The first would be a full
13 time Pike employee. It is anticipated that the person
14 to be hired in this position will perform multi-
15 functions; including materials management and
16 procurement, customer service, and oversee maintenance
17 of the office facilities for Pike. Twenty percent of
18 the salary for this position was allocated to Pike's
19 gas operations based on the current gas vs. electric
20 customer split (i.e., 1,200 / 6,000). The two
21 Accounting positions shown on the Schedule would be
22 hired and work for Corning Natural Gas Corporation.

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1 It is anticipated that twenty percent of their time
2 would be devoted to Pike. We assigned 3 percent of
3 their estimated salaries to Pike's gas operations
4 (i.e., 15 percent net plant split x 20 percent Pike
5 allocation = 3 percent).

6 **Q. Please continue with a description of Adjustment No.**
7 **(4), Changes in Operation and Maintenance Expense to**
8 **Reflect the Estimated Increase in Payroll Ancillary**
9 **Costs and Adjustment No. (9), Changes in Taxes Other**
10 **Than Income Taxes to Reflect Increases in Payroll**
11 **Taxes, as shown on Exhibit G-4, Summary, as well as on**
12 **Exhibit G-4, Schedule 4 and Schedule 9, Page 1,**
13 **respectively.**

14 **A.** The estimated increase in payroll ancillary costs,
15 which amounts to \$10,800, was calculated by applying a
16 fringe benefit rate of 46.05% to the forecasted wage
17 increase amounts, shown on Exhibit G-4, Schedule 4,
18 Pages 1 and 2, and which was described above. The
19 46.05% fringe benefit rate includes the cost of health
20 and life insurance at 38.27%, Workers' Compensation
21 insurance at 2.26%, and Pike's 401K matching
22 contribution of 5.52%. These rates were developed

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1 based on the historic cost of each benefit item in
2 relation to the total historic labor costs for the
3 twelve months ended June 30, 2020. The estimated
4 Payroll Taxes of \$16,149 was calculated by applying
5 the payroll tax rate of 7.65% to the forecasted wages
6 shown on Exhibit G-4, Schedule 9, page 2 of 2. The
7 \$16,149 represents an increase of \$9,015 from the
8 historical level shown on Exhibit G-4, Schedule 9,
9 page 1 of 2. The 7.65% payroll tax rate includes the
10 cost of Federal Insurance Contribution Act Tax at
11 6.20% and Medicare at 1.45%. These tax rates are
12 based on the current statutory rates.

13 **Q. Please describe Adjustment No. (5), Changes in**
14 **Operation and Maintenance Expense to reflect the**
15 **amortization of estimated rate case expenses, as shown**
16 **on Exhibit G-4, Schedule 5.**

17 A. Adjustment No. (5) Represents an increase in O&M
18 expense of \$5,600 to reflect a four-year amortization
19 of estimated incremental costs associated with this
20 rate case. As shown on Schedule 5, Pike estimates
21 that it will incur \$22,500 of costs in the preparation
22 and filing of this case, which are primarily for

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1 consultant fees to prepare the exhibits and testimony
2 in support of the revenue requirement, cost service
3 study, rate design, and outside legal fees.

4 **Q. Please describe Adjustment No. (6), for intercompany**
5 **administrative and operating charges, as shown on**
6 **Exhibit G-4, Summary, as well as on Exhibit G-4,**
7 **Schedule 6.**

8 A. This adjustment reflects the test year level of
9 intercompany charges not reflected in other schedules
10 of \$72,623, (e.g., payroll, taxes other, etc.). To
11 this amount we applied the current Consumer Price
12 Index of 1.0% to escalate these costs for the Twelve
13 Months Ended June 30, 2021. This adjustment increases
14 O&M expense by \$726 which was rounded to \$700.

15 **Q. Please address Adjustment No. (7), as shown in G-4,**
16 **Schedule 7.**

17 A. Adjustment No. (7) adjusts the uncollectible expense
18 recorded on the Company's books to reflect the actual
19 net bad debt write-offs experienced during the twenty-
20 four months ended June 30, 2020. We took the actual
21 net write-offs (i.e., customer bills written off as
22 uncollectible less recoveries), as a percentage of

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1 billed revenues during the same period of time. This
2 produced a factor of 1.53 percent. This percentage
3 was applied to the projected revenues for the twelve
4 months ended June 30, 2021 to calculate the annual bad
5 debt expense of \$25,087. This expense was compared to
6 the uncollectible accruals recorded during the twelve
7 months ended June 30, 2020, which was a negative
8 expense of \$13,950 to arrive at the adjustment of
9 \$39,037 or \$39,000 rounded.

10 **Q. Why was uncollectible expense a negative amount of**
11 **\$13,950 for the twelve months ended June 30, 2020?**

12 A. During the twelve months ended June 30, 2020, the
13 Company was able to collect some of the amounts that
14 had been written off in the prior year as
15 uncollectible. Since there is an inherent lag between
16 the time customer bills are written off and the
17 possible recovery of a portion of those write-off's we
18 utilized a two-year period to normalize this time lag
19 in developing the uncollectible factor of 1.53
20 percent.

21 **Q. Please explain Adjustment (8) to depreciation expense.**

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1 A. Exhibit G-4, Schedule 8 consists of four pages. The
2 first page shows the calculation of depreciation
3 expense for the rate year, the Twelve Months Ended
4 June 30, 2021. Page 2 shows the calculation of the
5 composite book depreciation rate for gas distribution
6 and general plant that was utilized on page 1 of this
7 Exhibit. Page 3 shows the calculation of the average
8 amortization rate for common general plant that was
9 reflected page 1 of this Exhibit. Finally, page 4
10 shows the current allowance for net salvage and the
11 amortization of an unallocated reserve established in
12 Case R-2008-2046518.

13 **Q. Please explain how the adjustment to depreciation**
14 **expense shown on page 1 of Schedule 8 was calculated.**

15 A. We started with the gas distribution and common
16 general plant balances allocated to gas at June 30,
17 2020. To these balances we eliminated non-depreciable
18 plant. We then reflected the plant additions and
19 retirement as shown on Exhibit G-3, Schedule 1, pages
20 1 and 2 to calculate the plant balance subject to
21 depreciation at June 30, 2021. The plant balances
22 were then multiplied by the composite depreciation

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1 rates from pages 2 and 3 to calculate the rate year
2 level of depreciation expense of \$125,030. This level
3 was compared to the Test Year level of \$91,309 and
4 resulted in the depreciation adjustment of \$33,722
5 which was rounded to \$33,700.

6 **Q. What is the purpose of the depreciation reserve**
7 **calculations shown at the bottom of page 1 of Exhibit**
8 **G-4, Schedule 8?**

9 A. The calculated increases in the depreciation reserve
10 are reflected in Rate Base Exhibit G-3, Schedule 2,
11 pages 1 and 2.

12 **Q, Are the depreciation, amortization, net salvage rates**
13 **shown on pages 2 through 4 the same as contained in**
14 **the Settlement Agreement approved by the PAPUC in Case**
15 **R-2013-2397353?**

16 A. Yes, with the exception of some general plant accounts
17 that did not exist at the time of the Agreement. For
18 computer equipment and software (recorded in Account
19 391), the Company is amortizing this plant over its
20 estimated useful life of ten years. Transportation
21 equipment (FERC Account 392) along with small tools

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1 and equipment (FERC Account 392) are being amortized
2 over five years.

3 **Q. With regards to the current allowance for removal and**
4 **net salvage shown Exhibit G-4, Schedule 8 on page 4,**
5 **why hasn't the Company proposed any changes to the**
6 **current allowances?**

7 A. Pike has not proposed any changes to the current
8 allowances for removal and net salvage because we do
9 not have adequate historic data to recommend changes
10 at this time. The current allowance of \$5,882 is
11 shown on Exhibit G-4, Schedule 8, Page 4.

12 **Q. Please discuss the recovery of net salvage.**

13 A. In lieu of recovering net salvage costs through the
14 annual depreciation rate, the PAPUC establishes an
15 annual allowance to be collected from, or returned to,
16 customers through base rates which is computed by
17 averaging the Company's annual actual expenditures for
18 net salvage costs. That amount is then added to or
19 subtracted from annual depreciation expense.

20 **Q. Please explain the amortization of the reserve**
21 **deficiency of \$900, shown on the bottom of Exhibit G-**
22 **4, Schedule 8, Page 4.**

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1 A. As a result of a previous gas base rate case (Docket
2 No. R-2008-2046520), the Company moved the deficiency
3 in the depreciation reserve out of the allocated
4 portion of the reserve, which maintains a reserve for
5 each plant account to an unallocated account. The
6 Company is in the process of collecting that
7 deficiency from customers.

8 **Q. Are you proposing any changes to the unallocated**
9 **reserve and its associated amortization to collect**
10 **that money to customers?**

11 A. No, we are not.

12 **Q. Please describe Adjustment No. (9), Changes in Taxes**
13 **Other, as shown Exhibit G-4, Schedule 9, Page 1.**

14 A. Adjustment No. (9), in addition to the change to
15 payroll taxes discussed above, reflects the change in
16 property taxes for the Twelve Months Ending June 30,
17 2021. Property tax expense was based on the latest
18 actual tax bills.

19 **Q. Please describe Adjustment No. (10), Calculation of**
20 **Income Tax Expense for the Twelve Months Ending June**
21 **30, 2021, as shown Exhibit G-4, Schedule 10.**

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1 A. Adjustment No. (10) shows the necessary additions and
2 subtractions that must be made to operating income
3 before taxes in order to determine taxable income to
4 which the statutory tax rates are applied.

5 **Q. Please explain page 3 of Schedule 10.**

6 A. Page 3 shows the calculation of the interest deduction
7 included in page 1 of Schedule 10. The weighted cost
8 of debt of 2.38 percent comes from Exhibit G-2,
9 Schedule 3 after combining the weighted interest cost
10 for both long and short term debt and is multiplied by
11 Pike's rate base to determine the interest deduction
12 reflected on pages 1 and 2 of this Exhibit.

13

14

15

16

EXHIBIT G-5 GAS SALES AND REVENUES

17 **Q. What were Pike's actual total delivery volumes for the**
18 **12 months ended June 30, 2020?**

19 A. Pike's actual total delivery volumes for the 12 Months
20 Ended June 30, 2020 were 1,372,711 CCFs as shown on
21 Exhibit G-5, Schedules 1 and 5. The associated actual

**PIKE COUNTY LIGHT & POWER COMPANY
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STATEMENT NO. 2
DIRECT TESTIMONY OF
ACCOUNTING PANEL
CHUCK LENNS AND RICHARD A. KANE**

1 monthly billed revenues for the 12 Months Ended June
2 30, 2020, are shown on Exhibit G-5, Schedule 3.

3 **Q. Please summarize, in aggregate form, your delivery**
4 **volume forecasts for the 12 months ending June 30,**
5 **2021.**

6 A. For the 12 months ending June 30, 2021, the total
7 delivery volume forecast is 1,453,701 CCFs, which is
8 an increase of 80,990 CCFs from the 12 months ended
9 June 30, 2020 and reflects a 5.9 percent growth for
10 the period. The calculation of the forecast sales is
11 shown on Exhibit G-5, Schedule 5.

12 **Q. How did you project the Company's gas billed delivery**
13 **volumes?**

14 A. As shown on Exhibit G-5, Schedule 5, we started with
15 the actual delivery volumes for the Twelve months
16 ended June 30, 2020. To this level we added 67,543
17 CCFs in order to weather normalize the historic level
18 of sales. The weather normalization adjustment was
19 provided to us by the Company's Cost of Service and
20 Rate Panel. This resulted in weather normalized sales
21 for the historic period of 1,440,254 CCFs. To this

**PIKE COUNTY LIGHT & POWER COMPANY
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1 level of sales we made an adjustment to reflect the
2 actual historic growth in sales for commercial
3 customers. Residential usage has been declining over
4 time, which may be attributable to conservation and
5 the replacement of older heating units with more
6 energy efficient furnaces. We did not assume any
7 decrease or increase in sales for residential
8 customers, other than to reflect usage for the
9 projected growth in new customers. The projected
10 growth in residential customers was based on the
11 actual growth between the Twelve Months Ended June 30,
12 2019 and June 30, 2020. Finally we made an adjustment
13 to the residential and commercial customers to
14 normalize the impact of leap year. The Twelve months
15 ended June 30, 2020 had 366 days. This adjustment
16 normalized the rate year to 365 days.

17 **Q. Please explain how you estimated Pike's gas revenues**
18 **for the forecast period.**

19 A. The projected gas revenues are shown on Exhibit G-5,
20 Schedule 6. We populated this Schedule with the
21 projected delivery volumes from Schedule 5 in column 1

**PIKE COUNTY LIGHT & POWER COMPANY
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1 and the forecast number of customers in column 2. We
2 then priced out the monthly customer charge shown in
3 Column 3 by multiplying the number of customers in
4 Column 2 by the current tariff rates. Delivery
5 revenues shown in column 4 were calculated by taking
6 the sales volumes shown in column 1 and multiplying it
7 by the current tariff rates for residential customers.
8 For commercial customers we priced out the revenues by
9 first factoring up the monthly historic weather
10 normalized usage to reflect the rate year level of
11 sales on a monthly basis. We then applied the current
12 tariff rates for commercial customers to the forecast
13 sales.

14 **Q. Why was it necessary to reflect the monthly weather**
15 **normalized historic usage of commercial customers in**
16 **your calculation of delivery revenues?**

17 A. Commercial customers currently pay 46.03 cents per CCF
18 on their first 300 CCFs of monthly consumption and
19 30.51 cents for usage over 300 CCFs. The monthly
20 weather normalized historic sales we used had the
21 historic usage patterns (i.e., deliveries up to 300

**PIKE COUNTY LIGHT & POWER COMPANY
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ACCOUNTING PANEL
CHUCK LENNS AND RICHARD A. KANE**

1 CCF and deliveries over 300 CCF). This was needed in
2 order to price out monthly consumption with the
3 appropriate tariff rate.

4 **Q. Please continue.**

5 A. Gas Cost Rider ("GCR") revenues columns 5 were
6 calculated by multiplying the sales volumes shown in
7 column 1 by the current tariff rates in effect. Total
8 gas revenues are shown in Column 6. The distributions
9 of sales and revenues on a monthly basis, for the
10 Twelve Months Ended June 30, 2021 are shown on
11 Exhibits G-5, Schedule 2 and 4 respectively.

12 **Q. Does that conclude your testimony?**

13 A. Yes, it does. We reserve the right to update or amend
14 this testimony.

Pike Gas Exhibit G-1

Pike County Light And Power Company
Index of Schedules
Balance Sheet and Supporting Schedules, Income Statement,
and Joint Operating Agreement Charges for the Test Year

Exhibit G-1

<u>Schedule</u>	<u>Title of Schedule</u>	<u>Witness</u>
(1)	Balance Sheet	Accounting Panel
(2)	Detail of Electric, Gas and Common Plant in Service and associated Depreciation Reserves	Accounting Panel
(3)	Income Statement for the Test Year, the Twelve Month Period Ended June 30, 2020	Accounting Panel
(4)	Income Statement-Gas for the Twelve Month Period Ended June 30, 2020 and June 30, 2019	Accounting Panel
(5)	Joint Operating Agreement Charges for the Test Year, the Twelve Month Period Ending June 30, 2020	Accounting Panel
(6)	Current Intercompany Common Expense Allocation Factors in effect from March 1, 2020 through February 28, 2021	Accounting Panel
(7)	Intercompany Accounts Payable to Corning Natural Gas Corporation the Twelve Month Period Ending June 30, 2020	Accounting Panel

Pike County Light and Power Company
Balance Sheet
As of June 30, 2020 and June 30, 2019

Exhibit G-1
Schedule 1
Page 1 of 2

	June 30, 2020	June 30, 2019
<u>ASSETS AND OTHER DEBITS</u>		
<u>Utility Plant</u>		
Electric Plant in Service	\$ 19,367,541	\$ 17,138,969
Gas Plant in Service	3,001,661	2,661,829
Common Plant in Service	1,957,164	1,887,664
Construction Work in Progress	1,593,654	1,951,345
Total Utility Plant	25,920,019	23,639,807
<u>Accumulated Provision for Depreciation</u>		
Electric	1,484,800	1,046,352
Gas	167,011	115,297
Common	707,443	457,214
Total Accumulated Provision for Depreciation	2,359,254	1,618,864
Net Utility Plant	23,560,766	22,020,943
<u>Other Property and Investments</u>		
Nonutility Property	-	-
Accumulated Provision for Depreciation	-	-
Net Other Plant	-	-
<u>Current and Accrued Assets</u>		
Cash	222,188	96,150
Customer Accounts Receivable	1,053,769	1,407,522
Other Accounts Receivable	27,559	27,101
Accumulated Provision for Uncollectible Accounts	(7,919)	(151,209)
Accounts Receivable from Associated Companies	332,608	0
Materials and Supplies	1,103,406	801,118
Prepayments	242,062	316,425
Total Current and Accrued Assets	2,973,672	2,497,106
<u>Deferred Debits</u>		
Unamortized Debt Expense	99,650	116,230
Other Regulatory Assets	2,399,685	2,004,157
Clearing Accounts	0	(1,549)
Miscellaneous Deferred Debits	121,539	300,989
Accumulated Deferred Federal Income Tax	28,456	28,456
Total Deferred Debits	2,649,330	2,448,282
Total Assets and Other Debits	\$ 29,183,768	\$ 26,966,332

Pike County Light and Power Company
Balance Sheet
As of September 30, 2013 and 2012

Exhibit G-1
Schedule 1
Page 2 of 2

	<u>September 30,</u> <u>2013</u>	<u>September 30,</u> <u>2012</u>
<u>LIABILITIES AND OTHER CREDITS</u>		
<u>Proprietary Capital</u>		
Common Stock Issued	\$ -	\$ -
Miscellaneous Paid-In Capital	8,500,000	7,500,000
Retained Earnings	<u>2,733,874</u>	<u>2,371,432</u>
Total Proprietary Capital	<u>11,233,874</u>	<u>9,871,432</u>
<u>Long-Term Debt</u>		
Bonds - Long-Term	<u>12,051,978</u>	<u>10,851,073</u>
Total Capitalization	<u>23,285,852</u>	<u>20,722,506</u>
<u>Noncurrent Liabilities</u>		
Long Term Obligations	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
<u>Current and Accrued Liabilities</u>		
Notes Payable	1,655,007	2,487,945
Accounts Payable	805,803	732,147
Accounts Payable to Associated Companies	817,271	818,647
Tax Collections Payable	23,003	6,992
Customer Deposits	153,263	127,623
Taxes Accrued - Federal	45,351	113,711
- Other	(71,954)	40,614
Interest Accrued	(157)	1,911
Other Current Liabilities	<u>-</u>	<u>578</u>
Total Current and Accrued Liabilities	<u>3,427,585</u>	<u>4,330,170</u>
<u>Deferred Credits</u>		
Other Deferred Credits	254,126	254,126
Other Regulatory Liabilities	(2,149)	24,840
Accumulated Deferred Income Taxes - Other Property	1,001,238	749,806
Accumulated Deferred Income Taxes - Other	<u>1,217,115</u>	<u>884,884</u>
Total Deferred Credits	<u>2,470,330</u>	<u>1,913,657</u>
Total Liabilities and Equity	<u>\$ 29,183,768</u>	<u>\$ 26,966,332</u>

Pike County Light and Power Company
Net Book Value of Electric, Gas and Common Plant-in-Service
As of June 30, 2020

Exhibit G-1
Schedule 2

	Electric Plant-in-Service	Accumulated Provision for Depreciation & Amortization	Net Book Value
Intangible Plant			
Franchise and Consents	\$ 2,675		\$ 2,675
Total Intangible Plant	<u>2,675</u>	<u>-</u>	<u>2,675</u>
Distribution Plant			
Land and Land Rights	1,110,207	60,020	1,050,187
Structures and Improvements	2,832	871	1,960
Station Equipment	1,513,672	114,393	1,399,279
Poles, Towers, and Fixtures	6,476,423	374,144	6,102,279
Overhead Conductors and Devices	5,254,582	355,672	4,898,910
Underground Conduit	362,124	6,606	355,519
Underground Conductors and Devices	945,120	32,984	912,136
Line Transformers	3,197,008	176,141	3,020,867
Services	2,628,640	67,489	2,561,151
Meters	771,400	99,588	671,812
Street Lighting & Signal Systems	214,426	7,030	207,396
Total Distribution Plant	<u>22,476,435</u>	<u>1,294,938</u>	<u>21,181,496</u>
General Plant			
Structures and Improvements	2,147,572	166,872	1,980,699
Small Tools	84,376	22,989	61,387
Total General Plant	<u>2,231,947</u>	<u>189,861</u>	<u>2,042,086</u>
Electric Acquisition Adjustment	<u>(5,376,571)</u>	<u>-</u>	<u>(5,376,571)</u>
Total Electric Plant-in-Service	<u>\$ 19,334,486</u>	<u>\$ 1,484,800</u>	<u>\$ 17,849,686</u>

	Gas Plant-in-Service	Accumulated Provision for Depreciation & Amortization	Net Book Value
Distribution Plant			
Land and Land Rights	\$ 1,551	\$ 42	\$ 1,509
Mains	2,073,247	86,820	1,986,427
Meas. And Reg. Equip. - General	107,339	11,525	95,813
Services	856,735	45,214	811,521
Meters	133,876	9,923	123,952
Meter Installations	321,558	2,570	318,988
House Regulator Installations	19,418	781	18,637
Industrial Measuring and Regulating Equipment	50,766	3,531	47,235
Total Gas Plant	<u>3,564,490</u>	<u>160,408</u>	<u>3,404,082</u>
General Plant			
Small Tools	<u>26,914</u>	<u>6,603</u>	<u>20,311</u>
Total General Plant	<u>26,914</u>	<u>6,603</u>	<u>20,311</u>
Gas Acquisition Adjustment	<u>(589,743)</u>	<u>-</u>	<u>(589,743)</u>
Total Gas Plant-in-Service	<u>\$ 3,001,661</u>	<u>\$ 167,011</u>	<u>\$ 2,834,650</u>

	Common Plant-in-Service	Provision for Depreciation & Amortization	Net Book Value
Intangible Plant			
Franchise Trade Name	\$ 311,000	\$ 79,478	\$ 231,522
Total Intangible Plant	<u>311,000</u>	<u>79,478</u>	<u>231,522</u>
General Equipment			
Office Furniture & Equipment	1,200,826	335,229	865,596
Transportation Equipment	214,416	122,997	91,419
Communication Equipment	159,866	110,875	48,991
Misc Equipment	104,112	70,104	34,007
Total Common Plant	<u>1,679,219</u>	<u>639,206</u>	<u>1,040,013</u>
Retirement Work in Progress	<u>-</u>	<u>(11,241)</u>	<u>11,241</u>
Total Common Plant-in-Service	<u>\$ 1,990,219</u>	<u>\$ 707,443</u>	<u>\$ 1,282,776</u>

Pike County Light and Power Company
Statement of Income
Twelve Months Ended June 30, 2020

Exhibit G-1
Schedule 3

<u>Operating Revenues:</u>	Company Total	Electric Department	Gas Department
Residential Sales	\$ 4,399,929	\$ 3,262,482	\$ 1,137,446
Commercial & Industrial Sales	3,535,884	3,225,162	310,722
Public Lighting Sales	121,890	121,890	-
Total Sales and Delivery of Electricity	8,057,703	6,609,534	1,448,169
 <u>Other Operating Revenues</u>			
Miscellaneous Service Revenues (Late Payment Charges)	10,266	7,531	2,735
Rent from Electric Property	186,523	185,497	1,026
Other Electric Revenues	(41,788)	(40,524)	(1,263)
Total Other Operating Revenues	155,002	152,504	2,498
Total Operating Revenues	8,212,704	6,762,038	1,450,666
 <u>Operating Expenses:</u>			
Purchased Electric Power Costs	1,430,316	1,430,316	-
Purchased Gas Costs	853,230	-	853,230
Other Power Supply Expenses	672,207	672,207	-
Distribution Expenses	822,032	706,934	115,098
Customer Accounts Expenses	94,514	58,323	36,191
Customer Service Expenses	38,562	32,774	5,788
Administrative And General Expenses	1,951,352	1,687,797	263,555
Depreciation Expense	707,981	616,672	91,309
Taxes, Other than Income Tax	479,716	469,489	10,227
State Income Taxes	26,542	21,357	5,185
Federal Income Taxes	43,583	26,887	16,697
Total Operating Expenses	7,120,035	5,722,755	1,397,280
Income from Utility Operations	1,092,669	1,039,283	53,387
 <u>Taxes - Other Income Deductions:</u>			
Donations	(1,900)	(1,615)	(285)
Other Income Deductions	27,999	23,800	4,200
Total Taxes - Other Income Deductions	26,099	22,184	3,915
 <u>Interest Charges:</u>			
Interest on Long Term Debt	659,952	559,728	100,224
Amortization of Debt Discount & Expense	20,264	17,224	3,039
Other Interest Expense	5,626	4,782	844
Total Interest Charges	685,841	581,734	104,107
Net Income	\$ 380,729	\$ 435,365	\$ (54,636)

Pike County Light and Power Company
Statement of Income - Gas
Twelve Months Ending June 30, 2020 and 2019

Exhibit G-1
Schedule 4

	June 30, 2020	June 30, 2019
<u>Operating Revenues:</u>		
Residential Sales	\$ 1,137,446	\$ 1,410,938
Commercial Sales	310,722	378,020
Other Gas Revenue	2,498	(45,957)
Total Gas Operating Revenues	1,450,666	1,743,002
<u>Operating Expenses:</u>		
Gas Supply Expenses	853,230	759,841
Distribution Expenses	115,098	20,463
Customer Accounts Expenses	36,191	(1,732)
Customer Service Expenses	5,788	6,502
Admin. And General Expenses	263,555	268,384
Depreciation Expense	91,309	95,927
Taxes, Other than Income Tax	10,227	17,046
State Income Taxes	5,185	43,939
Federal Income Taxes	16,697	60,989
Total Operating Expense	1,397,280	1,271,358
Total Income from Gas Utility Operations	53,387	471,644
<u>Taxes - Other Deductions:</u>		
Donations	(285)	4,200
Other Income Deductions	4,200	3,105
Total Taxes - Other Income Deductions	3,915	7,305
<u>Interest Charges:</u>		
Interest on Long Term Debt	100,224	96,013
Amortization of Debt Discount & Expense	3,039	4,681
Other Interest Expense	844	1,805
Total Interest Charges	104,107	102,500
Net Income - Gas Operations	\$ (54,636)	\$ 361,840

Pike County Light and Power Company
Statement of Direct and Allocated Charges From Corning Natural Gas Corporation
Twelve Months Ending June 30, 2020

Exhibit G-1
Schedule 5
Page 1 of 2

Operation and Maintenance Expenses	Direct Charges	Allocated Charges	Total Charges
<u>Purchased Gas Expense</u>			
803 Deferred Gas Supply Expense	\$ 11,922		\$ 11,922
804 Gas Supply Expense-Purchases	738,347		738,347
813 Gas Supply-Utility Agreement	99,373	3,588	102,961
Total Purchased Gas Expenses	<u>\$ 849,642</u>	<u>\$ 3,588</u>	<u>\$ 853,230</u>
<u>Distribution Expenses - Operation</u>			
870 Operation Supervision and Engineering	\$ 1,199	\$ 3,500	\$ 4,699
874 Mains and Services Expenses	964	-	964
Total Operation	<u>2,163</u>	<u>3,500</u>	<u>5,663</u>
<u>Distribution Expenses - Maintenance</u>			
887 Maintenance of Mains	6,347	-	6,347
892 Maintenance of Services	103,032	56	103,088
Total Maintenance	<u>109,379</u>	<u>56</u>	<u>109,435</u>
Total Distribution Expenses	<u>111,542</u>	<u>3,556</u>	<u>115,098</u>
<u>Customer Accounts Expenses - Operation</u>			
902 Meter Reading Expense	44,200	-	44,200
903 Customer Records and Collection Expenses	5,800	-	5,800
904 Uncollectible Accounts	(13,950)	-	(13,950)
Total Customer Accounts Expenses	<u>36,050</u>	<u>-</u>	<u>36,050</u>
<u>Customer Service & Information Expenses - Operation</u>			
908 Customer Service & Informational Expenses (Non-Major)	141	-	141
Total Customer Service & Informational Expenses	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 141</u>
<u>Sales Promotion Expense - Operation</u>			
917 Promotional Advertising	5,755	\$ 33	\$ 5,788
Total Sales Promotion Expense	<u>5,755</u>	<u>33</u>	<u>5,788</u>
<u>Administrative and General Expenses - Operation</u>			
920 Administrative and General Salaries	27,145	41,905	69,049
921 Office Supplies and Expenses	29,753	23,318	53,070
922 Administrative Expenses Transferred - Credit	-	51	51
923 Outside Services Employed	17,273	37,863	55,136
924 Property Insurance	484	3,932	4,416
925 Injuries and Damages	(0)	3,309	3,309
926 Employee Pensions and Benefits	5,782	63,133	68,915
928 Regulatory Commission Expenses	5,480	-	5,480
930.2 Miscellaneous General Expenses	456	194	650
930.6 Miscellaneous General Expenses - Vehicles	13	-	13
Total Operation	<u>86,386</u>	<u>173,703</u>	<u>260,089</u>
<u>Administrative and General Expenses - Maintenance</u>			
932 Maintenance of General Plant	3,377	88	3,466
Total Maintenance	<u>3,377</u>	<u>88</u>	<u>3,466</u>
Total Administrative and General Expense	<u>89,763</u>	<u>173,792</u>	<u>263,555</u>
Total Operations and Maintenance	<u>\$ 1,092,893</u>	<u>\$ 180,969</u>	<u>\$ 1,273,862</u>

Pike County Light and Power Company
Statement of Direct and Allocated Charges From Corning Natural Gas Corporation
Twelve Months Ending June 30, 2020

Exhibit G-1
Schedule 5
Page 2 of 2

		Direct Charges	Allocated Charges	Total Charges
Other Charges for Operations				
<u>Other Income and Expense Accounts</u>				
408	Taxes Other Than Income Taxes	\$ 9,610	\$ 616	\$ 10,227
425	Miscellaneous Amortizations	3,110	-	3,110
426.1	Donations	(285)	-	(285)
426.5	Other Income Deductions	1,090	-	1,090
430	Other Interest Charges	-	-	-
 <u>Balance Sheet Accounts</u>				
101	Gas Plant In Service	339,832	-	339,832
108	Accumulated Provision for Depreciation	51,714	-	51,714
131	Cash & TCI's	126,038	-	126,038
142	Customer Accounts Receivable	(353,753)	-	(353,753)
150	Materials and Supplies	287,444	14,844	302,288
165	Prepayments	(74,363)	-	(74,363)
190	Accumulated Deferred Income Tax	-	-	-
232	Accounts Payable	73,655	-	73,655
253	Other Deferred Credits	(26,989)	-	(26,989)
283	Accumulated Deferred Income Tax	583,662	-	583,662
	Total Other Charges for Operations	1,020,766	15,460	1,036,226
Total Charges for Operations & Maintenance		\$ 2,113,660	\$ 196,429	\$ 2,310,089

Pike County Light and Power Company
Common Expense Allocation (Effective March 1, 2020 to February 28, 2021)

Exhibit G-1
Schedule 6

Allocation Factor		<u>Applicable Services</u>
A Invoice Processing		Accounts Payable Processing
CNG	74.82%	
Pike Electric	15.28%	
Pike Gas	2.70%	
Leatherstocking PA	7.21%	
B Payroll Factor		Management of Compensation, Workers Compensation, Labor relations, Training & Employment Services
CNG	83.21%	
Pike Electric	11.63%	
Pike Gas	2.05%	
Leatherstocking PA	3.11%	
C Employee Benefit Factor		Management of Benefit Programs (e.g., health insurance, Pension, and retiree benefits)
CNG	89.45%	
Pike Electric	6.58%	
Pike Gas	1.13%	
Leatherstocking PA	2.84%	
D Number of Employees		Payroll Processing
CNG	85.14%	
Pike Electric	8.11%	
Pike Gas	1.35%	
Leatherstocking PA	5.41%	
E Number of Bills		Billing Functions if not directly done by subsidiary Companies Customer Payments
CNG	71.09%	
Pike Electric	23.00%	
Pike Gas	5.91%	
Leatherstocking PA	**	
** Leatherstocking billing done by Marabito JV partner		
F Gross Plant, Revenues and Payroll		Accounting Function other than Income Tax and Fixed Asset Auditing Services if not charged direct Maintenance of operating facilities Rate Engineering, External Affairs, IT and Computer Services
CNG	72.17%	
Pike Electric	16.78%	
Pike Gas	2.69%	
Leatherstocking PA	8.37%	
G Change in Fixed Assets		Plant Close out
CNG	63.75%	
Pike Electric	36.25%	
Pike Gas	0.00%	
Leatherstocking PA	0.00%	
H Revenues		Customer Service call center policy and compliance
CNG	70.86%	
Pike Electric	20.97%	
Pike Gas	4.59%	
Leatherstocking PA	3.58%	
I Total Fixed Assets		Fixed Asset Accounting
CNG	67.54%	
Pike Electric	18.98%	
Pike Gas	2.76%	
Leatherstocking PA	10.71%	
J Tax Allocation		Income Tax Preparation and analysis
CNG	71.27%	
Pike Electric	24.42%	
Pike Gas	4.31%	
K Operational Services		Operations (includes the study, planning and performance of field work for subsidiary companies, Field work may include Construction of facilities, field customer service, safety, environmental, and compliance activities)
CNG	69.70%	
Pike Electric	26.05%	
Pike Gas	2.15%	
Leatherstocking PA	2.10%	
L Purchasing Requisitions		Purchasing Activity
CNG	77.83%	
Pike Electric	18.63%	
Pike Gas	3.29%	
Leatherstocking PA	0.25%	

Pike County Light and Power Company
Company Accounts - Receivable / Payable to Corning Natural Gas Corpor
Accounts 146 / 234
As of June 30, 2020

Exhibit G-1
Schedule 7

Net Payable to Corning Natural Gas Corporation at June 30, 2019	\$ 818,647
Common Expense Allocation	829,304
Administrative Payroll Allocation	279,376
Federal Income Taxes	(434,081)
Materials and Supplies	14,844
Payments Made During Year	<u>(1,023,427)</u>
Net Payable to Corning Natural Gas Corporation at June 30, 2020	<u><u>\$ 484,663</u></u>

Pike Gas Exhibit G-2

Pike County Light And Power Company
Index of Schedules
Capitalization and Rate of Return

Exhibit G-2

<u>Schedule</u>	<u>Title of Schedule</u>	<u>Witness</u>
(1)	Capitalization of Pike County Light And Power Company	Accounting Panel
(2)	Long Term Debt Schedule Pike County Light & Power Company	Accounting Panel
(3)	Cost of Money for Pike County Light and Power Company	Accounting Panel

Pike County Light And Power Company
Capitalization

	<u>As of June 30, 2020 (Actual)</u>		<u>As of June 30, 2021 (Forecast)</u>	
	<u>Amount</u> <u>(000s)</u>	<u>Percent</u>	<u>Amount</u> <u>(000s)</u>	<u>Percent</u>
<u>Long Term Debt:</u>	\$ 12,051,978	48.98%	\$ 11,924,718	46.54%
<u>Average Short Term Debt (a)</u>	1,318,134	5.36%	1,318,134	5.14%
<u>Proprietary Capital</u>				
Common Stock	-		-	
Paid In Capital	8,500,000		8,500,000	
Retained Earnings	2,733,841		3,879,437	
Total Proprietary Capital:	<u>11,233,841</u>	<u>45.66%</u>	<u>12,379,437</u>	<u>48.32%</u>
 Total Capitalization	 <u>\$ 24,603,953</u>	 <u>100.00%</u>	 <u>\$ 25,622,289</u>	 <u>100.00%</u>

(a) Represents the daily average balance (July 1, 2019 - June 30, 2020). The balance at June 30, 2020 was \$1,655,007.

Pike County Light And Power Company

Long Term Debt
At June 30, 2020 (Actual)

<u>Pike County Light & Power Company</u>	<u>Company Accounts</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>	<u>Unamortized Expense of Issue</u>	<u>Net Proceeds</u>	x	<u>Cost of Debt %</u>	=	<u>Effective Annual Cost (a)</u>
M&T Bank Demand Loans											
Loan 1 - 4.92%	224600	8/31/16	6/30/28	\$ 12,000,000	\$ 9,304,334	\$ 69,434	\$ 9,234,900		5.14%		\$ 474,462
Loan 2 - 4.89%	224620	12/5/18	12/31/29	510,000	442,894	10,313	432,581		5.29%		22,875.89
Loan 3 - 5.83%	224630	11/30/18	11/30/21	150,000	74,141	-	74,141		5.83%		4,322.42
Loan 4 - 1.00% (PPP) (b)	224640	4/22/20	6/18/22	137,200	137,200	-	137,200		-		-
Loan 5 - 3.86%	224660	10/31/19	11/30/22	150,000	93,820	5,566	88,254		4.80%		4,239.81
Loan 6 - 3.53%	224670	10/27/19	12/27/29	2,072,000	1,999,589	14,338	1,985,251		3.64%		72,323.45
Total				<u>\$ 15,019,200</u>	<u>\$ 12,051,978</u>	<u>\$ 99,650</u>	<u>\$ 11,952,328</u>		<u>4.84%</u>		<u>\$ 578,224</u>

(a) The effective annual cost of debt represents the annualized interest expense (June 30th debt balance x coupon interest rate) plus the annual amortization of debt issuance costs

(b) Loan 4 was received as part of the Payroll Protection Act under the Corona Virus Aid Relief and Economic Security Act (CARES). The proceeds were used to cover qualifying expenses and the Company anticipates that it will not be required to repay this debt under the guidelines established under the CARES Act. If a determination is made that all or a portion of the loan will not be forgiven, then the amount not forgiven would be paid back starting in October 2020, with interest accruing on the monthly outstanding balance at 1%.

Pike County Light And Power Company

Long Term Debt
At June 30, 2021 (Forecast)

<u>Pike County Light & Power Company</u>	<u>Company Accounts</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding</u>	<u>Unamortized Expense of Issue</u>	<u>Net Proceeds</u>	x	<u>Cost of Debt %</u>	=	<u>Effective Annual Cost (a)</u>
M&T Bank Demand Loans											
Loan 1 - 4.92%	224600	8/31/16	6/30/28	\$ 12,000,000	\$ 8,314,841	\$ 36,056	\$ 8,278,785		5.14%		\$ 425,779
Loan 2 - 4.89%	224620	12/5/18	12/31/29	510,000	395,957	7,876	388,080		5.30%		20,580.64
Loan 3 - 5.83%	224630	11/30/18	11/30/21	150,000	22,435	-	22,435		5.83%		1,307.98
Loan 5 - 3.86%	224660	10/31/19	11/30/22	150,000	56,026	4,329	51,697		5.38%		2,780.96
Loan 6 - 3.53%	224670	10/27/19	12/27/29	2,072,000	1,820,459	10,862	1,809,597		3.65%		66,000.16
Loan 7 - 3.60%	224680	10/30/20	10/30/30	1,315,000	1,315,000	15,000	1,300,000		3.76%		48,840.00
Total				<u>\$ 16,197,000</u>	<u>\$ 11,924,718</u>	<u>\$ 74,123</u>	<u>\$ 11,850,595</u>		<u>4.77%</u>		<u>\$ 565,289</u>

(a) The effective annual cost of debt represents the annualized interest expense (June 30th debt balance x coupon interest rate) plus the annual amortization of debt issuance costs

Pike County Light And Power Company
Consolidated Cost of Money

Forecast at June 30, 2021

	<u>Percent of Capital</u>	<u>Cost of Component</u>	<u>Weighted Cost</u>
Long Term Debt	46.54%	4.77%	2.22%
Short Term Debt	5.14%	3.10% (a)	0.16%
Common Stock Equity	48.32%	9.75%	4.71%
Total Capitalization	<u>100.00%</u>		<u>7.09%</u>

(a) Based on short-term line of Credit Rate currently in effect

Pike Gas Exhibit G-3

Index of Schedules
Gas Rate Base

<u>Schedule</u>	<u>Title of Schedule</u>	<u>Witness</u>
Summary	Gas Rate Base	Accounting Panel
(1)	Plant - Additions & Retirements	Accounting Panel
(2)	Depreciation Reserve	Accounting Panel
(3)	Gas Working Capital Requirements	Accounting Panel
(4)	Change in Material and Supplies	Accounting Panel
(5)	Change in Working Capital Prepayments	Accounting Panel
(6)	Changes to Rate Base for Deferred Debits	Accounting Panel
(7)	Changes to Rate Base for Deferred Debits	Accounting Panel
(8)	Changes in Customer Deposits	Accounting Panel
(9)	Changes in Deferred Income Taxes	Accounting Panel
(10)	Gas Capital Expenditures	Steven Grandineli
(11)	Gas Plant Additions	Steven Grandineli

Pike County Light And Power Company
Gas Rate Base
At June 30, 2020 And 2021

Exhibit G-3
Summary
Page 1 of 2

Description	Actual	Difference Between		Future Year at 6/30/2021	Schedule No.
	Per Books at 6/30/2020	Historical	and Future Years		
	(a)	Reference (b)	Amount (c)	(d)=(a)+(c)	
<u>Utility Plant:</u>					
Gas Plant in Service	\$ 3,001,700	(1a)	\$ 954,000	\$ 3,955,700	1
Common Plant in Service (Allocated)	293,600	(1b)	60,900	354,500	1
Interco plant allocated from Corning Gas (Net)	-	(1c)	29,500	29,500	1
CWIP not taking interest	103,500	(1d)	(103,500)	-	1
Total Utility Plant	<u>3,398,800</u>		<u>940,900</u>	<u>4,339,700</u>	
<u>Utility Plant Reserves:</u>					
Accumulated Provision For Depreciation of Gas Plant in Service	167,000	(2a)	24,200	191,200	2
of Common Plant in Service (Allocated)	107,800	(2b)	16,900	124,700	2
Total Utility Plant Reserves	<u>274,800</u>		<u>41,100</u>	<u>315,900</u>	
Net Plant	<u>3,124,000</u>		<u>899,800</u>	<u>4,023,800</u>	
<u>Additions to Net Plant</u>					
Working Capital Requirements:					
Cash Working Capital	56,900	(3)	15,600	72,500	3
Materials and Supplies	147,200	(4)	6,700	153,900	4
Prepayments	4,200	(5)	-	4,200	5
Deferred Debits (Net of Tax)	-	(6)	16,000	16,000	6
Total Additions	<u>208,300</u>		<u>38,300</u>	<u>246,600</u>	
<u>Deductions to Net Plant:</u>					
Deferred Credits (Net of Tax)	(20,300)	(7)	-	(20,300)	7
Customer Deposits	21,700	(8)	700	22,400	8
Accumulated Deferred Income Taxes	147,400	(9)	49,000	196,400	9
Total Deductions	<u>148,800</u>		<u>49,700</u>	<u>198,500</u>	
Gas Rate Base	<u>\$ 3,183,500</u>		<u>\$ 888,400</u>	<u>\$ 4,071,900</u>	

Pike County Light And Power Company
Changes in Gas Rate Base
For the 12 Months Ended June 30, 2021

Exhibit G-3
Summary
Page 2 of 2

Adjustment Number	Description	Amount
(1a)	Changes in Plant in Service - Additions & Retirements	\$ 954,000
(1b)	Changes to Common Plant	60,900
(1c)	Changes to Intercompany Plant allocated to Pike Gas	29,500
(1d)	Changes to Construction Work in Progress	(103,500)
(2a)	Changes to Gas Depreciation Reserve - Existing Depreciation Rates	24,200
(2b)	Changes to Common Plant - Depreciation	16,900
(3)	Changes in Working Capital Requirements (O&M)	15,600
(4)	Change in Material and Supplies	6,700
(5)	Change in Working Capital Prepayments	-
(6)	Changes to Rate Base for Deferred Debits	16,000
(7)	Changes to Rate Base for Deferred Credits	-
(8)	Changes in Customer Deposits	700
(9)	Changes in Deferred Income Taxes	49,000

Pike County Light And Power Company
Statement in Support of Change No. (1a)
To Gas Plant in Service
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 1
Page 1 of 4

Gas Plant in Service	Amount
Balance at June 30, 2020	\$ 3,001,700
Additions - Completed CWIP at June 30, 2020 Change (1d) *	\$ 87,700
Additions - July 1, 2020 thru June 30, 2021	700,000
Additions - July 1, 2021 thru December 31, 2021	<u>250,000</u>
Total Additions	1,037,700
Retirements - July 1, 2020 thru June 30, 2021	(55,800)
Retirements - July 1, 2021 thru December 31, 2021	<u>(27,900)</u>
Total Retirements	<u>(83,700)</u>
Net Additions (Change No. 1b)	<u>954,000</u>
Ending Balance at December 31, 2021	<u><u>\$ 3,955,700</u></u>

* See G-3, Schedule 1, Page 4 of 4

Pike County Light And Power Company
Statement in Support of Change No. (1b)
To Gas Plant in Service
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 1
Page 2 of 4

<u>Common Plant in Service</u>	Total Amount	Gas Allocation (Rounded) 15%
Balance at June 30, 2020	\$ 1,957,164	\$ 293,600
Additions - Completed CWIP at June 30, 2020 Change (1d) *	\$ 15,800	
Additions - July 1, 2020 thru June 30, 2021	400,000	
Additions - July 1, 2021 thru December 31, 2021	<u>300,000</u>	
Total Additions	715,800	107,400
Retirements - July 1, 2020 thru June 30, 2021	(10,000)	
Retirements - July 1, 2021 thru December 31, 2021	** <u>(300,000)</u>	
Total Retirements	<u>(310,000)</u>	<u>(46,500)</u>
Net Additions (Change No. 1)	<u>405,800</u>	<u>60,900</u>
Ending Balance at December 31, 2021	<u><u>\$ 2,362,964</u></u>	<u><u>\$ 354,400</u></u>

* See G-3, Schedule 1, Page 4 of 4

** General Plant, excluding structures, is amortized over 5 - 10 years. Plant of approximately \$300,000 will be fully amortized and retired in September 2021.

Pike County Light And Power Company
Statement in Support of Change No. (1c)
To Gas Plant in Service
For the Twelve Months Ended June 30, 2021

<u>Intercompany Plant Allocated from Corning Gas (Net)</u>	At June 30, 2020			% Allocated To Pike Allocation	Gas Allocation
	Original Cost	Depreciation Reserve	Net Plant		
<u>Shared Corning Facilities</u>					
Land Williams Street	\$ 155,733	\$ -	\$ 155,733		
West William Street Office	2,126,398	(918,823)	1,207,576		
Land Riverside	233,732		233,732		
Riverside Operations Facility	2,894,082	(1,250,541)	1,643,541		
Total	\$5,409,946	\$(2,169,364)	\$3,240,581	x 0.35%	= \$ 11,237
 <u>Shared Corning Office Furniture & Equipment</u>					
Office Furniture & Equipment - Furniture	\$ 337,150	\$ (333,299)	\$ 3,851		
Office Furniture & Equipment - Machines	299,108	(356,557)	(57,449)		
Office Furniture & Equipment - Computers	2,428,272	(467,946)	1,960,326		
Total	\$3,064,530	\$(1,157,802)	\$1,906,728	x 0.96%	= 18,305
 (Change No. 1c)					<u>\$ 29,542</u>
Rounded					<u>\$ 29,500</u>

Pike County Light And Power Company
Statement in Support of Change No. (1d)
To Gas Plant in Service
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 1
Page 4 of 4.

<u>CWIP Projects Completed At June 30, 2020</u>	Total Amount (A)	Gas Allocation (B)	Gas Plant In-Service (Rounded) (C) = (A) x (B)
Gas Distribution Plant Additions (Change No. 1d)	* \$ 87,668	100%	\$ 87,700
General Plant Additions (Change No. 1d)	** 105,084	15%	<u>15,800</u>
Net Transfers to Plant In-Service (Change No. 1d)			<u>\$ 103,500</u>

* See G-3, Schedule 1, Page 1 of 4

** See G-3, Schedule 1, Page 2 of 4

Pike County Light And Power Company
Statement in Support of Change No. (2a)
To Gas Depreciation Reserve
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 2
Page 1 of 2

Accumulated Provision for Depreciation of Gas Plant	Amount
Balance at June 30, 2020	\$ 167,000
Additions - July 1, 2020 thru June 30, 2021	\$ 69,000
Additions - July 1, 2021 thru December 31, 2021	<u>38,900</u>
Total Additions	<u>107,900</u>
Retirements - July 1, 2020 thru June 30, 2021	(55,800)
Retirements - July 1, 2021 thru December 31, 2021	<u>(27,900)</u>
Total Retirements	<u>(83,700)</u>
Net Additions (Change No. 2a)	<u>24,200</u>
Ending Balance at December 31, 2021	<u><u>\$ 191,200</u></u>

Pike County Light And Power
Statement in Support of Change No. (2b)
To Common Depreciation Reserve
For the Twelve Months Ended September 30, 2014

Exhibit G-3
Schedule 2
Page 2 of 2

<u>Accumulated Provision for Depreciation on Common Plant</u>	<u>Total Amount</u>	<u>Electric Allocation Rounded 15%</u>
General Plant Reserve Balance at June 30, 2020	\$ 718,684	107,800
Additions - July 1, 2020 thru June 30, 2021	272,700	
Additions - July 1, 2021 thru December 31, 2021	<u>150,000</u>	
Total Additions	422,700	63,400
Retirements - July 1, 2020 thru June 30, 2021	(10,000)	
Retirements - July 1, 2021 thru December 31, 2021	<u>(300,000)</u>	
Total Retirements	<u>(310,000)</u>	<u>(46,500)</u>
Net Additions (Change No. 2b)	<u>112,700</u>	<u>16,900</u>
Ending Reserve Balance at December 31, 2021	<u><u>\$ 831,384</u></u>	<u><u>\$ 124,700</u></u>

Pike County Light And Power Company
Statement in Support of Change No. (3)
For The Twelve Months Ended June 30, 2020

Exhibit G-3
Schedule 3
Page 1 of 2

	<u>Amount</u>	<u>(Lead) / Lag Days</u>	<u>Dollar Days</u>
Revenue Recovery	\$ 1,450,700	34.2	\$ 49,613,940
Gas Supply Expenses:	837,720	30.2	25,299,155
Deferred Purchased Gas	15,480	(107.5)	(1,664,060)
Pike Salaries & Wages	187,696	11.0	2,064,659
401K Pension Match	5,782	11.0	63,607
Employee Welfare Expenses	66,442	30.2	2,006,541
Intercompany Charges	72,623	30.2	2,193,202
Uncollectible Accounts Accrual	(13,950)	34.2	(477,093)
Other O&M	92,600	23.2	2,146,525
Amortizations:			-
Rate Case Costs	-	-	-
PUC Assessment	4,978	-	-
Insurance	4,416	-	-
Depreciation & Amortization	91,300	-	-
Taxes Other - Payroll	7,133	11.0	78,467
- Property Tax	3,067	-	-
Income Taxes:			-
Federal Income Tax	(50,403)	38.5	(1,940,504)
Deferred Federal Income Tax	50,303	-	-
Corporate Business Tax (State)	(23,930)	38.5	(921,294)
Deferred Corporate Business Tax	23,930	-	-
Return on Invested Capital	75,500	-	-
Total Requirement	<u>1,450,687</u>	<u>20.0</u>	<u>28,849,205</u>
Net Lag	-	<u>14.2</u>	<u>\$ 20,764,735</u>
Net Requirement (Net Lag / 365)			<u>\$ 56,890</u>
Rounded			<u>\$ 56,900</u>

Pike County Light And Power Company
Statement in Support of Change No. (3)
For The Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 3
Page 2 of 2

	<u>Amount</u>	<u>(Lead) / Lag Days</u>	<u>Dollar Days</u>
Revenue Recovery	<u>1,904,700</u>	<u>34.2</u>	<u>\$ 65,140,740</u>
Gas Supply Expenses:	889,800	30.2	26,871,960
Pike Salaries & Wages	211,096	11.0	2,322,059
401K Pension Match	7,072	11.0	77,797
Employee Welfare Expenses	75,906	30.2	2,292,346
Intercompany Charges	73,323	30.2	2,214,342
Uncollectible Accounts Accrual	29,087	34.2	994,789
Other O&M	92,622	23.2	2,147,031
Amortizations:			-
Rate Case Costs	5,600	-	-
PUC Assessment	4,978	-	-
Insurance	4,416	-	-
Depreciation & Amortization	125,000	-	-
Taxes Other - Payroll	16,100	11.0	177,100
- Property Tax	3,100	-	-
Income Taxes:			-
Federal Income Tax	25,905	38.5	997,335
Deferred Federal Income Tax	24,995	-	-
Corporate Business Tax (State)	15,109	38.5	581,713
Deferred Corporate Business Tax	11,891	-	-
Return on Invested Capital	<u>288,700</u>	<u>-</u>	<u>-</u>
 Total Requirement	 <u>1,904,700</u>	 <u>20.3</u>	 <u>38,676,474</u>
 Net Lag		 <u>13.9</u>	 <u>26,464,266</u>
 Net Requirement (Net Lag / 365)			 \$ 72,505
 Historical Cash Working Capital			 <u>56,900</u>
 Net Change			 <u>\$ 15,605</u>
 Rounded			 <u>\$ 15,600</u>

Pike County Light And Power Company
Statement in Support of Change No. (4)
Materials and Supplies
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 4

Month		Materials & Supplies Inventory Acct 150020 (1)	Gas Allocation (2)
July 31, 2019	Actual	827,764	\$ 124,165
August 31, 2019	Actual	852,120	127,818
September 30, 2019	Actual	869,945	130,492
October 31, 2019	Actual	910,663	136,599
November 30, 2019	Actual	926,171	138,926
December 31, 2019	Actual	958,224	143,734
January 31, 2020	Actual	1,008,674	151,301
February 29, 2020	Actual	1,039,427	155,914
March 31, 2020	Actual	1,064,219	159,633
April 30, 2020	Actual	1,101,579	165,237
May 31, 2020	Actual	1,114,539	167,181
June 30, 2020	Actual	1,103,406	165,511
July 31, 2020	Actual	1,095,003	164,250
August 31, 2020	Actual	<u>1,117,178</u>	<u>167,577</u>
July 2019 - June 30, 2020 Total		<u>\$ 11,776,729</u>	<u>\$ 1,766,509</u>
June 30, 2020 - Twelve Month Average		<u>\$ 981,394</u>	<u>\$ 147,209</u>
Rounded			<u>\$ 147,200</u>
September 2019 - August 2020 Total		<u>\$ 12,309,026</u>	<u>\$ 1,846,354</u>
Twelve Month Average		<u>\$ 1,025,752</u>	<u>\$ 153,863</u>
Rounded			<u>\$ 153,900</u>
Net Changes (Change No. 4)			<u>6,700</u>
Twelve Month Average June 30, 2021			<u>\$ 153,900</u>

Pike County Light And Power Company
Statement in Support of Change (5)
Gas Working Capital Prepayments

Exhibit G-3
Schedule 5

Month		Gas	Common		Total
		PaPUC Assessment Acct. 05 165202	Property Tax Acct. 05 165110	Property Insurance Acct. 05 165030	
July 31, 2019	Actual	\$ 1,015	\$ 4,016	\$ 3,225	\$ 8,255
August 31, 2019	Actual	507	14,486	2,867	17,860
September 30, 2019	Actual	4,978	13,127	2,508	20,613
October 31, 2019	Actual	4,563	11,767	2,150	18,480
November 30, 2019	Actual	4,148	10,407	1,792	16,347
December 31, 2019	Actual	3,734	9,047	1,433	14,214
January 31, 2019	Actual	3,319	7,687	1,075	12,081
February 29, 2020	Actual	2,904	6,327	1,075	10,306
March 31, 2020	Actual	2,489	9,417	717	12,622
April 30, 2020	Actual	2,074	8,052	358	10,485
May 31, 2020	Actual	1,659	6,688	358	8,706
June 30, 2020	Actual	1,245	5,324	358	6,927
July 31, 2020	Actual	830	3,960	-	4,789
August 31, 2020	Actual	415	14,517	-	14,932
July 2019 - June 30, 2020 Total		<u>\$ 32,450</u>	<u>\$ 106,288</u>	<u>\$ 14,692</u>	<u>\$ 153,430</u>
June 30, 2020 - Twelve Month Average		\$ 2,704	\$ 8,857	\$ 1,224	\$ 12,786
x Electric Allocation		100%	15%	15%	-
Electric Twelve Month Average		<u>\$ 2,704</u>	<u>\$ 1,329</u>	<u>\$ 184</u>	<u>\$ 4,216</u>
Rounded					<u>\$ 4,200</u>
September 2019 - August 2020 Total		<u>\$ 32,357</u>	<u>\$ 106,319</u>	<u>\$ 11,826</u>	<u>\$ 150,502</u>
Twelve Month Average		\$ 2,696	\$ 8,860	\$ 985	\$ 12,542
x Electric Allocation		100%	15%	15%	-
Electric Twelve Month Average		<u>\$ 2,696</u>	<u>\$ 1,329</u>	<u>\$ 148</u>	<u>\$ 4,173</u>
Rounded					<u>\$ 4,200</u>
Net Changes (Change No. 5)					<u>-</u>
Twelve Month Average June 30, 2021					<u>\$ 4,200</u>

Pike County Light And Power Company
Statement in Support of Change (6)
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 6

Deferred Debit Items	Rate Case Acct 186035	After Tax (b)	Rounded
Deferred Debit Balance as of June 30, 2020	\$ -	\$ -	\$ -
Deferred Charges 7/1/2020 - 6/30/2021 (a)	22,500	15,999	16,000
Less: Amortization of Deferred Charges 7/1/20 - 6/30/21	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Debit Balance as of June 30, 2021	<u>22,500</u>	<u>\$ 15,999</u>	<u>\$ 16,000</u>
 Net Change			 <u>\$ 16,000</u>

(a) See Exhibit G-4, Schedule 5 for projected rate case expenditures

(b) Calculation of After Tax Factor:

SIT Rate =	9.9900%
+ FIT Rate =	21.0000%
+ SIT Rate Net of FIT Rate [9.99% x (1-21%)] =	<u>7.8921%</u>
= Effective Net FIT / SIT Rate =	<u>28.8921%</u>
 Net of SIT & FIT Multiplier (1/1-28.8921%)	 <u>71.1079%</u>

Pike County Light And Power Company
Statement in Support of Change (7)
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 7

Deferred Credit Items	FIT Tax Rate Change Accts. 253912 & 253922	After Tax *	Rounded
Negative Deferred Credit Balance as of June 30, 2020	\$ (28,569)	\$ (20,315)	\$ (20,300)
Deferred Credits 7/1/2020 - 6/30/2021	-	-	-
Less: Amortization of Deferred Charges 7/1/20 - 6/30/21	-	-	-
Negative Deferred Credit Balance as of June 30, 2021	<u>\$ (28,569)</u>	<u>\$ (20,315)</u>	<u>\$ (20,300)</u>
 Net Change			 <u>\$ -</u>

* Calculation of After Tax Factor:	
SIT Rate =	9.9900%
+ FIT Rate =	21.0000%
+ SIT Rate Net of FIT Rate [9.99% x (1-21%)] =	<u>7.8921%</u>
= Effective Net FIT / SIT Rate =	<u>28.8921%</u>
 Net of SIT & FIT Multiplier (1/1-28.8921%)	 <u>71.1079%</u>

Pike County Light And Power Company
Statement in Support of Change No. (8)
Customer Deposits
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 8

Month		Customer Deposits Acct 235000 (1)	Gas Allocation (2)
July 31, 2019	Actual	\$ 129,886	\$ 19,483
August 31, 2019	Actual	133,719	20,058
September 30, 2019	Actual	135,553	20,333
October 31, 2019	Actual	141,354	21,203
November 30, 2019	Actual	144,120	21,618
December 31, 2019	Actual	146,706	22,006
January 31, 2020	Actual	148,127	22,219
February 29, 2020	Actual	150,164	22,525
March 31, 2020	Actual	150,984	22,648
April 30, 2020	Actual	151,976	22,796
May 31, 2020	Actual	151,863	22,779
June 30, 2020	Actual	153,263	22,989
July 31, 2020	Actual	157,599	23,640
August 31, 2020	Actual	161,017	24,153
July 2019 - June 30, 2020 Total		<u>\$ 1,737,715</u>	<u>\$ 260,657</u>
June 30, 2020 - Twelve Month Average		<u>\$ 144,810</u>	<u>\$ 21,721</u>
Rounded			<u>\$ 21,700</u>
September 2019 - August 2020 Total		<u>\$ 1,792,726</u>	<u>\$ 268,909</u>
Twelve Month Average		<u>\$ 149,394</u>	<u>\$ 22,409</u>
Rounded			<u>\$ 22,400</u>
Net Changes (Change No. 4)			<u>700</u>
Twelve Month Average June 30, 2021			<u>\$ 22,400</u>

Pike County Light And Power Company
Statement in Support of Change No. (9)
To Accumulated Deferred Income Taxes
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Schedule 9

<u>Accumulated Deferred Income Taxes</u>	<u>Balance Accounts 282012 / 282082</u>
Balance at June 30, 2020	<u>\$ 147,400</u>
 <u>Additions - July 1, 2020 thru June 30, 2021</u>	
Tax Depreciation - Normalized	227,214
Less: Book Depreciation	<u>109,905</u>
Net Schedule M Tax Deduction	117,309
x Effective SIT / FIT Tax Rate	<u>28.8921%</u>
Net Additions July 1, 2020 thru June 30,2021	<u>33,900</u>
 <u>Additions - July 1, 2021 thru December 31, 2021</u>	
Tax Depreciation - Normalized	113,607
Less: Book Depreciation	<u>61,400</u>
Net Schedule M Tax Deduction	52,207
x Effective SIT / FIT Tax Rate	<u>28.8921%</u>
Net Additions July 1, 2021 thru Dec. 31,2021	<u>15,100</u>
Net Additions (Change No. 7)	<u>\$ 49,000</u>
Ending Balance at June 30, 2021	<u>\$ 196,400</u>

Pike County Light And Power Company
Gas Capital Expenditures / Closed Outs to Plant
For the Twelve Months Ended June 30, 2021
\$000's

Exhibit G-3
Schedule 10

<u>Gas Plant Account</u>	FERC Account	Close Out To Plant In Service	Annual Spending		Total
			January 2020 - December 2020	January 2021 - December 2021	
Pipe Replacement Program	376	Monthly	\$ 345	\$ 355	\$ 700
<u>Recurring Capital Budget Upgrades / Replacements</u>					
Mains	376	Monthly	\$ 50	\$ 53	\$ 103
JHA - Gas Main Engineering, Design, and Permitting Project	376	6/30/2021	30	200	230
Measuring and Regulating Station Equipment	378	Monthly	5	5	10
Services	380	Monthly	50	52	102
Meters	381	Monthly	30	30	60
House Regulators	383	Monthly	5	5	10
Subtotal Recurring Upgrades / Replacements			\$ 170	\$ 145	\$ 160
Total Gas Distribution Plant			\$ 515	\$ 700	\$ 545
<u>General Plant Account</u>					
Office Furniture	391	Monthly	\$ -	\$ -	\$ -
Computers / Printers	391	Monthly	53	55	108
Cayenta Work Management System	391	Monthly	100	103	203
Advanced Utility Systems Upgrade Version 4 with Mobile	391	Monthly	-	400	400
Meter Testing Software	391	12/31/2020	50	-	50
Tools, Shop and Garage Equipment	394	Monthly	12	12	24
Total General Plant Construction Projects			\$ 215	\$ 570	\$ 785

Pike County Light And Power Company
 Gas Plant Additions
 For the Twelve Months Ended June 30, 2021
 \$000's

Exhibit G-3
 Schedule 11

<u>Gas Plant Account</u>	<u>FERC Account</u>	<u>In Service Date</u>	<u>July 2020 through June 30, 2021</u>	<u>July 2021 through December 2021</u>	<u>Total</u>
<u>LTIP Program:</u>					
Pipe Replacement Program (LTIP)	376	Monthly	350	178	528
<u>Recurring Capital Budget Upgrades / Replacements</u>					
Mains	376	Monthly	52	27	\$ 78
JHA Gas Main Engineering, Design and Permitting Project	376	6/30/2021	230	-	230
Measuring and Regulating Station Equipment	378	Monthly	5	3	8
Services	380	Monthly	51	26	77
Meters	381	Monthly	30	15	45
House Regulators	383	Monthly	5	3	8
					-
Total Gas Plant Additions			<u>\$ 723</u>	<u>\$ 250</u>	<u>\$ 973</u>
Rounded			<u>\$ 700</u>	<u>\$ 250</u>	<u>\$ 950</u>
 <u>General Plant Account</u>					
Office Furniture	391	Monthly	\$ -	\$ -	\$ -
Computers / Printers	391	Monthly	54	27	81
Cayenta Work Management System	391	Monthly	102	52	153
Advanced Utility Systems Upgrade Version 4 with Mobile	391	Monthly	200	200	400
Meter Testing Software	391	12/31/2020	50	-	50
Tools, Shop and Garage Equipment	394	Monthly	12	6	18
					-
Total General Plant Additions			<u>\$ 417</u>	<u>\$ 285</u>	<u>\$ 702</u>
Rounded			<u>\$ 400</u>	<u>\$ 300</u>	<u>\$ 700</u>

Pike Gas Exhibit G-4

Pike County Light And Power Company
Index of Schedules
Gas Cost of Service

Exhibit G-4

Schedule	Title of Schedule	Witness
Summary	Gas Cost of Service	Accounting Panel
(1)	Changes in billed revenue to reflect forecast sales	Accounting Panel
(2)	Change to cost of purchased gas cost to match forecast recoveries	Accounting Panel
(3)	Changes in Operations and Maintenance Expenses to reflect increases in Wages and Salaries and Additional Employee Positions	Accounting Panel
(4)	Changes in Operations and Maintenance Expenses to reflect increases in Payroll Ancillary Costs	Accounting Panel
(5)	Changes in Operation and Maintenance Expenses to reflect amortization of rate case costs	Accounting Panel
(6)	Changes in Operation and Maintenance Expenses to reflect current Intercompany Rents	Accounting Panel
(7)	Change in Uncollectible Expense	Accounting Panel
(8)	Changes in Depreciation Expenses - Plant additions at existing & proposed rates, annual allowance for net salvage between the actual depreciation reserve	Accounting Panel
(9)	Changes in Taxes Other than income to reflect Changes in Payroll Tax, Gross Earnings Tax and STAS recoveries	Accounting Panel
(10)	Calculation of Income Tax Expense	Accounting Panel

Pike County Light And Power Company
Gas Cost of Service
For the Twelve Months Ended June 30, 2020
and the Twelve Months Ended June 30, 2021

Exhibit G-4
Summary
Page 1 of 3

	12 mos. Ended June 30, 2020 (1)	Difference Between Historical and Future Years		Future Year		
		Reference (2)	Amount (3)	12 mos. Ended June 30, 2021 (4)=(1+3)	Proposed Rate Change (5)	As Adjusted for Add'l Revenue (6)
Operating Revenues:						
Sales of Gas - Base Rate Revenue	\$ 1,448,200	(1a)	191,500	\$ 1,639,700	\$ 262,200	\$ 1,901,900
Other Operating Revenues	2,500	(1b)	300	2,800	-	2,800
Total Operating Revenues	<u>1,450,700</u>		<u>191,800</u>	<u>1,642,500</u>	<u>262,200</u>	<u>1,904,700</u>
Operating Expenses:						
Purchased Gas Expense	853,200	(2)	36,600	889,800	-	889,800
Other Operation and Maintenance Expense	420,600	(3a)	7,000	500,100	4,000	504,100
		(3b)	16,400			
		(4)	10,800			
		(5)	5,600			
		(6)	700			
		(7)	39,000			
Depreciation & Amortization Expense	91,300	(8a)	33,700	125,000	-	125,000
		(8b)	-			
Taxes other than Income	10,200	(9)	9,000	19,200	-	19,200
Total Operating Expenses	<u>1,375,300</u>		<u>158,800</u>	<u>1,534,100</u>	<u>4,000</u>	<u>1,538,100</u>
Operating Income Before Income Taxes:	75,400		33,000	108,400	258,200	366,600
State Income Tax	-	(10)	1,200	1,200	25,800	27,000
Federal Income Tax	(100)	(10)	2,200	2,100	48,800	50,900
Operating Income after Taxes	<u>\$ 75,500</u>		<u>\$ 29,600</u>	<u>\$ 105,100</u>	<u>\$ 183,600</u>	<u>\$ 288,700</u>
Rate Base	<u>\$ 3,183,500</u>		<u>\$ 888,400</u>	<u>\$ 4,071,900</u>	<u>\$ -</u>	<u>\$ 4,071,900</u>
Rate of Return	<u>2.37%</u>			<u>2.58%</u>		<u>7.09%</u>

Pike County Light And Power Company
 Calculation of Gas Revenue Requirement
 For the Twelve Months Ended June 30, 2021

Exhibit G-4
 Summary
 Page 2 of 3

	Amount
Rate Base at June 30, 2021	\$ 4,071,900
x Rate of Return at June 30, 2021	7.09%
Total Return Required	288,698
Total Earned Return (Per Exhibit G-4, Summary, Page 1 of 3)	105,100
Addition Return Required	183,598
Multiplied by Retention Factor*	1.4282
Total Revenue Requirement	\$ 262,208
 Rounded	 \$ 262,200

* <u>Retention Factor:</u>		
Additional Revenue	100.0000	\$ 262,200
Less: Revenue Taxes -- N/A	-	-
Less: Uncollectibles	1.530	4,000
	98.4700	258,200
Less: State Income Tax @ 9.99%	9.8372	25,800
	88.6328	232,400
Less: Federal Income Tax @ 21%	18.6129	48,800
Retention Factor	70.020	\$ 183,600
	1.0000	
	0.7002	
	1.4282	

Pike County Light And Power Company
 Changes in Gas Cost of Service
 For the Year Ended June 30, 2021

Exhibit G-4
 Summary
 Page 3 of 3

Adjustment Number	Description	Amount
(1a)	Changes In billed revenue to reflect forecast sales	\$ 191,500
(1b)	Change in Other Operating Revenues	300
(2)	Change to cost of purchased gas cost to match forecast recoveries	36,600
(3a)	Changes in Operations and Maintenance Expenses to reflect increases in Wages and Salaries	7,000
(3b)	Changes in Operations and Maintenance Expenses to reflect Additional Employee Positions	16,400
(4)	Changes in Operation and Maintenance Expense to Reflect Estimated Payroll Ancillary Costs -- Health Insurance, Workers Comp, 401K Match	10,800
(5)	Changes in Operation and Maintenance Expenses to reflect amortization of rate case costs	5,600
(6)	Changes in Operation and Maintenance Expense - Intercompany Administrative & Operating Charges	700
(7)	Change in Uncollectible Expense	39,000
(8a)	Changes in Depreciation Expense -- At Existing Rates	33,700
(8b)	Changes in Depreciation Expense - Annual allowance for Net Salvage / Amortization of Reserve Deficiency Case R-2008-2046520	-
(9)	Changes in Taxes Other than income to reflect Changes in Payroll Tax, Realty and Gross Earnings Tax	9,000
(10)	Calculation of Income Tax Expense - Per Books Test Year	
	Normalize Income tax for Out of Period Adjustments & Interest Synchronization	
	- State Income Tax Adjustments	1,200
	- Federal Income Tax Adjustments	2,200

Pike County Light And Power Company
Statement in Support of Change No. (1a)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 1
Page 1 of 2

Changes In billed and unbilled revenue to reflect forecast sales
and revenues at current rates.

		<u>Rounded</u>
Revenues - Twelve Months Ended September 30, 2021 (a)		
Base Revenue	\$ 114,100	
Delivery Revenue	635,800	
Rider Revenue (GCR)	889,800	
Billed Revenues - Twelve Months Ended June 30, 2021 (a)	<u>\$ 1,639,700</u>	\$ 1,639,700
Base Revenue	\$ 112,818	
Delivery Revenue	601,342	
Rider Revenue (GCR)	734,008	
- Twelve Months Ended June 30, 2020 (b)	<u>\$ 1,448,169</u>	<u>\$ 1,448,200</u>
Net increase in Revenues	<u>\$ 191,531</u>	<u>\$ 191,500</u>
<u>Sales Volumes (CCF)</u>		
	<u>Customers</u>	<u>CCF's</u>
Forecast - 12 Months Ended 06/30/2021	1,248	1,453,701
Actual - 12 Months Ended 6/30/2020	1,237	1,372,711
Total Increase	<u>11</u>	<u>80,990</u>
% Increase	<u>0.9%</u>	<u>5.9%</u>

(a) See Exhibit G-5, Schedule 4

(b) See Exhibit G-4, Summary, Page 1 of 3

Pike County Light And Power Company
Statement in Support of Change No. (1b)
To Adjust For Other Operating Revenues
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 1
Page 2 of 2

Other Operating Revenues	Twelve Months Ended		Net Change
	June 30, 2020	June 30, 2021	
Late Payment Charge-Electric	2,498	\$ 2,769	\$ 271
Total Other Electric Revenues	2,498	2,769	271
Change in Other Operating Revenues			\$ 271
Rounded (Change 1b)			\$ 300

Pike County Light And Power Company
Statement in Support of Change No. (2)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2020 and June 30, 2021

Exhibit G-4
Schedule 2

Change to cost of purchase gas to match cost of gas in revenues - Adjustment 1	Twelve Months Ended		Net Change
	6/30/2020	6/30/2021	
Purchased Gas Expense *	\$ 853,230	\$ 889,800 *	\$ 36,570
Net increase in Gas Costs			\$ 36,570
Rounded - Change No. 2			\$ 36,600

* See G-4, Schedule 1 - Purchased Gas Costs match Gas Cost Recoveries

Pike County Light And Power Company
Statement in Support of Change No. (3a)
To Gas Operation and Maintenance Expense
Wage and Salary Increases
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 3
Page 1 of 2

Wage and Salary Increases

- Pike Gas Payroll Expense for Twelve Months Ended June 30, 2020	\$ 145,792	
- Administrative Payroll allocated from Corning Gas Corporation	41,905	
- Total Electric Payroll Expense	<u>\$ 187,696</u>	
- Electric Payroll excluding October 2019 Wage Increase	<u>\$ 183,567</u>	
- Annualization of October 2019 Wage & Salary Increases (3% x 3 month / 12 months)		1,377
- Total Electric Payroll Expense (see above)	\$ 187,696	
- Plus annualization of October 2019 Wage Increases (3% x 3 month / 12 months)	<u>1,377</u>	
Annualized Test Year Wages	\$ 189,073	
- October 2020 Wage Increase (3%)		<u>5,672</u>
Wage & Salary Wage Increases		<u>\$ 7,049</u>
Rounded		<u>\$ 7,000</u>

Pike County Light And Power Company
Statement in Support of Change No. (3b)

Additional Employee Positions
For the Twelve Months Ended June 30, 2021

<u>Material Management Position</u>	
Annual Salary for new position	\$ 205,000
Additional employee positions applicable to gas operation and maintenance expense	<u>8.0%</u>
Total Additional Employees Applicable to Pike Gas O&M Expense	<u>\$ 16,350</u>
Rounded Total	<u><u>\$ 16,400</u></u>

<u>Job Title Description</u>	<u>Estimated Hire Date</u>	<u>Estimated Salary</u>	<u>Cost Allocated To</u>	
			<u>Pike Gas O&M</u>	<u>Gas Salary</u>
Pike - Materials & Facilities Management - Customer Service Rep.	Jan-21	\$ 60,000	20.0% (a)	\$ 12,000
CNG - Accounting Manager	Feb-21	95,000	3.0% (b)	2,850
CNG - Staff Accountant	Feb-21	<u>50,000</u>	<u>3.0% (b)</u>	<u>1,500</u>
		<u><u>\$ 205,000</u></u>	<u><u>8.0%</u></u>	<u><u>\$ 16,350</u></u>

(a) Allocated on ratio of electric customer / total customers (1,200 / 6,000)

(b) It is anticipated that 20% of the time for these employees would be allocated to Pike. Electric and gas split 85/15 (20% x 15% = 3%)

Pike County Light And Power Company
Statement in Support of Change No. (4a)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 4

Change in Operation and Maintenance Expenses to Reflect the estimated
increase in Payroll Ancillary Costs (Health Insurance & Workers Compensation)

Pike Wage Increase and Annualization	\$	7,000	
Salary and wages for additional employee(s)		<u>16,350</u>	
Total increase in wages	\$	<u>23,350</u>	
x Test Year 401K Pension Match Rate	5.52%	\$	1,290
x Test Year Health & Life Insurance Rate	38.27%		8,937
s Test Year Workers Compensation Rate	2.26%		<u>527</u>
Total Benefit Costs		\$	<u>10,754</u>
Rounded Total		\$	<u><u>10,800</u></u>

Pike County Light And Power Company
Statement in Support of Change No. (5)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 5

<u>Amortization of Estimated Outside Rate Case Expense</u>	
Estimated New Rate Case Legal Fees & Expenses	\$ 150,000
2013 Percent Applicable to Gas	<u>15%</u>
Estimated New Rate Case Legal Fees & Expenses applicable to Gas	22,500
/ Amortization Period - Years	<u>4</u>
Annual Rate Case Expense	<u>\$ 5,625</u>
Rounded	<u>\$ 5,600</u>

Pike County Light And Power Company
Statement in Support of Change No. (6)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 6

<u>Intercompany Administrative & Operating Charges</u>	
Intercompany allocations (excl. Payroll, Benefits, & Workers' Comp.) charged to O&M Expense for the Twelve Months Ended June 30, 2020	\$ 72,623
x CPI General Inflation Factor	<u>1.00%</u>
Net Change in Intercompany Expense	<u>\$ 726</u>
Rounded Total	<u><u>\$ 700</u></u>

Pike County Light And Power Company
Statement in Support of Change No. (7)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 7

<u>Uncollectible Accounts Expense</u>	
Operating Revenues Before Rate Change -- Twelve Months Ending June 30, 2021	\$ 1,639,700
Uncollectible write-offs / revenues -- Twelve Months Ending June 30, 2020	<u>1.53%</u>
	\$ 25,087
Less: Uncollectible Expense reflected in Operation And Maintenance Expense for the Twelve Months Ending June 30, 2020. FERC 9040	<u>(13,950)</u>
Net Change in Uncollectable Expense	<u>\$ 39,037</u>
Rounded Total	<u><u>\$ 39,000</u></u>

Pike County Light And Power Company
Statement in Support of Change No. (8a)
To Depreciation Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 8
Page 1 of 4

	Amount			Adjustment
	Gas Dist. Plant	Common Gen'l Plant Allocated	Total Gas	
<u>Gas Plant in Service</u>				
June 30, 2020 Plant In Service Balance	3,001,661	293,575	3,295,236	
Less: Non-Depreciable Plant Per Exhibit G-4, Page 3 of 4	-	(46,650)	(46,650)	
Depreciable Plant at June 30, 2020	<u>3,001,661</u>	<u>246,925</u>	<u>3,248,586</u>	
<u>Additions - July 1, 2020 thru June 30, 2021</u>				
Distribution - Completed CWIP at 6/30/2020	87,668	15,763	103,431	
Distribution / General Additions Plant	700,000	60,000	760,000	
<u>Additions - July 1, 2021 thru December 31, 2021</u>				
Distribution / General Additions	250,000	45,000	295,000	
Total Additions	<u>1,037,668</u>	<u>120,763</u>	<u>1,158,431</u>	
<u>Retirements - July 1, 2020 thru June 30, 2021</u>				
Distribution / General Plant	(55,800)	(1,500)	(57,300)	
<u>Retirements - July 1, 2021 thru December 31, 2021</u>				
Distribution / General Plant	(27,900)	(45,000)	(72,900)	
Total Retirements	<u>(83,700)</u>	<u>(46,500)</u>	<u>(130,200)</u>	
<u>Gas Depreciable Plant at June 30, 2021</u>				
	3,955,629	321,187	4,276,817	
x Existing Composite Book Depreciation Rate	<u>2.023%</u>	<u>14.013%</u>	<u>2.923%</u>	
<u>Calculated Accruals to Depreciation Reserves</u>				
For The Twelve Months Ended June 30, 2021	<u>80,022</u>	<u>45,008</u>	<u>125,030</u>	
Less: 12 Months Ending June 30, 2203 (See G-4, Summary)	<u>56,286</u>	<u>35,023</u>	<u>91,309</u>	
Increase In Depreciation Expense	<u>23,737</u>	<u>9,985</u>		<u>\$ 33,722</u>
Rounded Change (8)				<u>\$ 33,700</u>

<u>Depreciation Reserve Calculation</u>			
	<u>Gas</u>	<u>100% Common</u>	<u>Gas Common</u>
June 30, 2020 Plant	\$ 3,089,329	\$ 1,751,248	\$ 262,687
Plus 50% of Additions / Retirements 7/20 - 6/21	322,100	195,000	29,250
Depreciable Plant	<u>\$ 3,411,429</u>	<u>\$ 1,946,248</u>	<u>\$ 291,937</u>
x Composite Depreciation Rate	2.023%	14.013%	14.013%
July 1 2020 - June 30, 2021 Depreciation Accrual	<u>\$ 69,013</u>	<u>\$ 272,728</u>	<u>\$ 40,909</u>
Rounded	<u>\$ 69,000</u>	<u>\$ 272,700</u>	<u>\$ 40,900</u>
June 30, 2020 Plant	\$ 3,089,329	\$ 1,751,248	\$ 262,687
Plus 100% of Additions / Retirements 7/20 - 6/21	644,200	390,000	58,500
50% of Additions / Retirements 7/21 - 12/21	111,050	-	-
Depreciable Plant	<u>\$ 3,844,579</u>	<u>\$ 2,141,248</u>	<u>\$ 321,187</u>
x Composite Depreciation Rate	2.023%	14.013%	14.013%
July 1 2021 - June 30, 2022 Depreciation Accrual	<u>\$ 77,776</u>	<u>\$ 300,053</u>	<u>\$ 45,008</u>
	50%	50%	50%
July 1 2021 - December 31, 2021 Depreciation Accrual	<u>\$ 38,888</u>	<u>\$ 150,027</u>	<u>\$ 22,504</u>
Rounded	<u>\$ 38,900</u>	<u>\$ 150,000</u>	<u>\$ 22,500</u>

Pike County Light And Power
Statement in Support of Change No. (12a)
To Depreciation Expense
Calculation of Electric Composite Book Depreciation Rate
For the Twelve Months Ended June 30, 2021

Gas- Distribution	June 30, 2020 Plant Balance	Average Service Life	Annual Rate	COR & Salvage Adj.	Annual Accrual with Salvage	COMPOSITE RATES	
						Annual	Monthly
PK - G- 374000 - LAND-EASEMENTS	715.00	60	1.67%	-	11.94	1.67%	0.139%
PK - G- 376000 - MAINS	1,794,703.04	70	1.43%	973.00	26,637.25	1.48%	0.124%
PK - G- 378000 - MEAS AND REGULA EQ	101,978.18	30	3.33%	-	3,395.87	3.33%	0.278%
PK - G- 380000 - SERVICES	753,793.70	65	1.54%	5,157.00	16,765.42	2.22%	0.185%
PK - G- 381000 - METERS	69,921.10	30	3.33%	(240.00)	2,088.37	2.99%	0.249%
PK - G- 382000 - METER INSTALLS	150,361.87	40	2.50%	(8.00)	3,751.05	2.49%	0.208%
PK - G- 382400 - METER BARS	61,884.13	40	2.50%	-	1,547.10	2.50%	0.208%
PK - G- 384000 - HOUSE REG INSTALLS	9,180.00	40	2.50%	-	229.50	2.50%	0.208%
PK - G- 385000 - INDUST MEAS/REG EQ	32,210.00	35	2.86%	-	921.21	2.86%	0.238%
Gas distribution Total	2,974,747.02			5,882.00	55,347.72		
Depreciable Gas distribution Total	2,974,747.02			5,882.00	55,347.72	1.86%	0.155%
Gas- General Plant Total							
PK - E- 394001 - TOOLS & EQUIPMENT	26,913.91	5	20.00%	-	5,382.78	20.00%	1.667%
Gas- General Plant Total	26,913.91			-	5,382.78	20.00%	1.667%
Depreciable Gas- General Plant Total	26,913.91			-	5,382.78	20.00%	1.667%
Total Gas	3,001,660.93			5,882.00	60,730.50		
Total Depreciable Gas	3,001,660.93			5,882.00	60,730.50	2.023%	0.169%

Pike County Light And Power
Statement in Support of Change No. (8a)
To Depreciation Expense
Calculation of Common Plant Composite Book Depreciation Rate
For the Twelve Months Ended June 30, 2021

Account	Common General Plant	June 30, 2020 Plant Balance	Average Service Life	Annual Rate	COR & Salvage Adj.	Annual Accrual with Salvage	COMPOSITE RATES	
							Annual	Monthly
303000	Intangible Asset - Trade Name (a)	311,000.00		(a)		-	-	-
391101	Office Furniture & Equipment	15,846.20	5	20.00%	-	3,169.24	20.00%	1.667%
391115	Office Furniture & Equipment	115,250.07	5	20.00%	-	23,050.01	20.00%	1.667%
391215	Office Furniture & Equipment - Miscellaneous	78,998.46	5	20.00%	-	15,799.69	20.00%	1.667%
391315	Office Furniture & Equipment - Computers	985,593.50	10	10.00%	-	98,559.35	10.00%	0.833%
392015	Transportation	214,416.03	5	20.00%	-	42,883.21	20.00%	1.667%
397101	Communication Equipment - Telephone	144,620.00	5	20.00%	-	28,924.00	20.00%	1.667%
398901	Miscellaneous Equipment	91,439.96	5	20.00%	-	18,287.99	20.00%	1.667%
Common General Total		1,957,164.22				230,673.49		
Common Depreciable General Total (excl 303000)		1,646,164.22				230,673.49	14.013%	1.168%
Total Electric Common		1,663,589.59				196,072.47		
Total Electric Depreciable Common		1,399,239.59				196,072.47	14.013%	1.168%
Total Gas Common		293,574.63				34,601.02		
Total Gas Depreciable Common		246,924.63				34,601.02	14.013%	1.168%

(a) This asset is being amortized over 15 years. The annual depreciation expense of \$20,733 is charged below the line to FERC account 425.

Pike County Light And Power Company
Statement in Support of Change No. (8b)
To Depreciation Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 8
Page 4 of 4

Gas Plant	Proposed Annual Net Salvage	Current Net Salvage Allowed	Net Change In Expense
376000 MAINS	\$ 973	\$ 973	\$ -
378000 MEASURING AND REGULATING EQUIPMENT	-	-	-
380000 SERVICES	5,157	5,157	-
381000 GAS METER PURCHASES	(240)	(240)	-
382000 GAS METER INSTALLS	(8)	(8)	-
382400 GAS METER BAR	-	-	-
384000 HOUSE REGULATOR INSTALLATIONS	-	-	-
385000 INDUSTRIAL MEAS & REG EQUIPMENT	-	-	-
Total	<u>\$ 5,882</u>	<u>\$ 5,882</u>	<u>\$ -</u>
40 Year Amortization of Reserve Deficiency - Case R-2008-2046520 through March 2049	<u>(900)</u>	<u>(900)</u>	<u>-</u>
Total Adjustment	<u>\$ 4,982</u>	<u>\$ 4,982</u>	<u>\$ -</u>
Rounded			<u>\$ -</u>

Pike County Light And Power Company
Statement in Support of Change No. (9)
To Other Tax Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 9
Page 1 of 2

Changes in Taxes Other	Actual 6/30/2020 (1)	Future Year 6/30/2021 (2)	Changes (3)
Payroll Taxes (FICA / Medicare)	\$ 7,133	\$ 16,149 *	\$ 9,015
Property Taxes	3,093	3,105	11
State and Local Taxes	-	-	-
	\$ 10,227	\$ 19,253	\$ 9,027
Rounded			\$ 9,000

* See Exhibit G-4, Schedule 9, page 2

Pike County Light And Power Company
Statement in Support of Change No. (9)
To Taxes Other than Income
For the Twelve Months Ended September 30, 2014

Exhibit G-4
Schedule 9
Page 2 of 2

Change in Taxes Other Than Income to reflect the estimated increase
in Payroll Taxes (FICA, Medicare, and Unemployment):

Pike Payroll	\$ 145,792
A&G Payroll allocated from Corning	41,905
Wage Increase and Annualization	7,049
Salary and wages for additional employees	16,350
Total increase in wages	<u>\$ 211,095</u>
FICA / Medicare Rate	<u>7.65%</u>
Total Payroll Taxes	<u>\$ 16,149</u>
Rounded Total	<u>\$ 16,100</u>

Pike County Light And Power Company
Adjustment No. (10)
Calculation of Gas State Income Taxes
For The Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 10
Page 1 of 3

	Per Books 12 Months Ended 6/30/2020	Income Tax Normalizing Adjustments	12 Months Ended 6/30/2020 (1)	Income Adjustments (2)	12 Months Ended 6/30/2021 (3) = (1) + (2)	Proposed Rate Change (4)	As Adjusted For Additional Revenue (5) = (3) + (4)
Operating Income Before Income Taxes	75,400	-	\$ 75,400	\$ 33,000	\$ 108,400	\$ 262,200	\$ 370,600
Less Interest Expense (incl amort of debt exp)	104,107	(28,340)	75,767	21,144	96,911	-	96,911
Other Income & Deductions (incl Donations)	3,915	(3,915)	-	-	-	-	-
Book Income Before FIT	<u>(32,622)</u>	<u>32,255</u>	<u>(367)</u>	<u>11,856</u>	<u>11,489</u>	<u>262,200</u>	<u>273,689</u>
Section I - Permanent Items:							
Add: Negative Provision for Uncollectibles	13,950	(13,950)	-	-	-	-	-
Less: Uncollectible Write-Offs (not in O&M)	-	-	-	-	-	4,000	4,000
Total	<u>13,950</u>	<u>(13,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Pretax Income	(46,572)	46,205	(367)	11,856	11,489	258,200	269,689
Section II - Normalized Items:							
Add: Additional Taxable Income and Unallowable Deductions:							
Book Depreciation	91,300	-	91,300	33,700	125,000	-	125,000
Amortization of Rate Case Expenditures	-	-	-	5,600	5,600	-	5,600
Recovery of Prior Deferred Purchased Gas Cost	208,807	-	208,807	(208,807)	-	-	-
Total	<u>300,107</u>	<u>-</u>	<u>300,107</u>	<u>(169,507)</u>	<u>130,600</u>	<u>-</u>	<u>130,600</u>
Deduct: Non-Taxable Income and Allowable Deductions							
Tax Depreciation	227,125	-	227,125	-	227,125	-	227,125
Rate Case Expenditures	-	-	-	22,500	22,500	-	22,500
Deferral of Def. Purchased Gas Costs	312,519	-	312,519	(312,519)	-	-	-
Total	<u>539,643</u>	<u>-</u>	<u>539,643</u>	<u>(290,019)</u>	<u>249,625</u>	<u>-</u>	<u>249,625</u>
Federal NOL	-	-	-	-	-	-	-
Taxable Income	(286,109)	46,205	(239,904)	132,368	(107,536)	258,200	150,664
State Tax Adjustments	98,608	(98,608)	-	-	-	-	-
Adjusted Taxable Income	<u>(187,501)</u>	<u>(52,403)</u>	<u>(239,904)</u>	<u>132,368</u>	<u>(107,536)</u>	<u>258,200</u>	<u>150,664</u>
x State Income Tax @ 9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%
Current Tax Provision	(18,731)	(5,235)	(23,966)	13,224	(10,743)	25,800	15,057
Deferred Income Tax Dr.- Account 410	53,910	-	53,910	(28,973)	24,938	-	24,938
Deferred Income Tax Cr.- Account 411	(29,981)	-	(29,981)	16,934	(13,047)	-	(13,047)
	<u>5,198</u>	<u>(5,235)</u>	<u>(37)</u>	<u>1,184</u>	<u>1,148</u>	<u>25,800</u>	<u>26,948</u>
Rounded	\$ 5,200	\$ (5,200)	\$ -	\$ 1,200	\$ 1,100	\$ 25,800	\$ 26,900

Pike County Light And Power Company
Adjustment No. (10)
Calculation of Gas Income Taxes
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Schedule 10
Page 2 of 3

	Per Books 12 Months Ended 6/30/2020	Adjustments	12 Months Ended 6/30/2020 (1)	Proposed Rate Change (2)	12 Months Ended 6/30/2021 (3) = (1) + (2)	Proposed Rate Change (4)	As Adjusted For Additional Revenue (5) = (3) + (4)
State Taxable Income (G-4, Sched 10, Pg 1)	\$ (187,501)	\$ (52,403)	\$ (239,904)	\$ 132,368	\$ (107,536)	\$ 258,200	\$ 150,664
Less: State Income Tax	(5,198)	5,235	37	(1,184)	(1,148)	(25,800)	(26,948)
Federal Tax Adjustments	32,789	(32,789)	-	-	-	-	-
Adjusted Taxable Income	(159,910)	(79,957)	(239,867)	131,184	(108,684)	232,400	123,716
* Federal Income Tax Rate	21%	21%	21%	21%	21%	21%	21%
Current Federal Income Tax	\$ (33,581)	\$ (16,791)	\$ (50,372)	\$ 27,549	\$ (22,824)	\$ 48,800	\$ 25,980
Deferred Federal Income Tax Applicable To:							
Book Depreciation	(19,173)	-	(19,173)	(7,077)	(26,250)	-	(26,250)
Amortization of Rate Case Expenditures	-	-	-	(1,176)	(1,176)	-	(1,176)
Recovery of Prior Deferred Purchased Gas Cost	(43,849)	-	(43,849)	43,849	(0)	-	(0)
Tax Depreciation	47,696	-	47,696	-	47,696	-	47,696
Rate Case Expenditures	-	-	-	4,725	4,725	-	4,725
Deferral of Def. Purchased Gas Costs	65,629	-	65,629	(65,629)	(0)	-	(0)
Total	69,476	-	69,476	(17,055)	52,421	-	52,421
Summary of Federal Income Taxes:							
Current Federal Income Tax - 409	(33,581)	(16,791)	(50,372)	27,549	(22,824)	48,800	25,976
Deferred Federal Income Tax Dr - 410	113,325	-	113,325	(60,904)	52,421	-	52,421
Deferred Federal Income Tax Dr - 411	(63,022)	-	(63,022)	35,596	(27,426)	-	(27,426)
Deferred FIT Adjustments	-	-	-	-	-	-	-
Total	\$ 16,722	\$ (16,791)	\$ (69)	\$ 2,241	\$ 2,172	\$ 48,800	\$ 50,972
Rounded	\$ 16,700	\$ (16,800)	\$ (100)	\$ 2,200	\$ 2,200	\$ 48,800	\$ 51,000

Pike County Light And Power Company
 Adjustment No. (10)
 Calculation of Gas Income Taxes
 For the Twelve Months Ended June 30, 2021

Exhibit G-4
 Schedule 10
 Page 3 of 3

	Per Books 12 Months Ended 6/30/2020	Adjustments	12 Months Ended 6/30/2020 (1)	Proposed Rate Change (2)	As Adjusted For Additional Revenue (3) = (1) + (2)
Rate Base	\$ 3,183,500	\$ -	\$ 3,183,500	\$ 888,400	\$ 4,071,900
Interest Component of Capitalization	3.27%	-0.89%	2.38%	2.38%	2.38%
Interest Expense	<u>\$ 104,107</u>	<u>\$ (28,340)</u>	<u>\$ 75,767</u>	<u>\$ 21,144</u>	<u>\$ 96,911</u>
Rounded	<u>\$ 104,100</u>	<u>\$ (28,300)</u>	<u>\$ 75,800</u>	<u>\$ 21,100</u>	<u>\$ 96,900</u>

This adjustment is related to State and Federal Income Taxes

Pike Gas Exhibit G-5

Pike County Light And Power Company
Index of Schedules
Gas Sales and Revenues

Exhibit G-5

<u>Schedule</u>	<u>Title of Schedule</u>	<u>Witness</u>
(1)	Historic Gas Sales by Service Classification	Accounting Panel
(2)	Future Gas Sales by Service Classification	Accounting Panel
(3)	Historic Gas Revenue by Service Classification	Accounting Panel
(4)	Future Gas Revenue by Service Classification	Accounting Panel
(5)	Forecasted Delivery Volumes (CCF)	Accounting Panel
(6)	Forecasted Gas Total Sales Revenues	Accounting Panel

PIKE COUNTY LIGHT AND POWER COMPANY

**Gas Sales (CCF)
For the 12 Months Ended June 30, 2020**

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
<u>Billed Sales</u>													
SC1	18,919	18,198	19,850	48,798	104,915	188,578	179,850	154,516	123,015	97,201	59,993	22,470	1,036,303
SC2	<u>14,999</u>	<u>16,563</u>	<u>14,867</u>	<u>18,702</u>	<u>29,609</u>	<u>53,017</u>	<u>54,192</u>	<u>42,047</u>	<u>35,863</u>	<u>26,405</u>	<u>18,877</u>	<u>11,267</u>	<u>336,408</u>
Total	33,918	34,761	34,717	67,500	134,524	241,595	234,042	196,563	158,878	123,606	78,870	33,737	1,372,711

PIKE COUNTY LIGHT AND POWER COMPANY

**Gas Sales (CCF)
For the Future Test Year Ended June 30, 2021**

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
<u>Billed Sales</u>													
SC1	20,047	19,283	21,034	51,708	111,171	199,823	190,574	163,730	130,350	102,997	63,570	23,810	1,098,097
SC2	<u>15,855</u>	<u>17,508</u>	<u>15,715</u>	<u>19,769</u>	<u>31,299</u>	<u>56,042</u>	<u>57,284</u>	<u>44,446</u>	<u>37,909</u>	<u>27,912</u>	<u>19,954</u>	<u>11,910</u>	<u>355,604</u>
Total	35,902	36,791	36,749	71,477	142,470	255,865	247,859	208,176	168,260	130,909	83,524	35,720	1,453,701

PIKE COUNTY LIGHT AND POWER COMPANY

**Gas Revenues (\$)
For the 12 Months Ended June 30, 2020**

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
<u>Billed Revenue</u>													
SC1	\$ 29,806	\$ 28,994	\$ 30,817	\$ 63,548	\$ 107,889	\$ 188,366	\$ 179,999	\$ 159,384	\$ 128,704	\$ 113,529	\$ 73,512	\$ 32,898	\$ 1,137,446
SC2	<u>15,763</u>	<u>17,260</u>	<u>15,659</u>	<u>19,537</u>	<u>25,653</u>	<u>44,908</u>	<u>45,744</u>	<u>37,267</u>	<u>31,700</u>	<u>26,361</u>	<u>19,178</u>	<u>11,691</u>	<u>310,722</u>
Total	<u>\$ 45,569</u>	<u>\$ 46,254</u>	<u>\$ 46,476</u>	<u>\$ 83,085</u>	<u>\$ 133,543</u>	<u>\$ 233,274</u>	<u>\$ 225,743</u>	<u>\$ 196,651</u>	<u>\$ 160,405</u>	<u>\$ 139,889</u>	<u>\$ 92,690</u>	<u>\$ 44,589</u>	<u>\$ 1,448,169</u>

PIKE COUNTY LIGHT AND POWER COMPANY

**Gas Revenues (\$)
For the Future Test Year Ended June 30, 2021**

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Total</u>
<u>Rate Revenue</u>													
SC1	\$ 16,171	\$ 15,730	\$ 16,719	\$ 34,477	\$ 58,533	\$ 102,194	\$ 97,655	\$ 86,471	\$ 69,826	\$ 61,593	\$ 39,883	\$ 17,848	\$ 617,100
SC2	<u>6,737</u>	<u>7,377</u>	<u>6,693</u>	<u>8,350</u>	<u>10,964</u>	<u>19,193</u>	<u>19,551</u>	<u>15,928</u>	<u>13,548</u>	<u>11,266</u>	<u>8,197</u>	<u>4,996</u>	<u>132,800</u>
Subtotal	22,908	23,107	23,412	42,827	69,497	121,388	117,206	102,399	83,375	72,859	48,079	22,845	749,900
<u>STAS Revenue</u>													
SC1	-	-	-	-	-	-	-	-	-	-	-	-	-
SC2	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>GCR Revenue</u>													
SC1	17,612	17,132	18,209	37,549	63,750	111,303	106,359	94,178	76,049	67,082	43,437	19,439	672,100
SC2	<u>11,044</u>	<u>12,093</u>	<u>10,971</u>	<u>13,688</u>	<u>17,973</u>	<u>31,464</u>	<u>32,049</u>	<u>26,111</u>	<u>22,210</u>	<u>18,469</u>	<u>13,437</u>	<u>8,191</u>	<u>217,700</u>
Subtotal	28,656	29,225	29,180	51,238	81,724	142,767	138,408	120,288	98,260	85,551	56,874	27,630	889,800
<u>Total Billed Revenue</u>													
SC1	33,783	32,862	34,928	72,026	122,284	213,497	204,014	180,648	145,876	128,675	83,320	37,287	1,289,200
SC2	<u>17,781</u>	<u>19,470</u>	<u>17,664</u>	<u>22,038</u>	<u>28,937</u>	<u>50,657</u>	<u>51,600</u>	<u>42,038</u>	<u>35,759</u>	<u>29,735</u>	<u>21,633</u>	<u>13,187</u>	<u>350,500</u>
Total	<u>\$ 51,564</u>	<u>\$ 52,332</u>	<u>\$ 52,592</u>	<u>\$ 94,064</u>	<u>\$ 151,221</u>	<u>\$ 264,154</u>	<u>\$ 255,614</u>	<u>\$ 222,687</u>	<u>\$ 181,634</u>	<u>\$ 158,411</u>	<u>\$ 104,953</u>	<u>\$ 50,475</u>	<u>\$ 1,639,700</u>

PIKE COUNTY LIGHT & POWER COMPANY
Gas Sales (CCF)
For the Twelve Months Ended June 30, 2021

Column No.		1	2	3
Line No.	Description	SC 1 Residential	SC 2 Commercial	Total Billed
1	Actual billed delivery volumes 12 months ended June 30, 2020	1,036,303	336,408	1,372,711
2	Weather Normalization Adjustment	54,305	13,238	67,543
3	Weather Normalized delivery volumes 12 months ended June 30, 2020	1,090,608	349,646	1,440,254
2	Sales Growth	-	6,914	6,914
3	Forecast Increase in Customers	10,468	-	10,468
4	Leap Year Adjustment (Row 1 / 366)	(2,980)	(955)	(3,935)
5	Forecasted Delivery Volumes 12 months ended June 30, 2021	1,098,097	355,604	1,453,701

PIKE COUNTY LIGHT & POWER COMPANY
Forecasted Gas Total Sales Revenue
For the Twelve Months Ending June 30, 2021

EXHIBIT G-5
Schedule 6

Column No.		1	2	3	4	5	6
Line No.	Service Classification	Gas Delivery Volumes CCF	Gas Customers	Base Revenue (\$000)	Delivery Revenue (\$000)	Rider Revenue (\$000)	Total Sales Revenue (\$000)
<u>Billed Delivery</u>							
1	SC 1 - Residential	1,098,097	1,168	\$ 105,100	\$ 512,000	\$ 672,100	\$ 1,289,200
2	SC 2 - Commercials	355,604	80	9,000	123,800	217,700	350,500
Total Billed Delivery		1,453,701	1,248	\$ 114,100	\$ 635,800	\$ 889,800	\$ 1,639,700

Pike County Light & Power Company (Gas)

Statement No. 3

BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility :
Commission :
 :
v. : DOCKET NO. R-2020-3022134
 :
Pike County Light :
& Power Company (gas) :

Pike County Light and Power Company

Statement No. 3

Direct Testimony of

Steven L. Grandinali

1 **Q. Please state your name and business address.**

2 A. My name is Steven L. Grandinali and my business address is One
3 Hundred Five Schneider Lane, Milford, Pa 18337.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Corning Natural Gas Corporation ("CNG"), the
6 corporate parent of Pike County Light & Power Company ("Pike"
7 or the "Company") as General Manager of Pike. In this position
8 I am responsible for all operations at Pike.

9 **Q. Please provide your educational background and professional
10 experience.**

11 A. In 1979, I graduated from Stevens Institute of Technology with
12 a Bachelor's Degree in Engineering. Upon graduating, I joined
13 Public Service Electric and Gas Company ("PSEG") as an
14 Electrical Supervisor Engineer. While at PSEG I held several
15 successive positions leading to a Senior Engineer Distribution
16 Planner. In 1985, I earned my Master's Degree in Business
17 Administration from the Iona College Hagan School of Business.
18 In 1988, I joined Orange and Rockland Utilities ("ORU") as a
19 Distribution Planner in the Electrical Engineering Department.
20 During the next 28 years, I progressed through out ORU holding
21 various positions within the Electrical Engineering, Contract
22 Management, Electric Operations, Distribution Control Center,
23 Special Projects and retiring as Section Manager of New
24 Construction Services.

25 I joined Pike, October 2016 as the General Manager where I am
26 responsible for overseeing the daily electric and gas
27 operations of the system.

28 **Q. Have you previously sponsored testimony before the
29 Pennsylvania Public Utility Commission ("PAPUC")?**

30 A. No, I have not.

31 **Q. What is the purpose of your testimony in this proceeding?**

1 A. I will provide an overview of Pike's gas system that serves
2 the Matamoras and Westfall areas in Pennsylvania and discuss
3 Pike's gas main replacement program and planned system
4 pressure upgrades as presented in the Company's Distribution
5 Gas Long Term Infrastructure Improvement Plan ("LTIIP") that
6 was submitted to the PAPUC in 2019 and approved by order
7 entered June 13, 2019 at Docket No. P-2019-3007304.

8 **Q. Please provide an overview of Pike's gas system that serves**
9 **the Matamoras, Pennsylvania area.**

10 A. The Pike natural gas distribution system was installed over a
11 one-hundred-year time frame to where it is today. The system
12 was expanded in spurts of construction and customer growth
13 throughout Matamoras Borough and eventually into Westfall
14 Township. The system operates primarily on low pressure which
15 has advantages, but also has limitations on expansion and
16 reliability.

17 **Q. Please continue with your description of the Pike gas system.**

18 A. Pike serves approximately 1,400 residential and commercial gas
19 customers in the Matamoras and Westfall areas. The system
20 consists of 19.6 miles of medium and low pressure distribution
21 main ranging in size from 2" through 8". The gas system is
22 supplied from Port Jervis, New York via a 6" cathodically
23 protected 55 pounds per square inch gauge ("psig") main. The
24 55 psig system continues through many parts of Matamoras and
25 Westfall served by Pike. The low-pressure system in the older
26 parts of Matamoras operates at a utilization pressure of from
27 6 to 8 inches' water column, which is equivalent to
28 approximately one quarter of a psig. This is the same pressure
29 that is used by customers for normal household appliances so
30 there are no service regulators, and the meters are generally
31 indoors to prevent freezing problems. The Company's low-

1 pressure system is supplied by three distribution regulator
2 stations supplied from the 55 psig system. The 55 psig system
3 consists of approximately 5.84 miles of plastic main, 0.5
4 miles of cathodically protected steel gas main, and about 0.2
5 miles of bare steel main. The low-pressure system consists of
6 6.9 miles of cast iron main, 3.4 miles of bare steel main, 2
7 miles of cathodically protected steel main and approximately
8 1 mile of plastic main.

9 There are a total of 1,028 gas services that serve the 1398
10 customers, mostly residential and small commercial, ranging
11 in size from ½" to 2". Of that total, 438 are bare steel, 145
12 are cathodically protected steel, and the remaining services
13 are newer plastic.

14 **Q. How does Pike manage its gas facility assets?**

15 A. The Company closely monitors the performance of its gas
16 infrastructure that is in place. The Company focuses on
17 recognizing signs of deterioration in the integrity of cast
18 iron main and bare steel main through tracking leak performance
19 by area, age and materials, and water infiltration into low-
20 pressure systems. The Company's gas system has been operating
21 without major incident with the exception of water
22 infiltration into a cast iron main and service in low a lying
23 area.

24 **Q. Was the water infiltration into a cast iron main and service**
25 **in low a lying area a one-time occurrence or is this a**
26 **recurring problem in the system?**

27 A. The water infiltration is a recurring condition in a specific
28 area of the system installed prior to the Company's ownership.
29 There are other sections that had flooded during Hurricane
30 Irene but have not since.

31 **Q. What is Pike's approach to improve its aging infrastructure?**

1 A. In 2019, Pike submitted its LTIIP to maintain reliability and
2 improve the condition as those assets reach their expected
3 useful life. Pike filed a significant, 11-year plan to provide
4 the amount of time reasonably necessary to carry out the needed
5 investment.

6 Pike selected and prioritized three programs over the 11 years
7 to include a main replacement program, regulator station
8 replacement/overhaul, and the metering upgrade program. These
9 programs are all based on sound engineering and Northeast Gas
10 Association ("NGA") practices, Federal Department of
11 Transportation ("DOT") Codes and Standards, and Corning
12 Natural Gas and Pike Operating and Maintenance Standards and
13 Practices.

14 The three programs address Pike's areas of aging
15 infrastructure, which is approaching useful life, improving
16 system safety, and mitigating over time the risk of leaks and
17 higher maintenance. Therefore, an accelerated, proactive
18 replacement program is a prudent, reasonable, and necessary
19 course of action. Such an accelerated program was listed as
20 one of the "highest priority" in the Commission's last
21 management audit of Pike. *Focused Management and Operations*
22 *Audit of Pike County Light and Power Company and*
23 *Leatherstocking Gas Company LLC*, Docket Nos. D-2017-2584891
24 et al., Audit at 54-56 (issued Nov. 2017).

25 **Q. What capital projects did Pike construct in the last year?**

26 A. In 2019, Pike completed the regulator overhaul and implemented
27 the long-term Gas Main Replacement ("GMR") program by
28 replacing the first 1,400 feet of the low-pressure system in
29 a high leak prone area with high density polyethylene plastic

1 pipe, transferring the customers on to the new main and
2 operating on the 55 psig, medium pressure system.

3 **Q. What gas projects is Pike currently working on?**

4 A. The Company started its 2020 Gas Main Replacement project. The
5 project entail replacing 3,000 feet flood prone main and 30
6 services.

7 **Q. Are there other benefits to the system from replacing cast iron
8 and bare steel main?**

9 A. Yes. The main replacement program includes service renewals,
10 service regulator installations, and moving inside meters to
11 the outside. Excess flow valves are installed on every service
12 as well to automatically shut the gas flow if there is an
13 accidental damage to the service line or in the event of a
14 fire, thereby reducing the amount of gas going to a break in
15 the gas piping at the building.

16 **Q. What is the annual cost of the replacement program?**

17 A. The annual cost of the replacement program is estimated to be
18 \$345,000 for 2020 and \$355,000 for 2021 as set forth in Exhibit
19 G-3, Schedule 10.

20 **Q. Please describe the major plant expenditures that Pike plans
21 to complete over the next five years.**

22 A. In 2021 Pike plans to replace up to 7,000 feet of cast iron
23 main and associated services. Most of the cast iron mains are
24 of the oldest mains and are scheduled for replacement first.
25 This will have an immediate impact on safety and reliability
26 for customers near that location. The elimination of leak
27 prone pipe on the system improves reliability, safety and

1 reduces maintenance costs associated with locating, repairing
2 and restoring service. Beginning in year three through eleven,
3 a systematic replacement of approximately 66,000 feet of main
4 and associated services and meter work will be performed.
5 Ultimately, over the course of the 11 years, the three
6 regulator stations will be retired, again reducing the risk
7 of potential malfunction of a regulator.

8 **Q. Did Pike recently receive a proposal from an Engineering Firm**
9 **to perform a survey of the entire Matamoras Borough and**
10 **Westfall Township area in order to generate drawings and**
11 **specifications necessary to obtain all permits and**
12 **construction requests for proposals ("RFPs") for items such**
13 **as horizontal directional drilling, soil erosion plans and gas**
14 **main installations?**

15 A. Yes, we received a lump sum bid of \$230,000 from JHA Companies
16 ("JHA") to evaluate Pike's gas main routes. Under their
17 proposal JHA would submit to Pike detailed engineering plans,
18 applications and report material to assist in the preparation
19 of environmental permitting applications. This work would
20 facilitate Pike's ability to move forward with our planned gas
21 main replacement program over the next several years.

22 **Q. Is the cost of this project reflected in the current filing?**

23 A. Yes. The expenditures are shown on Exhibit G-3, Schedules 10
24 and 11.

25 **Q. Are you proposing any staffing changes in Pike?**

26 A. Yes, Pike has a relatively small staff in Pennsylvania, and
27 we need an additional person to help support our workload. As
28 shown on Exhibit G-4, Schedule 3, page 2 of 2, the Company has

Pike County Light and Power Company
Statement No. 3
Direct Testimony of
Steven L. Grandinali

1 plans to hire a general service employee (i.e., Materials and
2 Facilities Management - Customer Service Representative) to
3 perform several tasks including inventory monitoring and
4 control, meter reading and collections, building maintenance
5 and other related functions. The estimated annual wages for
6 this employee would be \$60,000, of which 20% or \$12,000 will
7 be allocated to gas operations.

8 **Q. Does that conclude your testimony?**

9 A. Yes, it does. I reserve the right to update or amend my
10 testimony.

Pike County Light & Power Company (Gas)

Statement No. 1-R

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
	:	
v.	:	DOCKET NO. R-2020-3022134
	:	
Pike County Light & Power Company (gas)	:	
	:	

**PIKE COUNTY LIGHT & POWER COMPANY
STATEMENT NO. 1-R
REBUTTAL TESTIMONY OF THE GAS RATE PANEL
Paul M. Normand and Debbie L. Gajewski
ON BEHALF OF
PIKE COUNTY LIGHT & POWER COMPANY**

1 **Q. Would the members of the Gas Rate Panel (“Panel”) please state your names and**
2 **business address.**

3 A. Paul M. Normand and Debbie L Gajewski, 1103 Rocky Drive, Suite 201, Reading, PA
4 19609.

5 **Q. On whose behalf are you testifying?**

6 A. We are testifying on behalf of Pike County Light & Power Company (“Pike” or “the
7 Company”).

8 **Q. Are you the same Paul M. Normand and Debbie L. Gajewski who provided**
9 **prepared direct testimony in this proceeding?**

10 A. Yes, we are.

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of our rebuttal testimony is to comment on the direct testimony of the
13 OCA - Karl Pavlovic, OSBA - Robert Knecht, and BI&E - Esyan A. Sakaya with
14 respect to the Company’s minimum distribution system results. In addition, we are also
15 addressing comments by the parties with respect to the proposed class customer
16 charges. These comments will be presented in two parts (1) a brief discussion on the
17 underlying concepts of a COS and (2) address the specific customer related costs.

18 **PART I – INTRODUCTION TO COST ANALYSIS AS RELATING TO OCA, I&E,**
19 **AND OSBA TESTIMONY.**

20 **Q. Did you prepare a gas embedded cost of service study (“COS”) to support the**
21 **Company’s rate design proposal in this proceeding?**

22 A. Yes. The development of the COS prepared for the Company was described in the
23 Gas Rate Panel’s direct testimony on pages 6 through 14. Detailed COS results were
24 provided with the Company’s base rate filing as Exhibits G-6 through G-7 which fully

1 support the detailed allocation factors of the study. The primary principle that guides
2 the COS process is that of cost causation, the underlying drivers of costs. Each
3 step in the development of the COS is consistent with the factors that drive or
4 contribute to the incurrence of costs on the Pike system. The cost of service follows the
5 general guidelines of the National Association of Regulatory Commissioners (NARUC)
6 as well as standardized industry practices. As a result, the COS prepared for Pike
7 provides an important reference point or guide as to the reasonableness of the
8 Company's existing approved rates and should be considered along with other
9 generally recognized factors such as customer impacts in the final design of new base
10 rates in this proceeding as proposed by the Company.

11 **Q. Would you briefly discuss the underlying purpose of an Embedded Cost of Service**
12 **Study as it relates to the assumptions made by other parties?**

13 **A.** The purpose of an embedded COS is to ensure that costs are allocated among customer
14 classes in a fair and equitable manner. Costs can vary significantly between customer
15 classes depending upon the nature of their demands (load) upon the system and the
16 facilities required to serve them. These distribution costs are fixed in nature and have no
17 relationship to volumetric consumption with respect to their design requirements,
18 contrary to the other parties' understanding. Any attempt to justify volumetric cost
19 allocation is simply a means to an end with the results increasing existing subsidies which
20 directly result in poor customer cost recovery as shown by the COS analysis. The
21 purpose of an Embedded Cost of Service Study is to directly assign these fixed costs
22 based on Company records or allocate each relevant cost on an appropriate basis in order
23 to determine the proper cost to serve.

1 The cost of service study result provides a benchmark to compare existing rates
2 and revenue levels by class with respect to their underlying costs. It is a point estimate in
3 time and not intended to exactly mirror the pricing in rate design proposals but simply to
4 be used as a guide or direction for the proposed rate proposals.

5 **Q. Please summarize your COS results.**

6 A. The results from our COS were presented in Statement No. 1, Direct Testimony of the
7 Gas Rate Panel, page 16 which has been repeated below in Table GR1 from Schedule
8 GRP-2-G:

Table GR1

Cost of Service Results – Present ROR

	<u>Schedule GRP-2-G</u>	
	<u>ROR (%)</u>	<u>ROR Index</u>
Total Company	5.06	1.00
Residential Space Heating	4.21	0.83
Residential Domestic	-0.28	-0.05
Residential Other	1.09	0.22
General Service Commercial	18.74	3.71
Commercial Space Heating	7.23	1.43

9 This simply indicates the rate class comparison based on the existing pricing levels.

10 **Q. Why did you present a COS which included a minimum system customer**
11 **component in your analysis?**

12 A. We introduced a customer component minimum system approach for two main
13 reasons. The first reason is to provide continuity with the Company’s last COS filing
14 and the second reason is to recognize that the vast majority of mains connecting
15 customers to the gas grid are 2” or less which is common for most gas utilities.

16 Larger main pipe sizes aggregate these smaller mains and connect them to gas

1 supply sources. Our effort was to simply highlight that these smaller sized
2 pipes are closer to customers and influenced considerably by population density
3 as opposed to the larger sized installed mains (see attached Exhibit RGRP-1)
4 which are much more peak demand related as a result of aggregation.

5 **Q. Did you unbundle the COS to reflect the various cost components to help**
6 **understand the cost components that make up the total revenue requirements for**
7 **each class?**

8 A. Yes, we did. A detailed summary of all these cost categories has been provided in
9 Exhibit G-6, Schedule GRP-5-G, pages 3 and 4 at the claimed rate of return requested
10 of 7.07%. The revenues requirements associated with each cost category are fully
11 shown on page 3, lines 12 through 18 for the customer related cost items.

12 **Q. Can you make a brief comparison of the fixed customer costs developed for each**
13 **major class based on your results?**

14 A. The following table presents the results as found in Exhibit G-6, Schedule GRP-5-G,
15 page 4, lines 26 and 27 (2) and Exhibit G-8, pages 3 and 4 (1) :

16

1

Table GR2

Cost of Service Results – Claimed ROR

	<u>Existing Monthly Charge (1)</u>	<u>COS Meter & Service Costs (2)</u>	<u>Total Customer Costs (2)</u>	<u>Proposed Monthly Charge (1)</u>
Total Residential	7.50	31.54	54.43	10.61
Residential Space Heating	7.50	31.49	54.34	10.61
Residential Domestic	7.50	31.92	55.20	10.61
Residential Other	7.50	36.50	63.11	10.61
Gen Service Commercial	9.40	65.26	92.83	13.31
Commercial Space Htg	9.40	69.79	98.38	13.31

2 **Q. Could you comment on these monthly customer charges?**

3 A. Yes. As can be noted from the above Table GR2 customer cost results, the existing
4 and proposed customer charges are but a small fraction of the calculated costs (less
5 than 20%) of only the service laterals and meter costs. Specifically, all of the
6 proposed customer charges only recover a small portion of the costs of a service lateral
7 connecting a customer to the gas main in the street and the related metering costs for
8 each customer which are much lower than the total customer costs.

9 **Q. Why is it important to compare the proposed monthly customer charge to the cost
10 of a service lateral and a meter?**

11 A. The important issue here is to recognize that each customer needs a service lateral and
12 a meter in order to receive gas service from the company’s local mains installed at the
13 street. As we mentioned above, this is a basic need where the dedicated service
14 cannot be utilized by anyone else. The COS monthly customer fixed cost is many
15 times more than the level proposed. Our proposed levels are therefore entirely
16 justified with the remaining balance being collected through volumetric charges,

1 which in most cases, are ultimately recovered by other users who cannot access the
2 services and meter installations of other customers.

3 **Q. Do you agree that there is judgment involved in the preparation of an**
4 **allocated cost study for a Local Distribution Company (“LDC”)?**

5 A. Yes. It is necessary to apply expert judgment that reflects a number of factors
6 including the nature of services the LDC provide, the demographics of its
7 customers, the design of the LDC’s facilities and guidance from the regulatory
8 commission concerning acceptable allocation approaches. Appropriate cost allocation
9 methods, such as we have utilized, take into account the factors noted above and yield
10 a range of results that are within reasonable bounds to be used as a guide for rate
11 design.

12 **Q. Why do you recommend the use of design day for main demand allocation in your**
13 **COS study?**

14 A. The use of annual class throughput is misleading and somewhat illogical as it completely
15 ignores the planning process which is the major driver of distribution fixed costs based on
16 design day delivery requirements for any gas utility. Specifically, the design day is the
17 expected coldest day load high requirement of any gas utility where the maximum
18 demand (load) level of gas delivery to customers would occur, which is typically the
19 coldest month of the year. As a result, utilities must plan for this very large firm load
20 requirement by installing facilities (compressors and mains) that will provide the
21 capability for all firm customers. For Pike, this is a -9 degree day which is obviously a
22 very cold day where load (demands) on the Company’s infrastructure is at a maximum
23 (reference file, “Pike Weather Norm Model 20 Yr 6-30-20 Rev 9-4-20.xls, provided with
24 data response OSBA 1-5). As a result, design day consideration is the most important and

1 should be the only consideration in the underlying cost driver for distribution planning, a
2 fact that was totally ignored and overlooked by the other parties' misleading comments
3 relating to throughput (volumetric consumption) considerations. The current revenue
4 recovery is already well over 90% of the total cost to service which is being recovered in
5 the volumetric charges for SC1 (reference Exhibit G-8, page 3 and 11 of 13).

6 **Q. Has your proposed class revenue allocation and rate design improved the**
7 **individual class rate of return (ROR) results and reduced the existing**
8 **subsidies?**

9 **A.** Yes. A review of Exhibit 6, Schedule GRP-3-G with respect to ROR at present (lines
10 7 and 8), uniform (line 16), and proposed (lines 33 and 34) show a major component
11 in the existing class revenue levels in the realigning of pricing levels. While this is a
12 major step in realigning the pricing levels, the ultimate goal of improving pricing
13 efficiency will require additional future increases using this same proposed approach.

14 **PART II – DISCUSSION OF OSBA, OCA, AND I&E TESTIMONY.**

15 OSBA - Robert D. Knecht

16 **Q. Do you agree with witness Knecht's allocation of main costs?**

17 **A.** No. The design day allocation of mains is totally consistent with the engineering
18 design and planning process that drive the capital investments made to deliver gas to
19 customers on the coldest expected load level or design day. No other allocation
20 method mentioned recognizes the major planning criteria for a gas utility. All of these
21 other allocations do not reflect the planning process but simply achieve an end result
22 for the analysts. Absent a minimum system customer component, the only rational
23 approach to the allocation mains is the design day demands. This should be evident

1 when reviewing the monthly throughput which is about ten times (10X) for the winter
2 versus the summer months.

3 **Q. Do you have any comments with respect to the various demand allocations**
4 **discussed on pages 9 and 10 of Knecht's direct testimony?**

5 A. Yes we do. Specifically, gas mains have many sizes installed with many aggregating
6 loads from most customers served from a much smaller pipe sizes with a rather high level
7 of summer peak to winter peak throughput which is unique to the industry where the
8 majority of throughput occurs in just a few winter months. The use of any average
9 demand component simply dilutes the cost responsibility to customer classes and
10 considers no aspect of the planning process. With respect to the average and excess
11 demand allocation method, the derivation of the excess magnitude should signal that
12 these results are mathematically the same results as the actual excess demand level
13 used in the calculations to maintain the total which is a very misleading
14 characterization of this allocation. Finally, all of the additional demand allocations
15 approaches simply lack any underlying support for the engineering design and
16 planning of a gas distribution delivery system. As I just mentioned, this should be
17 obvious for a gas distribution system where the winter usage level is ten times the
18 summer usage (using two months) for the Residential classes (reference data response
19 I-RS-3-D Attachment 1, pages 1 through 3 of 3). These results signal that any
20 consideration of average use should be minimal if at all.

21
22
23
24

1 OCA - Karl Richard Pavlovic

2 **Q. Do you agree with witness Pavlovic's characterization of the minimum system for**
3 **gas mains?**

4 A. No, we do not. As we stated earlier, the mains' costs use a wide variety of sizes to
5 deliver gas supply to the customers. At one end of the gas distribution system are the
6 much larger mains that aggregate load from the smaller mains (2" or less) to connect
7 to the Company's gas supply sources. However, a very large amount of smaller
8 installed mains (2" or less) is primarily used to connect individual customers to the
9 gas grid. It is these smaller sized mains that are the closest to the individual
10 customers that are much more related to customer count than their demand load as the
11 Company installs most of the 2 inch mains for these local facilities. As a result, there
12 are no mains allocation errors in the gas COS contradicting witness Pavlovic's claims
13 (page 13 of his direct testimony).

14 **Q. Does witness Pavlovic's agree with the use of the demand allocation of gas mains?**

15 A. Yes, witness Pavlovic agrees with that the demand allocation factors based on a
16 design day is consistent with both Bombright and NARUC Gas Manual (direct
17 testimony page 17). However, his disagreement is with the customer component which
18 we have addressed above where smaller mains (2" or less) closest to the customers and
19 actually connect to the gas grid. We however stress that the customer component
20 should be considered for only the smaller main sizes of less than 2 inches or less.

21

22

23

1 **Q. Do you agree with witness Pavlovic's recommendation with respect to the level of**
2 **customer charges?**

3 A. No, we do not. As we presented earlier in this rebuttal (Table GR2), the existing and
4 proposed customer charges are a small fraction of the actual service lateral and metering
5 costs to connect the customer to the gas grid.

6 **Q. Does emphasizing revenue recovery on a volumetric basis achieve economic**
7 **efficiency?**

8 A. No, of course not. These distribution costs are fixed in nature and being recovered
9 primarily (90%) on a volumetric basis which results in class subsidies being encouraged
10 and enhanced by witness Pavlovic's recommendations (direct testimony page 20). The
11 average and below residential customer is being subsidized by the larger use customers,
12 especially SC2 customers. As presented by witness Knecht, Commissions have been
13 recognizing that these costs are fixed and have moved the monthly customer charges
14 into the mid-teens to mid-twenties dollar range for residential customers to reduce the
15 overall pricing level inherit with low customer charges. The most recent decision in a
16 case in the State of Maine (Docket 2019-00092), the Commission recognized the fixed
17 nature of distribution costs and approved a monthly residential customer charge of
18 \$28.93 for which the Company Witness Normand presented cost of service and rate
19 design testimony.

20 I&E - Eryan A. Sakaya

21 **Q. Do you agree with witness Sakaya's attempt to allocate main costs on a ratio of**
22 **50% peak demand and 50% average demand?**

23 A. No, we do not. As we stated previously, average demand does not accurately
24 represent reality to the proper allocation of mains. The uniqueness of gas utilities

1 where winter throughput can be up to ten times greater highlights the inappropriate
2 use of a 50/50 allocation ratio of demand versus annual average use. This is nothing
3 more than an after the fact allocation with no rational engineering support for
4 installing main investment. Witness Sakaya's recommendations are a means to an
5 end result approach.

6 **Q. Do you agree with witness Sakaya's characterization of the Company customer**
7 **costs calculations?**

8 A. No, we do not. The data and calculations were provided in data response OSBA-1-2
9 and detailed by areas of costs on Exhibit G-6, Schedule GRP-5-G, pages 3 & 4. An
10 additional summary of these costs are shown on page 4 of this rebuttal as Table RG2.

11 **Q. Does this conclude your rebuttal testimony?**

12 A. Yes, it does.

RGRP-1

NOTICE: This report is required by 49 CFR Part 191. Failure to report can result in a civil penalty not to exceed 100,000 for each violation for each day that such violation persists except that the maximum civil penalty shall not exceed \$1,000,000 as provided in 49 USC 60122.

OMB NO: 2137-0629
EXPIRATION DATE: 10/31/2021



U.S Department of Transportation
Pipeline and Hazardous Materials Safety Administration

Initial Date Submitted:

03/17/2020

Form Type:

INITIAL

Date Submitted:

**ANNUAL REPORT FOR
CALENDAR YEAR 2019
GAS DISTRIBUTION SYSTEM**

A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a current valid OMB Control Number. The OMB Control Number for this information collection is 2137-0629. Public reporting for this collection of information is estimated to be approximately 16 hours per response, including the time for reviewing instructions, gathering the data needed, and completing and reviewing the collection of information. All responses to this collection of information are mandatory. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Information Collection Clearance Officer, PHMSA, Office of Pipeline Safety (PHP-30) 1200 New Jersey Avenue, SE, Washington, D.C. 20590.

Important: Please read the separate instructions for completing this form before you begin. They clarify the information requested and provide specific examples. If you do not have a copy of the instructions, you can obtain one from the PHMSA Pipeline Safety Community Web Page at <http://www.phmsa.dot.gov/pipeline/library/forms>.

PART A - OPERATOR INFORMATION

(DOT use only)

20201373-40700

1. Name of Operator	PIKE COUNTY LIGHT & POWER CO
2. LOCATION OF OFFICE (WHERE ADDITIONAL INFORMATION MAY BE OBTAINED)	
2a. Street Address	105 Schneider In
2b. City and County	Milford pike
2c. State	PA
2d. Zip Code	18337
3. OPERATOR'S 5 DIGIT IDENTIFICATION NUMBER	15540
4. HEADQUARTERS NAME & ADDRESS	
4a. Street Address	PIKE COUNTY LIGHT & POWER
4b. City and County	MILFORD
4c. State	PA
4d. Zip Code	18337
5. STATE IN WHICH SYSTEM OPERATES	PA
6. THIS REPORT PERTAINS TO THE FOLLOWING COMMODITY GROUP (Select Commodity Group based on the predominant gas carried and complete the report for that Commodity Group. File a separate report for each Commodity Group included in this OPID.)	
Natural Gas	
7. THIS REPORT PERTAINS TO THE FOLLOWING TYPE OF OPERATOR (Select Type of Operator based on the structure of the company included in this OPID for which this report is being submitted.):	
Investor Owned	

PART B - SYSTEM DESCRIPTION

1.GENERAL

	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	3.46			2.4	6.84	6.9	0	0	0	0	19.6
NO. OF SERVICES	438			145	445	0	0	0	0	0	1028

2.MILES OF MAINS IN SYSTEM AT END OF YEAR											
MATERIAL	UNKNOWN	2" OR LESS	OVER 2" THRU 4"	OVER 4" THRU 8"	OVER 8" THRU 12"	OVER 12"	SYSTEM TOTALS				
STEEL	0.1	0.5	3.6	1.67	0	0	5.87				
DUCTILE IRON	0	0	0	0	0	0	0				
COPPER	0	0	0	0	0	0	0				
CAST/WROUGHT IRON	0	0.9	3.8	2.2	0	0	6.9				
PLASTIC PVC	0	0	0	0	0	0	0				
PLASTIC PE	0	3.74	2.5	0.6	0	0	6.84				
PLASTIC ABS	0	0	0	0	0	0	0				
PLASTIC OTHER	0	0	0	0	0	0	0				
OTHER	0	0	0	0	0	0	0				
RECONDITIONED CAST IRON	0	0	0	0	0	0	0				
TOTAL	0.1	5.14	9.9	4.47	0	0	19.61				
Describe Other Material:											
3.NUMBER OF SERVICES IN SYSTEM AT END OF YEAR											
					AVERAGE SERVICE LENGTH: 42						
MATERIAL	UNKNOWN	1" OR LESS	OVER 1" THRU 2"	OVER 2" THRU 4"	OVER 4" THRU 8"	OVER 8"	SYSTEM TOTALS				
STEEL	1	8	574	0	0	0	583				
DUCTILE IRON	0	0	0	0	0	0	0				
COPPER	0	0	0	0	0	0	0				
CAST/WROUGHT IRON	0	0	0	0	0	0	0				
PLASTIC PVC	0	0	0	0	0	0	0				
PLASTIC PE	0	219	226	0	0	0	445				
PLASTIC ABS	0	0	0	0	0	0	0				
PLASTIC OTHER	0	0	0	0	0	0	0				
OTHER	0	0	0	0	0	0	0				
RECONDITIONED CAST IRON	0	0	0	0	0	0	0				
TOTAL	1	227	800	0	0	0	1028				
Describe Other Material:											
4.MILES OF MAIN AND NUMBER OF SERVICES BY DECADE OF INSTALLATION											
	UNKNOWN	PRE-1940	1940-1949	1950-1959	1960-1969	1970-1979	1980-1989	1990-1999	2000-2009	2010-2019	TOTAL

MILES OF MAIN	0.1	4.5	0.1	5.28	2.7	.1	1.8	0.2	3.2	1.74	19.72
NUMBER OF SERVICES	1	146	33	230	151	40	109	84	128	106	1028

PART C - TOTAL LEAKS AND HAZARDOUS LEAKS ELIMINATED/REPAIRED DURING THE YEAR

CAUSE OF LEAK	MAINS		SERVICES	
	TOTAL	HAZARDOUS	TOTAL	HAZARDOUS
CORROSION FAILURE			3	
NATURAL FORCE DAMAGE	1			
EXCAVATION DAMAGE				
OTHER OUTSIDE FORCE DAMAGE				
PIPE, WELD OR JOINT FAILURE				
EQUIPMENT FAILURE				
INCORRECT OPERATIONS				
OTHER CAUSE				

NUMBER OF KNOWN SYSTEM LEAKS AT END OF YEAR SCHEDULED FOR REPAIR : 0

PART D - EXCAVATION DAMAGE

1. TOTAL NUMBER OF EXCAVATION DAMAGES BY APPARENT ROOT CAUSE: 0

- a. One-Call Notification Practices Not Sufficient: 0
- b. Locating Practices Not Sufficient: 0
- c. Excavation Practices Not Sufficient: 0
- d. Other: _____

2. NUMBER OF EXCAVATION TICKETS : 739

PART E - EXCESS FLOW VALUE (EFV) AND SERVICE VALVE DATA

Total Number Of Services with EFV Installed During Year: 22

Estimated Number Of Services with EFV In the System At End Of Year: 183

* Total Number of Manual Service Line Shut-off Valves Installed During Year: 0

* Estimated Number of Services with Manual Service Line Shut-off Valves Installed in the System at End of Year: 1

**These questions were added to the report in 2017.*

PART F - LEAKS ON FEDERAL LAND

TOTAL NUMBER OF LEAKS ON FEDERAL LAND REPAIRED OR SCHEDULED TO REPAIR: 0

PART G-PERCENT OF UNACCOUNTED FOR GAS

UNACCOUNTED FOR GAS AS A PERCENT OF TOTAL CONSUMPTION FOR THE 12 MONTHS ENDING JUNE 30 OF THE REPORTING YEAR.

[(PURCHASED GAS + PRODUCED GAS) MINUS (CUSTOMER USE + COMPANY USE + APPROPRIATE ADJUSTMENTS)] DIVIDED BY (CUSTOMER USE + COMPANY USE + APPROPRIATE ADJUSTMENTS) TIMES 100 EQUALS PERCENT UNACCOUNTED FOR.

FOR YEAR ENDING 6/30: 2.33%

PART H - ADDITIONAL INFORMATION

PART I - PREPARER	
Eric Martinez, Operations Planner (Preparer's Name and Title)	(570)832-0560 _____ (Area Code and Telephone Number)
emartinez@pclpeg.com (Preparer's email address)	(570) 832-2989 _____ (Area Code and Facsimile Number)

Pike County Light & Power Company (Gas)

Statement No. 2-R

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility	:
Commission	:
	:
v.	: DOCKET NO. R-2020-3022134
	:
Pike County Light	:
& Power Company (gas)	:

**Pike County Light and Power Company
Statement No. 2-R
Update/Rebuttal Testimony of
Accounting Panel
Charles Lenns and Richard A. Kane**

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

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ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

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PIKE COUNTY LIGHT & POWER COMPANY
GAS RATE CASE DOCKET NO. R-2020-3022134
STATEMENT NO. 2-R
UPDATE/REBUTTAL TESTIMONY OF ACCOUNTING PANEL
CHARLES LENNS AND RICHARD A. KANE

1 Q. Have the members of the Accounting Panel previously
2 testified in this proceeding?

3 A. Yes, we submitted direct testimony (Statement No. 2) that
4 provided an overview of the acquisition of Pike County
5 Light and Power Company ("PCLP," "Pike," or "the
6 Company") by Corning Natural Gas Holding Company, Inc.
7 ("CNGH") in 2016; discussed the major costs driving
8 the rate increase Pike is seeking, and discussed the
9 adjustments made to the Historic Test Year in order to
10 calculate the requested rate increase.

11

12 PURPOSE OF UPDATE / REBUTTAL TESTIMONY

13 Q. What is the purpose of the Accounting Panel's Update /
14 Rebuttal testimony in this proceeding?

15 A. The Update / Rebuttal Testimony Accounting Panel will
16 cover the following topics:

17 ▪ Explain updates to the Company's Rate Base and
18 Revenue Requirement calculations to correct
19 inadvertent computational errors that came to
20 light as part of the discovery process.

21 ▪ Adopt as part of the Company's Update, in whole
22 or in part, certain adjustments proposed by the

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Bureau of Investigation and Enforcement ("BI&E")
2 witnesses John Zalesky and Esyan A. Sakaya (BI&E
3 Statements 1 and 3 respectively) and by Office of
4 Consumer Affairs ("OCA") witness Dante Mugrace
5 (OCA Statement 1).

- 6 ▪ List the Cost of Service items that were not
7 contested by the parties to this proceeding in
8 their direct testimony.
- 9 ▪ Address and rebut adjustments proposed by BI&E
10 witnesses John Zalesky and Esyan A. Sakaya and
11 OCA witness Dante Mugrace that the Company does
12 not believe are appropriate.
- 13 ▪ Discuss the Return on Equity recommendations of
14 BI&E witness Anthony Spadaccio (BI&E Statement
15 No. 2) and OCA witness Marlon Griffing (OCA
16 Statement No. 3).
- 17 ▪ Address concerns raised by OCA witness Karl
18 Pavlovic (OCA Statement No. 2) and other
19 witnesses about the impact of the current COVID
20 Pandemic on the economy and customers' ability to
21 pay for rate increases sought by the Company.

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ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

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REVENUE REQUIRMENT UPDATES

Q. Is the Accounting Panel updating any of its Exhibits to this filing?

A. Yes. The Accounting Panel is updating its Rate Base Exhibit G-3 and its Revenue Requirement Exhibit G-4. The new exhibits can be identified as "Exhibit G-3 Feb 2021 Update" and "Exhibit G-4 Feb 2021 Update."

GAS RATE BASE:

Q. Please describe Exhibit G-3 Feb 2021 Update.

A. Exhibit G-3 Feb 2021 Update consists of a two-page Summary and six Schedules containing the adjustments to Pike's historic and future gas rate base. The first four columns (a-d) of the first page of the Summary show the information contained in the Company's Exhibit G-3 as filed on October 26, 2020. Columns (e) and (f) contain the adjustments to reflect updates the Company is adopting. Column (g) adds the adjustments in Column (f) to the amounts originally calculated by the Company for the Twelve Months Ended June 21, 2021 in Column (d). The second page of the Summary lists the adjustments the Company is making and the six supporting schedules show the calculation of the adjustments.

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Plant, Accumulated Depreciation, and Accumulated Deferred
2 Income Tax Update

3 Q. Did the Company make an adjustment to its Common
4 General Plant in Service balance in Column (F)?

5 A. Yes. In reviewing the allocation of Common General
6 Plant to Gas we discovered that the balance shown in
7 Column 1 of Exhibit G-3, Schedule 1, page 2 of 4 for
8 completed additions at June 30, 2020 was the Gas
9 portion of common plant of \$15,800 (i.e., \$105,100 x
10 15%) and not the total common plant additions (i.e.,
11 \$105,100). As a result the amount that was applicable
12 to gas in Column 3 was understated. Adjustment No.
13 (10) in the amount of \$13,400 ($\{105,100 - 15,800\} \times$
14 15%) corrects the balance of common general plant that
15 should have been is allocated to gas.

16

17 Q. How much was the corresponding adjustment to the
18 Accumulated Depreciation Reserve for Common General
19 Plant and Accumulated Deferred Income Taxes?

20 A. Adjustment No. (11) increased the Accumulated
21 Depreciation Reserve for Common General Plant
22 allocated to gas by \$1,400. Adjustment No. (15)
23 reduced the Accumulated Deferred Income Tax Balance by
24 \$500.

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 **Cash Working Capital Update**

2 **Q. Did you update the Cash Working Capital Requirement**
3 **Calculation?**

4 A. Yes, as result of changes we made to operating
5 expenses and the revenue requirement discussed later
6 in our testimony, we flowed those updates through the
7 Company's Lead Lag Working Capital calculation. The
8 increase in the Cash Working Capital Requirement was
9 \$25, which was rounded in Adjustment (12) to \$0.

10

11 **Deferred Debit Update**

12 **Q. Please describe Adjustment No. (13) to Deferred**
13 **Debits.**

14 A. Adjustment No. (13) in the amount of \$16,000
15 eliminated the entire Deferred Debit Balance from Rate
16 Base. The balance was made up of deferred rate case
17 costs, net of income taxes. The Company believes that
18 shareholders should be compensated for the carrying
19 cost of deferrals until those amounts are collected in
20 rates. Both BI&E witness John Zalesky and OCA witness
21 Dante Mugrace opposed its inclusion in Rate Base.
22 While other jurisdictions such as New York allow the
23 balance of unrecovered rate case costs to be included
24 in Rate Base, the Company removed this item in order

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 to eliminate it as an item of contention among the
2 parties in this case.

3

4 **Deferred Credit Update**

5 **Q. Please describe the Company Accounts that are included**
6 **in the Deferred Credit balance.**

7 A. The Deferred Credit Balance contains the income tax
8 savings and charges that resulted from the 2018 Tax
9 Job and Creation Act ("TCJA") that lowered the
10 statutory federal income Tax Rate from 35% to 21%.
11 The Company currently has two separate deferrals
12 established relating to the deferred income taxes.
13 The first deferral is for deferred tax savings
14 associated with tax depreciation deductions taken at a
15 35% tax rate that will reverse out at the current
16 statutory tax rate of 21% in the amount of \$14,387
17 (Account 253912). The second balance is a debit for
18 tax deferrals resulting from other non-plant related
19 items in the amount of \$42,955 (Account 253922).

20

21 **Q. What adjustments is the Company making to balances**
22 **included in Deferred Credits?**

23 A. The Company updated the balance in Account 253912, to
24 reflect a fifty-year amortization of the TCJA

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 protected tax benefits, which was based on the
2 weighted average composite book life of the Company's
3 gas plant. For Account 253922 established for non-
4 protected TCJA balances the Company reflected the
5 impact of a four-year amortization on that account
6 balance.

7 Adjustment No. (14) in the amount of \$7,400 reflects
8 the net impact of amortizing balances in Account
9 253912 and 253922 over 50-years and 4-years
10 respectively.

11

12 **Q. What is the overall change to the Company Rate Base**
13 **and the revenue requirement impact that results from**
14 **the adjustments discussed above?**

15 A. Adjustment Nos. (10) to (15) result in a decrease in
16 the Company's requested Rate Base of \$10,900, from
17 approximately \$4,071,900 to \$4,061,000. The
18 associated revenue requirement impact resulting from
19 the reduction to Rate Base is \$1,100 based on the
20 Company requested overall Rate of Return of 7.09%.

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ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

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GAS COST OF SERVICE UPDATES

Q. Please describe Exhibit E-4 Feb 2021 Update.

A. Exhibit E-4 Feb 2021 Update consists of a three-page Summary and six Schedules containing the adjustments to Pike's historic and future gas revenue requirement calculations. The first four columns (1-4) of the summary are based on the Company's Exhibit G-4 as filed on October 26, 2020. Columns (5) and (6) contain the adjustments to reflect updates the Company is adopting. Column (7) adds the adjustments in Column (6) to the amounts originally calculated by the Company for the Twelve Months Ended June 21, 2021 in Column (4). Column (8) contains the calculated rate increase. Column (9) adds total operating revenues and expenses in Column (7) to the calculated rate increase to determine total revenues and expenses for the future Test Year ended June 30, 2021. The second page of the Summary shows the calculation of the Company's Updated Revenue Requirement. The third page of the Summary lists all of the adjustments PCLP has made to its revenue requirement calculations. The supporting Schedules show the calculation of the adjustments.

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 **Other Operating Revenues - TCJA Update**

2 **Q. Please explain the purpose of your Adjustment No. (11) to**
3 **Other Operating Revenues.**

4 A. Adjustment No. (11) incorporates the updates related
5 the TCJA tax balances discussed previously under Rate
6 Base Update section for Deferred Credits. The first
7 change was to reflect the impact of the fifty-year
8 amortization of the protected TCJA tax benefits in the
9 amount of \$288 annually. The second change was to
10 reflect a four-year amortization of non-protected TCJA
11 tax deferrals in the amount of \$10,736 annually.
12 These changes resulted in lower other operating
13 revenues of \$10,451 (\$288 - \$10,736), which was
14 rounded to \$10,500.

15
16 **Book Depreciation**

17 **Q. Please explain Adjustment No. (12) for depreciation**
18 **expense.**

19 A. Adjustment No. (12) increased the Company's calculated
20 depreciation expense by \$1,100 in order to reflect the
21 amortization of a depreciation reserve deficiency that
22 was omitted in error from the depreciation expense
23 calculation in the Company's October 26, 2020 filing.
24 The amortization was shown on Exhibit G-4, Schedules

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 8, page 4 of 4, but not carried forward to pages 1 and
2 2 of that Schedule.

3

4 State and Federal Income Taxes

5 **Q. Please describe Adjustment No. (13) to the Calculation**
6 **of Income Tax Expense for the Twelve Months Ended June**
7 **30, 2021, as shown Exhibit G-4, Schedule 10.**

8 A. Adjustment No. (13) contains the additions and
9 subtractions made to operating income before income
10 taxes in order to determine taxable income to which
11 the statutory tax rates are applied based on the
12 foregoing Cost of Service Adjustments No. (11) - (12)
13 and the Rate Base Adjustments No. (10) - (15).
14 Adjustment No. (13) results in a decrease to
15 Pennsylvania State Income Taxes of \$900 and Federal
16 Income Taxes of \$1,700.

17

18 Forfeited Discounts

19 **Q. Did the Company reflect any other changes to its**
20 **revenue requirement calculation?**

21 A. Yes. As discussed in the direct testimony of BI&E
22 witness Esysan Sakaya (BI&E Statement No. 3, pages 15 -
23 18), the Company did not forecast any change in the
24 level of Forfeited Discounts or Late Payment Fees

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 associated with the rate change it was requesting. As
2 a result, the Company has added a formula into its
3 revenue requirement calculation to calculate the level
4 of Forfeited Discount revenues associated with the
5 rate change the Company is requesting. The formula
6 uses the historic level of Late Payment charges
7 divided by historic billed revenues (i.e., 0.17%) and
8 applies this factor to reduce the overall rate
9 increase. The calculation is shown on the second page
10 of the Summary. In BI&E Interrogatory Response
11 Sakaya-1-1¹, BI&E witness Esysan Sakaya indicated that
12 the Company's recommended approach for reflecting
13 additional forfeited discounts in the revenue
14 requirement calculation was acceptable.

15

16 Updated Revenue Requirement

17 **Q. How much are the additional Forfeited Discounts and**
18 **what is the Company's Revenue Requirement after**
19 **reflecting all of the Rate Base and Cost of Service**
20 **Updates discussed above?**

21 **A.** The Forfeited Discounts are forecast to increase by
22 \$500, which lowers the calculated rate increase by the
23 same amount. The Company's Revenue Requirement after

¹ See Appendix A see BI&E response Sakaya-I-1

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 reflecting all of the Rate Base and Cost of Service
2 Updates discussed above is now \$273,500. This
3 represents an increase of \$11,300 from the Company's
4 initial Cost of Service amount of \$262,200. The
5 resulting overall increase in customer bills would be
6 approximately 14.3% ($\$273,500 / \$1,913,200$),
7 equivalent to a compound annual increase of 1.9% since
8 rates were last changed effective October 2014.

9

10 **REVENUE REQUIREMENT ITEMS NOT CONTESTED BY PARTIES**

11 **Q. Do you have a list of items that based on your**
12 **understanding of the direct testimony submitted by**
13 **BI&E, OCA, and OSBA that are not being contested by**
14 **the Parties?**

15 **A.** Yes. Below is a list of items that we believe are not
16 being contested or for which no changes or adjustment
17 have been recommended based on reading of the direct
18 testimony submitted by witnesses for BI&E, OCA, and
19 OSBA. As of the time this Testimony is being
20 submitted the Parties have either indicated that they
21 were accepting the Company's filing relative to these
22 items or else have not commented on them.

23

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ACCOUNTING PANEL – UPDATE / REBUTTAL TESTIMONY

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Uncontested Revenue Requirement Items

- PCLP Capital Structure as shown below:

	<u>Ratio</u>
Long-Term Debt	46.54%
Short-Term Debt	5.14%
Common Equity	<u>48.32%</u>
Total	<u>100.00%</u>

- The Company’s weighted embedded cost of Long and Short Term Debt of 2.38%;
- Future Test Year Sales and Revenue Forecast;
- Future Test Year Purchased Natural Gas Costs;
- Intercompany Cost Allocation Procedures with CNG;
- PCLP Electric and Gas Common Expense Allocation Factor;
- PCLP Book Depreciation Rates;
- Lead Lag Study Methodology, M&S Inventory Balances, Prepayments and Customer Deposit balances reflected in Rate Base;
- Additional employee staffing requested by PCLP;
- PCLP’s informational advertising, sales, dues, and subscription expenses; and

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

- 1 ▪ Fringe Benefit / Payroll Tax overhead rates and
2 Uncollectible Bad Debt adjustment factors.

3

4 **REBUTTAL OF ADJUSTMENTS PROPOSED BY PARTIES**

5 **Rate Base**

6

7 **Plant, Accumulated Depreciation, Deferred Income Taxes:**

8 Q. Please discuss the Rate Base adjustments proposed by
9 BI&E witness Esyan Sakaya and OCA witness Dante
10 Mugrace that the Company is contesting.

11 A. Both BI&E witness Esyan Sakaya (BI&E Statement No. 3,
12 pages 6 - 12) and OCA witness Dante Mugrace (OCA
13 Statement No. 1, pages 8 - 14) recommended eliminating
14 all requested gas and common plant additions occurring
15 after the Future Test Year (i.e., July 1, 2021 -
16 December 31, 2021) along with the associated
17 Accumulated Depreciation Reserve.

18 BI&E witness Esyan Sakaya's adjustment would reduce
19 gas distribution and general plant by a net amount of
20 \$160,700 (i.e., net plant reductions of \$222,100
21 offset in part by accumulated depreciation of
22 \$61,400). (BI&E Statement No. 3, page 12, line 1 -
23 20).

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 OCA witness Dante Mugrace's adjustment would reduce
2 net gas distribution and general plant by \$233,612
3 (i.e., gross plant reductions of \$222,112 and
4 accumulated depreciation of \$11,500).

5 The adjustment calculated by Esyan Sakaya removed all
6 the accumulated depreciation for July - December 2021
7 which was consistent with his removal the post June
8 2021 plant. Mr. Mugrace's adjustment did not properly
9 account for retirements and the elimination of
10 increases in the depreciation reserve for the post
11 June 30, 2021 changes to accumulated depreciation. If
12 the Commission removes the post June 30, 2021 plant
13 additions it should use the adjustments proposed by
14 Esyan Sakaya, not Mr. Mugrace's calculation.

15

16 **Q. What are the reasons that BI&E witness Esyan Sakaya**
17 **and OCA witness Dante Mugrace believe all plant**
18 **additions and the associated Accumulated Depreciation**
19 **Reserve should be eliminated?**

20 **A.** Page 7, lines 4 - 11 of the direct testimony of BI&E
21 witness Esyan Sakya (BI&E Statement No. 3) states that
22 "for utility plant to be recovered in rates, it must
23 be "used and useful" by the end of the year selected
24 by the Company to establish rates." He further states

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 that "to allow this plant in rate base will create a
2 mismatch between plant in service and other rate
3 making components such as revenue and expenses that
4 are based on the FTY" (Future Test Year).

5 OCA witness Dante Mugrace states on page 11, line 11
6 (OCA Statement No. 1) that "given that we are still in
7 a pandemic, it is not reasonable to extend out and
8 include post-test year plant investments through the
9 end of 2021." He makes arguments similar to BI&E
10 witness Esyan Sakya that including this plant will
11 require customers to pay for it before it is used and
12 useful.

13

14 **Q. What is the understanding of the Accounting Panel**
15 **regarding Post-Test Year Plant Additions?**

16 A. It is the Accounting Panel's understanding that it is
17 allowed to request plant additions for a period of six
18 months beyond the end of the Future Test Year. Rate
19 changes that would go into effect in the 3rd quarter of
20 2021 should provide the Company with an opportunity to
21 recover the costs of plant to be added during the
22 first year that new rates are in effect. Allowing net
23 plant additions to go into service during the first
24 six-months of that period will provide the Company

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 with an opportunity to recover the carrying cost
2 associated with the average balance of plant to be
3 added during the first year that new rates are in
4 effect, assuming that monthly plant additions are
5 fairly even during that twelve-month period.

6 With regards to OCA witness Dante Mugrace's statement
7 that we are currently in a Pandemic and it is
8 therefore not appropriate to seek recovery of plant to
9 be added in the second half of 2021, we disagree.

10 While we are in the midst of a pandemic, we believe
11 the worst of it is behind us now that the vaccine is
12 being distributed and the economy will continue to
13 improve moving forward. Historically the economy has
14 gone through cycles of contraction and expansion. In
15 2008 for example, the Stock Market experienced a
16 complete meltdown, it then rebounded, and has grown
17 ever since. We believe that the same trend will
18 continue throughout all sectors of the economy.

19 The Company has an obligation to serve the needs of
20 its customers regardless of the economic climate.

21 This is accomplished by investing in new and
22 replacement infrastructure that is necessary in order
23 to continue to provide safe and reliable service.

24 Investments by the Company in infrastructure will

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 provide jobs that in turn will allow the economy to
2 recover more rapidly. The cost of these investments
3 should be included in the Company's rates.
4

5 **Q. Does the Accounting Panel have any other concerns**
6 **regarding the reductions to net plant recommended by**
7 **BI&E witness Esyan Sakaya?**

8 A. Yes. The reduction to net plant recommended by BI&E
9 witness Esyan Sakaya did not include a corresponding
10 Rate Base adjustment for Accumulated Deferred Income
11 Taxes, which while small, we believe was just an
12 oversight. An adjustment to Accumulated Income Taxes
13 should be made if BI&E witness Esyan Sakaya's
14 adjustment is adopted of \$15,107 to remove the
15 increase in Accumulated Deferred Income Taxes forecast
16 by the Company on post Future Test Year additions.
17

18 **Q. Did OCA witness Dante Mugrace state that the Company**
19 **did not have Gas LTIIP projects beyond December 2020**
20 **(OCA Statement No. (1) page 11, lines 14-23) based on**
21 **the Company's response to OCA 1, Set No. 4?**

22 A. Yes. He stated the following:

ACCOUNTING PANEL – UPDATE / REBUTTAL TESTIMONY

1 "According to the response to OCA Set I, No. 26²,
2 all of the Gas Company's LTIIP have been placed
3 in service as of December 2020. Nothing in this
4 data response shows that the Gas Company proposes
5 to include any LTIIP investment beyond June 30,
6 2021, the end of the test year. In response to
7 OCA Set I, No. 4³ the Gas Company stated that 50%
8 of the capital expenditures related to the LTIIP
9 investment were included in the July-December
10 2021 time period. This response and the
11 reference to Schedule G-3 Schedule 11 shows that
12 approximately \$178,000 of LTIIP plant investment
13 is expected to be placed in service between July
14 2021 and December 2021. The Gas Company should
15 reconcile these two data responses."

16

17 **Q. What is the difference between the Company's response**
18 **to OCA Set I No. 26 and OCA Set I No. 4?**

19 A. The intention of the Company's response to OCA Set 1,
20 No. 26 that was submitted by PCLP on January 12, 2021
21 was to discuss the actual status and spending for
22 projects through December 31, 2020. The response to
23 OCA Set 1, No. 4 discussed how the Company reflected

² See Appendix A for PCLP response to OCA Set I, No. 26

³ See Appendix A for PCLP response to OCA Set I, No. 4

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 its budgeted projects for 2020 and 2021 in Exhibit G-
2 3, Schedules 10 and 11.

3

4 **Rate Base Adjustment - Cash Working Capital**

5 Q. Does the Company have an issue regarding the
6 adjustment to the Working Capital Allowance proposed
7 by OCA witness Dante Mugrace in his direct testimony
8 (page 15)?

9 A. No. OCA witness Dante Mugrace appropriately reflected
10 his proposed O&M adjustments in the Company's Lead Lag
11 workpapers in order to recalculate the Working Capital
12 Allowance. To the extent that his recommended
13 adjustments are eliminated or modified, the
14 calculation will need to be updated to reflect all
15 final changes adopted by the PAPUC.

16

17 **Deferred Credits**

18 Q. BI&E witness John Zalesky proposed a number of
19 adjustments to the Deferred balance that was
20 established for TCJA Tax Benefits. Do you agree with
21 his proposed Rate Base adjustment?

22 A. No. The table included on page 2 of his testimony
23 (BI&E Statement No. 1) shows a recommended before tax
24 debit balance of \$20,266. We believe this should be

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 an after tax debit balance of \$12,900. The calculated
2 balance of \$12,900 incorporates the amortization of
3 the balance in account 253902 of \$288 (i.e.,
4 \$14,386.53 / 50 years) and the balance in account
5 253912 of \$10,739 (\$42,955.22 / 4 years). Mr. Zalesky
6 calculated his deferred balance on a "Before Income
7 Tax basis" (BI&E Statement No. 1, page 18, line 12 -
8 14). The Company believes it is more appropriate to
9 calculate the balance in this account net of Income
10 Taxes.

11

12 **Q. Why is it more appropriate to calculate the deferred**
13 **TCJA balance "net of income taxes"?**

14 **A.** The amounts recorded in the TCJA Deferred Tax Accounts
15 have been "grossed up" for income taxes to a revenue
16 requirement level. They represent not just the income
17 tax differences that resulted from the change in the
18 corporate tax rate but are factored up to the level
19 that would be passed back or collected from customers.
20 All amount passed back or collected from customers
21 have a corresponding income tax deduction or expense.
22 As a result, the deferred income taxes associated with
23 the TCJA balances have been recorded in either FERC
24 Account 190 or 283.

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1 The Rate Base balances for the TCJA deferral should be
2 net of the associated deferred income taxes.

3

4

Cost of Service

5

Other O&M Expense - TCJA Amortization

6 **Q.** Did BI&E witness John Zalesky propose an adjustment to
7 Other Operation and Maintenance Expense for the
8 amortization of TCJA balances that is different than
9 the adjustment reflected in the Company's Update
10 discussed earlier previously?

11 **A.** Yes. The adjustment in discussed in Mr. Zalesky's
12 testimony (BI&E Statement No. 1, page 16, lines 16 -
13 17), lowers Other Operation and Maintenance Expense by
14 \$8,303⁴.

15

16 **Q.** Is this adjustment correct?

17 **A.** No. The amortization of Deferred TCJA balances should
18 have resulted in higher O&M expenses, not a decrease
19 in O&M expense.

20

21 **Q.** Did the Company provide an explanation as to why the
22 TCJA balance was a debit for its gas operations?

⁴ See Table included in BI&E Statement No. 1, Page 2 – Amortization of Excess ADIT

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1 A. Yes. In response to Data Request BI&E-RE-29D⁵ the
2 Company explained that it had a Gas Cost Recovery
3 Over-collection in 2018 that created the debit balance
4 for TCJA in Account 253912 for non-protected items.

5

6 **Q. Did the Company ask BI&E witness John Zalesky if he**
7 **understood that the Amortization of the net deferred**
8 **Gas TCJA balance should result in an increase, not a**
9 **decrease in operating expenses?**

10 A. Yes. The Company sent its Gas Interrogatory No. 7⁶ to
11 BI&E. The answer to Part A of the Company's question
12 was unresponsive and the answer to Part B ignored the
13 information outlined in Part A and is not accurate.
14 The Accounting Panel recommends that the adjustment
15 proposed by Mr. Zalesky in the amount of \$8,303 be a
16 credit to expense and not a charge to expense.

17

18 **Q. Did BI&E witnesses John Zalesky or Esyan Sakaya**
19 **propose any other adjustments to the level of Other**
20 **Operation and Maintenance expenses proposed by the**
21 **Company?**

22 A. With the exception of amortization / normalization
23 periods for rate case costs and non-protected TCJA

⁵ See Appendix A for the Company's response to I&E-RE-29D Part B

⁶ See Appendix A for BI&E response Zalesky- I-7

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 deferrals, they did not propose any other adjustments
2 to the Future Test Year level of Operation and
3 Maintenance expenses.

4

5 **Amortization Periods**

6 **Q. What amortization periods did the Company, BI&E and**
7 **OCA recommend in this case for amortizing deferred**
8 **revenues and expenses?**

9 BI&E witness John Zalesky proposed a five-year
10 normalization of rate case costs and a five-year
11 amortization of non-protected TCJA deferrals. OCA
12 witness Dante Mugrace recommended the Company update
13 its filing to reflect the amortization of the TCJA
14 balances (OCA Statement No. 1, page 42) which it has
15 done in the update section. For Rate Case costs he is
16 recommending a six-year normalization period (OCA
17 Statement No. 1, page 29, lines 3-7).

18

19 **Q. Does the Company agree that using either a five-year**
20 **or six-year recovery period Rate Case Costs is**
21 **appropriate?**

22 A. No. We do not agree that setting longer periods to
23 recover deferred rate case costs is appropriate.
24 First, the Company has to absorb carrying costs for

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 the unrecovered balances for a longer period of time.
2 The argument set forth by BI&E witness John Zalesky
3 that historically the average period between the
4 Company's last three based rate case filings was 74
5 months (BI&E Statement No. 1 page 6, line 22), is not
6 an indication of how frequently the Company will be
7 required to file going forward.

8

9 **Q. Why isn't the historic frequency of Rate Case filings**
10 **a good indication of when PCLP will need to file for**
11 **its next rate change?**

12 A. PCLP is now operating under different ownership than
13 reflected in the historical data. The Company was
14 previously acquired by Con Edison Inc. (CEI) in 1998
15 as part of its merger with Orange and Rockland
16 Utilities, Inc. PCLP was the only utility operation
17 that CEI had in Pennsylvania and represented
18 approximately one tenth of one percent (i.e., 0.001 or
19 0.1%) of all of its utility customers and revenues.
20 As a result, PCLP financial results did not have a
21 material or significant impact on CEI's earnings or
22 credit worthiness. CEI filed rate cases for PCLP when
23 it owned the Company in order to avoid defaults on
24 loan covenants that would have triggered requirements

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1 for PCLP to repay outstanding debt when their earnings
2 did not support the debt service cost. By comparison
3 PCLP represents approximately 27% of CNGH⁷ total
4 revenues and 22% of CNGH total utility plant
5 investment. Its financial operating results have a
6 much more significant impact on CNGH operating results
7 and are therefore more likely to drive the need for
8 more frequent rate changes in order to maintain a
9 reasonable return on infrastructure investments.
10 As discussed in our testimony (PCLP Statement No. 2,
11 page 8, lines 16 - 20), there were three reasons why
12 the Company had waited to file its current case;
13 first, the settlement in the 2014 Rate Case had a
14 stay-out provision of two years that precluded PCLP
15 from filing for new rates until 2016; second the
16 settlement of the Corning Natural Gas Holding
17 Company's (CNGH) acquisition case in 2016 also has had
18 a stay-out provision that did not allow for a change
19 in base rates for two years. Third, as a practical
20 matter, it has taken CNGH time to staff and integrate
21 Pike's daily operations with that of its New York
22 utility affiliate Corning Natural Gas Company, Inc.
23 (CNG).

⁷ Source Corning Natural Gas Holding Company Annual 10K for the Twelve Months Ended September 30, 2020 and September 30, 2019, page 50.

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1 Based on the forgoing, an amortization period of more
2 than four-years is in the view of the Accounting Panel
3 unreasonable unless the Company were allowed carrying
4 costs on the unrecovered balance of deferred costs.

5

6 Deferral vs. Normalization of Rate Case Costs

7 Q. Please discuss the Company's reasons for opposing BI&E
8 witness John Zalesky and OCA witness Dante Mugrace
9 recommendation to "normalize" the level of rate case
10 costs to be included in rates as opposed to deferring
11 and amortizing those costs.

12 A. The Company opposes normalizing rate case costs rather
13 than deferring and then amortizing them because it
14 would require PCLP to write-off all rate case costs in
15 the current period, which would have a material and
16 significant impact on the Company's earnings. In the
17 historic Test Year, Pike had net income from both gas
18 and gas operations of \$380,729 (Exhibit E-1, Schedule
19 3). A charge to expense of \$150,000 in that period of
20 time would have resulted in an after tax charge to
21 earnings of approximately \$106,700 $\{(\$150,000 \times (1-$
22 $28.8921\%)\}$, which would have been equivalent to
23 approximately 28% of the Company's net income. While
24 net income should be higher after July 1, 2021 as a

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 result of rate relief, normalizing this cost will
2 require the Company to charge income in the current
3 period. For larger utilities, writing off rate case
4 costs in the current period would have a much smaller
5 and less material impact on their operating results.
6 Deferring and amortizing this cost will match the
7 amounts charged to expense with the revenues collected
8 from customers and avoid a material impact on the
9 company's financial operating results.

10

11 **Gas Distribution Maintenance Expense**

12 **Q. Did OCA witness Dante Mugrace's propose an adjustment**
13 **to for gas distribution operation and maintenance**
14 **expenses?**

15 A. Yes. Mr. Mugrace proposed an adjustment to lower the
16 Company's historic Test Year level of gas distribution
17 Operation and Maintenance expense by \$59,625 from
18 \$103,088 to \$43,463 or 58% (OCA Statement 1, page 21,
19 lines 1-20), based on a three average of actual
20 expenditures incurred during the period covering (July
21 1, 2018 - June 30, 2020).

22

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. Does the Accounting Panel agree with OCA witness Dante
2 Mugrace's proposed adjustment to lower gas
3 distribution expense?

4 A. No we do not. As indicated in the Company's response
5 OCA Set 1, No 2⁸ Distribution maintenance charges
6 incurred during the historic test year were primarily
7 for the cost of inspecting, stripping and coating of
8 interior piping to the outlet of our inside meter to
9 conform to code, our O&M manual and for customer
10 safety. PCLP hired an individual in 2019 to perform
11 this task. As indicated in the Company's response to
12 Gas Data Request I&E-RE-1D⁹ in 2020, the Company
13 undertook an initiative to inspect, clean, paint/coat
14 interior piping. This program is ongoing and
15 responsible for the increase in cost between 2019 and
16 2020. The cost related to this work was not incurred
17 in the prior two years. As a result, OCA's
18 recommended adjustment to reduce funding for this
19 program should be rejected.

20
21
22
23

⁸ See Appendix A for PCLP's response to Data Request OCA Set 1, No. 2

⁹ See Appendix A for PCLP's response to Data Request I&E-RE-1D

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Customer Accounts and Service Expense

2 Q. Did OCA witness Dante Mugrace's proposed an adjustment
3 to lower the Company's historic Test Year level of
4 Customer Accounts expense?

5 A. Yes. Mr. Mugrace proposed an adjustment to lower the
6 Company's historic Test Year level of gas Customer
7 Accounts Expense \$20,680 (OCA Statement 1, page 22,
8 lines 8 - 24), based on a three-year average of
9 certain customer expenditures incurred during the
10 period covering (July 1, 2018 - June 30, 2020).

11

12 Q. Does the Accounting Panel agree with OCA witness Dante
13 Mugrace proposed adjustment to gas customer expenses?

14 A. No we do not. Mr. Mugrace's adjustment focuses only
15 on amounts recorded in the Company Account established
16 for Meter Reading expense (i.e., FERC Account 902) and
17 gives no weight to Customer Record and Collection
18 Expenses (i.e., FERC 903). Rather than looking at
19 Customer Service expenses in total for these two
20 accounts he treats them separately, in order to
21 support his adjustment. He has proposed that Customer
22 Meter reading expenses should be reduced by \$23,699 to
23 reflect the historic three-year average, but for
24 Customer Records and Collection expense he has

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1 recommended that the Historic Test Year level of
 2 \$5,800 was appropriate. The table below shows the
 3 calculation of the average Meter Reading expenses for
 4 the three fiscal years ended June 30, 2018, 2019 and
 5 2020 was \$23,520 and Mr. Mugrace’s recommended
 6 reduction to Meter Reading expenses of \$20,680. The
 7 table also shows the calculation of the average
 8 Customer Records and Collection expenses for the three
 9 year period ended June 30, 2018, 2019, and 2020 was
 10 \$11,680 as well as the level of Customer Records
 11 Expense Mr. Mugrace’s recommended of \$5,800. The
 12 Company believes the unusually low level of Meter
 13 Reading expense for the Twelve Months Ended June 30,
 14 2018 was the result of employees incorrectly charging
 15 Customer Records Expense rather Meter Reading expense.

16

Company	Account	Description	For the Twelve Months Ended June 30,			Three-Year Average	Average vs. Historic Test Year
			2018 Actual	2019 Actual	2020 Actual		
	5902002	Cust Accts Exp-Meter Read	\$ 15,888.05	\$ 10,472.27	\$ 44,200.44	\$ 23,520.25	\$(20,680.19)
	5903002	Cust Accts Exp-Records / Collection	31,057.85	(1,817.52)	5,799.78	11,680.04	5,880.26
		Total	\$ 46,945.90	\$ 8,654.75	\$ 50,000.22	\$ 35,200.29	\$(14,799.93)

17
18

19

20 If Mr. Mugrace’s objective was to use a three-year
 21 average of historic expenses to normalize or smooth

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 out fluctuations in setting rates going forward¹⁰, his
2 adjustment should have included Customer Records and
3 Collection expenses and resulted in a decrease to
4 total Customer expenses of \$14,800, not a decrease of
5 \$20,680. The Company currently has a staff of four
6 employees that perform the Meter Reading function. If
7 Mr. Mugrace's adjustment is adopted there would not be
8 adequate funding to pay their wages. The operating
9 results for the Twelve Months Ended June 30, 2019 are
10 abnormally low and is what is driving the adjustment
11 Mr. Mugrace has recommended. The Company believes the
12 historic Test Year is representative of its costs
13 moving forward and recommends that Mr. Mugrace's
14 proposed adjustment to meter reading expense be
15 rejected.

16

17 **Administrative and General Expenses**

18 **Q. Did OCA witness Dante Mugrace propose an adjustment to**
19 **reduce the Company's historic Test Year level of**
20 **Administrative and General expense?**

21 **A. Yes. Mr. Mugrace recommends an adjustment to one of**
22 **the categories in the Administrative and General**
23 **(i.e., Office Supplies and Expenses) in order to**

¹⁰ OCA Statement No. 1, Page 25, line 28 – Page 26, line 1.

ACCOUNTING PANEL – UPDATE / REBUTTAL TESTIMONY

1 normalize it based on the historic three-year level of
2 actual expenses for this category.

3
4 **Q. Does the Accounting Panel agree with OCA witness Dante**
5 **Mugrace’s proposed an adjustment to gas Administrative**
6 **and General expenses?**

7 A. No, we do not. As with customer expenses, Mr.
8 Mugrace’s adjustment only focuses on one category of
9 Administrative and General Expense (i.e., Office
10 Supplies and Expense). The table below shows all of
11 the Administrative and General expenses by categories
12 for the three-years ended June 30, 2018, 2019 and
13 2020.

Company	Description	For the Twelve Months Ended June 30,			Three-Year	Average
		2018	2019	2020		
Account		Actual	Actual	Actual	Average	vs. Historic
						Test Year
5 920002	Admin & Gen Exp-Salaries & Wages	\$ 63,810.48	\$ 52,443.28	\$ 69,049.38	\$ 61,767.71	\$ (7,281.67)
5 921002	Admin & Gen Exp-Office Expense	36,416.65	59,282.69	53,070.28	49,589.87	(3,480.41)
5 922002	Admin & Gen Exp-Admin Transf.	(2,646.35)	686.98	50.72	(636.22)	(686.94)
5 923002	Admin & Gen Exp-Outside Services.	95,633.33	48,953.25	55,135.50	66,574.03	11,438.53
5 924002	Admin & Gen Exp-Prop Insurance	10,591.47	94.52	4,415.88	5,033.96	618.08
5 925002	Admin & Gen Exp-Injury & Damages	7,741.56	(2,361.71)	3,309.24	2,896.36	(412.88)
5 926032	Admin & Gen Exp-Emp Benefits	64,199.88	92,847.40	68,914.92	75,320.73	6,405.81
5 928002	Admin & Gen Exp-Reg Commission	6,452.21	10,780.38	5,480.22	7,570.94	2,090.72
5 930022	Admin & Gen Exp-Misc-Elec	575.79	1,729.42	650.03	985.08	335.05
5 930062	Admin & Gen Exp-Vehicle	-	-	12.78	4.26	(8.52)
5 932052	Admin & Gen Exp-Maint Grounds	1,891.89	2,427.38	2,183.22	2,167.50	(15.72)
5 932122	Admin & Gen Exp-Maint Office	2,184.03	1,499.92	1,282.62	1,655.52	372.90
	Administrative & General	\$ 286,850.94	\$ 268,383.51	\$ 263,554.79	\$ 272,929.75	\$ 9,374.96

14
15
16 In total Administrative & General expenses for the
17 Twelve Months Ended June 30, 2020 were \$9,375 lower
18 than the three-year Historic Average.

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. What is the recommendation of the Accounting Panel as
2 a result of the foregoing discussion?

3 A. We believe Mr. Mugrace's adjustment to Office Supplies
4 and Expense of \$3,481 should be eliminated in total.
5 If he wanted to normalize the historic level of
6 Administrative and General expenses he should have
7 done it in total and increased the Company's allowance
8 for Administrative and General expenses by \$9,375, not
9 selectively in order to achieve a desired result.

10

11 **Intercompany Payroll Expense**

12 Q. Did OCA witness Dante Mugrace propose an adjustment to
13 reduce the amount of intercompany payroll charged to
14 Pike's gas operations by \$2,443?

15 A. Yes, an adjustment to reduce the Company's
16 intercompany payroll costs by \$2,443 was proposed by
17 Mr. Mugrace (OCA Statement No. 1, page 25, lines 1 -
18 7). The adjustment was based on a three-year historic
19 average of intercompany payroll charges allocated to
20 PCLP by CNG.

21

22 Q. Does the Accounting Panel agree with OCA witness Dante
23 Mugrace's proposed adjustment to lower intercompany
24 payroll expense?

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1 A. No, we do not. The actual intercompany payroll
2 charges to PCLP from CNG used by Mr. Mgrace in
3 calculating his adjustment were \$39,729, 36,752, and
4 \$41,905 for the Twelve Months Ended June 30, 2018,
5 2019 and 2020 respectively. The net change between
6 the Twelve Months Ended June 30, 2018 and June 30,
7 2020 is equivalent to \$2,176 or 5.5% ($\{\$41,905 -$
8 $\$39,729\} / \$39,729$). The percentage change between
9 the Fiscal Years 2018 and 2020 is representative of
10 annual salary and wage increases over a two-year
11 period.

12 The decrease in intercompany payroll charges between
13 the Twelve Months Ended June 30, 2018 and June 30,
14 2019 was \$2,977 ($\$39,729 - \$36,752$) and is not
15 representative of current operations.

16

17 **Q. Please continue.**

18 A. Intercompany payroll charges will vary from year to
19 year based on the level of administrative support
20 provided by CNG to PCLP. We believe the level of
21 services provided by CNG will be increasing going
22 forward as improvements in the Company's COGNOS
23 Operating Software roll out for Work Management and
24 budgeting. The charges for the Twelve Months Ended

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1 June 30, 2019 were lower than the other years due to
 2 lower Accounting, Financial Reporting and Invoice
 3 Processing charges to PCLP in that period. This
 4 variation was due to staffing fluctuations and does
 5 not represent a normal level of activity. The Table¹¹
 6 below shows the breakdown of intercompany payroll
 7 charges for the Twelve Months Ended June 30, 2018,
 8 2019, and 2020.

Pike County Light & Power Company, Inc.			
Summary of CNG Salary & Wages			
Charged to GAS FERC Account 920			
Twelve Month Ended June 30,			
Description	2018	2019	2020
<u>Payroll allocated from CNG</u>			
- Executives (4)	\$ 12,247	\$ 18,330	\$ 21,108
- Accounting (4)	11,242	7,814	9,648
- Financial Reporting (1)	2,558	1,689	2,234
- Customer Service (1)	2,117	2,212	2,438
- Accounts Payable (2)	6,085	3,554	1,711
- Information Technology (2)	3,596	2,299	2,984
- Human Resources (2)	1,886	854	1,280
- Purchasing - Inventory (1)	-	-	502
Total Gas	\$ 39,729	\$ 36,752	\$ 41,905

9
 10
 11 The Accounting Panel recommends the PAPUC reject Mr.
 12 Mugrace’s intercompany payroll adjustment of \$2,443
 13 (Schedule DM-14) and the associated adjustments for
 14 wage increases of \$73 (\$2,443 x 3.0%) (Schedule DM-
 15 15), payroll ancillary costs of \$24 (\$73 x 46.05%)

¹¹ See Appendix A, Company response to OCA Data Request No. 1, Question 14.

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1 (Schedule DM-15), and Payroll taxes of \$192 ($\{\$2,443 +$
2 $\$73\} \times 7.65\%$) (Schedule DM-19).

3

4 **Incentive Compensation Expenses**

5 **Q. Did OCA witness Dante Mugrace propose an adjustment to**
6 **eliminate incentive compensation payments?**

7 A. Yes. Mr. Mugrace reflected an adjustment to remove
8 \$3,090 of incentive compensation payments (Schedule
9 DM-14) along with associate adjustments for wage
10 increases of \$93 ($\$3,090 \times 3.0\%$) (Schedule DM-15),
11 payroll ancillary costs of \$43 ($\$93 \times 46.05\%$)
12 (Schedule DM-15), and Payroll taxes of \$240 ($\{\$3,090 +$
13 $\$43\} \times 7.65\%$) (Schedule DM-21). In his view the goals
14 established in the Company's incentive Compensation
15 Program did not provide any type of customer driven
16 metrics (OCA Statement No. 1, page 25-26).

17

18 **Q. Does the Accounting Panel agree with OCA witness Dante**
19 **Mugrace's proposed adjustment to eliminate incentive**
20 **compensation payments?**

21 A. No, we do not. The Company's Incentive Program does
22 include targeted goals that benefit customers
23 directly. For example the goals require that the
24 Company satisfy all PAPUC Gas and Electric Mandates

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1 and complete a number of gas main replacement designs
2 along with associated permitting and bidding for those
3 projects by a certain date. The incentive plan
4 requires that the current rate filing be completed
5 this year, which in turn requires that the Company
6 satisfy all requests of Parties involved in the case
7 and demonstrate that the rate request is appropriate.
8 The earnings target included in the goals requires the
9 Company to operate within its operating and capital
10 budget for 2021 or if necessary adjust priorities in
11 order to satisfy operating issues that may arise.
12 The purpose of the incentive program is to put at risk
13 a portion of the salary of those individuals who are
14 responsible for managing the day to day operations of
15 the Company. If the Company does not achieve those
16 goals then those employee(s) will forgo a portion of
17 their compensation.
18 The Accounting Panel believes that the Company's
19 Incentive Plan does provide benefits to customers and
20 holds Managers accountable by putting a portion of
21 their annual salary compensation at risk if they are
22 unable to achieve the goals that are set out for them.
23 Incentive Compensation should not be eliminated from
24 the Company's revenue requirement calculation.

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1 Payroll Ancillary Costs

2 Q. Did OCA witness Dante Mugrace propose any adjustments
3 related to payroll ancillary costs?

4 A. Yes. Mr. Mugrace made "tracking" adjustments to
5 reduce payroll ancillary costs in the amount of \$334
6 that correspond to his adjustments to allocated
7 payroll (OCA Statement No. 1, page 24, lines 26
8 through page 26, line 7) and incentive compensation
9 discussed above.

10

11 Q. Does the Company believe that the adjustment to
12 Payroll Ancillary Costs is appropriate?

13 A. The Company would agree that any changes to the wage
14 increase calculation should include a corresponding
15 adjustment to payroll ancillary costs as OCA witness
16 Dante Mugrace has done. Our objection is to the
17 adjustments made by Mr. Mugrace for allocated payroll
18 and incentive compensation, which are discussed above.
19 To the extent that his proposed payroll adjustments
20 are eliminated or modified, a corresponding adjustment
21 to payroll ancillary costs should also be made.

22

23

24

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Rate Case Expense

2 Q. Did OCA witness Dante Mugrace propose any adjustments
3 to rate case expense?

4 A. Yes. As discussed previously, Mr. Mugrace reduced the
5 annual allowance for deferred rate case costs by
6 extending the amortization period from four to six
7 years. The change resulting from his adjustment was
8 to decrease rate case expense by \$1,875 annually
9 (Schedule DM-18). The Company disagrees with the
10 change in amortization period as we discussed earlier.

11

12 Intercompany Charges

13 Q. Please explain the adjustment OCA witness Dante
14 Mugrace proposed to intercompany charges?

15 A. In its October 26, 2020 rate filing the Company had
16 escalated the Historic Test Year level of intercompany
17 charges (excluding payroll) by the CPI index of 1.0%.
18 Mr. Mugrace eliminated the increase in costs of
19 approximately \$726 (Schedule DM-10). His testimony
20 stated that "these types of adjustments are typically
21 blanket adjustments and do not directly relate to
22 actual costs expected to be incurred" (OCA Statement
23 No. 1, page 29, lines 22-27).

24

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1 Q. Does the Company agree that OCA witness Dante Mugrace
2 proposed adjustment to intercompany charges is
3 appropriate?

4 A. No. The entire purpose of applying the CPI index to
5 total intercompany charges other than payroll was to
6 recognize that some expenses will increase at rates
7 that are higher than general inflation; some will
8 remain at the same level; and others may decrease.
9 Overall it is expected that these types of costs will
10 increase at the general rate of inflation. The
11 Accounting Panel recommends that Mr. Mugrace's
12 adjustment to reduce the Future Test Year level of
13 intercompany charges by \$726 be rejected.

14

15 **Uncollectible Accounts Expenses**

16 Q. Did OCA witness Dante Mugrace propose any adjustments
17 to uncollectible accounts expense?

18 A. Yes. Mr. Mugrace proposed two adjustments to
19 uncollectible accounts expense. He made a "tracking"
20 adjustment (OCA Statement No. 1, page 31, lines 7 - 9)
21 to adjust the level of uncollectible expense to match
22 his calculated revenue requirement. The second
23 adjustment he made was to eliminate the historic Test

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1 Year negative level of uncollectible accounts expense
2 from his total bad debt expense allowance.

3

4 **Q. Does the Company agree with both adjustments to**
5 **uncollectible expense proposed by OCA witness Dante**
6 **Mugrace?**

7 A. The Company would agree that a "tracking" adjustment
8 to calculate the uncollectible allowance to be
9 included in the revenue requirement calculation is
10 appropriate and required.

11 The Company is opposed to Mr. Mugrace's adjustment to
12 eliminate the historic Test Year negative level of
13 uncollectible expense of \$13,950 from the cost of
14 service. Assuming both changes proposed by Mr.
15 Mugrace were adopted, the total uncollectible
16 allowance would be \$16,473 ($\$28,934 + \$1,489 -$
17 $\$13,950$), which would be equivalent to an
18 uncollectable factor of 0.0095 of billed revenues
19 ($\$16,473 / \{\$1,639,700 + \$97,301\}$). The resulting
20 uncollectible factor is roughly two-thirds of the
21 actual factor experienced the Company. Mr. Mugrace's
22 elimination of the Historic Test Year level of
23 uncollectible accounts expense must be rejected as it

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 does not provide an adequate allowance for
2 uncollectible customer accounts expenses.

3

4 **Charitable Contributions**

5 **Q. Did OCA witness Dante Mugrace propose any adjustments**
6 **with respect to charitable contributions?**

7 A. Yes. OCA witness Dante Mugrace proposed an adjustment
8 (OCA Statement No. 1, page 33, lines 17-23), to reduce
9 the PCLP's revenue requirement by \$1,223 (Schedule DM-
10 10) based on the Company's response to OCA's
11 interrogatory¹².

12

13 **Q. Do you agree with Mr. Mugrace's proposed adjustment?**

14 A. Absolutely not. The Company's response to OCA Set IV,
15 No. 4 clearly stated "please note that these
16 expenditures were charged "below the line" to FERC
17 account 426 and are excluded from the Company's
18 revenue requirement calculations." The Accounting
19 Panel does not believe it is appropriate to remove a
20 corporate expense that was never included in the
21 Company's rate change request in the first place.

22

¹² See Appendix A for the Company's response to OCA Set IV, No. 4

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. Did the Company send OCA witness Mugrace a data
2 request asking him to review the Company's response to
3 OCA Set IV, No. 4?

4 A. Yes. The OCA's response to the Company's
5 Interrogatory¹³ indicated that Mr. Mugrace reviewed the
6 response to OCA Set IV No. 4 and has removed the
7 adjustment related to charitable contributions of
8 \$1,223.

9

10 Payroll Taxes

11 Q. Did OCA witness Dante Mugrace propose any adjustments
12 with respect to payroll taxes?

13 A. Yes. Mr. Mugrace made a "tracking" adjustment to
14 reduce payroll taxes by \$439 (Schedule DM-19) that
15 corresponds to his adjustments to payroll (OCA
16 Statement No. 1, pages 24 - 26).

17

18 Q. Does the Accounting Panel believe this adjustment is
19 appropriate?

20 A. The Accounting Panel would agree that any changes to
21 payroll should include a corresponding adjustment to
22 payroll taxes as OCA witness Dante Mugrace has done.
23 Our objection is to the adjustments he has proposed

¹³ See Appendix A for OCA Gas Response Mugrace-I-7

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 for payroll expense. To the extent that his proposed
2 payroll adjustments are eliminated or modified a
3 corresponding adjustment to payroll taxes should also
4 be made.

5

6 **State Income Taxes**

7 **Q. Did BI&E witness John Zalesky propose any adjustments**
8 **for State Income Taxes?**

9 A. Yes. After reflecting the proposed BI&E adjustments
10 to the Company's revenue requirement calculations, Mr.
11 Zalesky applied a tax rate of 5.994% to taxable income
12 to calculated current state income taxes of \$1,965
13 (BI&E Statement 1, pages 12 - 13).

14

15 **Q. Do you agree with methodology employed by BI&E witness**
16 **John Zalesky to calculate Pennsylvania State Income**
17 **Taxes?**

18 A. No. We do not agree.

19

20 **Q. Please explain why you do not agree?**

21 A. BI&E witness John Zalesky's calculations only
22 reflected the cash or current impact of applying Carry
23 Forward Net Operating Losses ("NOL") on the Company's
24 State Income Tax calculations. His calculation did

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 not reflect the associated deferred State Income Taxes
2 calculated by the Company and those which would be
3 accrued on the difference between the tax that he
4 calculated at a 5.994% tax and the statutory tax rate
5 of 9.99%.

6 As a regulated company, PCLP is required to maintain
7 its books and records on an accrual basis of
8 Accounting. As a result PCLP would record
9 Pennsylvania State Taxes on its books calculated at
10 the statutory tax rate of 9.99%, not a rate of 5.994%.
11 The Company's earnings are calculated based on
12 Generally Accepted Accounting Principles which require
13 an accrual basis of accounting for income taxes. As a
14 result rate changes should also be set on an accrual
15 basis of Accounting.

16

17 **Q. How are customers compensated for the difference**
18 **between state taxes actually paid by the Company and**
19 **state taxes collected from customers at the statutory**
20 **rate 9.99%.**

21 **A.** Customers are given a rate base reduction for the
22 deferred state income taxes that are recorded on the
23 Company's books. The Accumulated Deferred Income
24 Taxes represent the cash savings that result from

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 paying lower taxes in the current period. The Rate
2 Base is adjusted for the Accumulated Deferred Income
3 Tax balance that in turn lowers the overall return or
4 carrying charges on Rate Base.

5

6 **Q. What is the primary cause of the NOL's?**

7 A. The NOL's are primarily the result of tax deductions
8 the Company can claim for new plant that is added
9 (i.e., tax depreciation). Currently the Company is
10 allowed to use "Accelerated Depreciation" in its tax
11 calculations.

12

13 Federal Income Tax Expense

14 **Q. Did BI&E witness John Zalesky propose a similar**
15 **adjustment for Federal Income Taxes?**

16 A. Mr. Zalesky's adjustment for federal income taxes was
17 somewhat different. He did not calculate an allowance
18 for federal income taxes by applying the Statutory
19 Federal Income Tax Rate of 21% to the Company's
20 taxable income. He merely zeroed out federal income
21 tax expense (BI&E Statement 1, Page 17, line 12),
22 based on an assumption that the Company would use
23 NOL's to reduce its current income tax expense.

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Here again Mr. Zalesky eliminated deferred federal
2 income tax expense from the Company's revenue
3 requirement calculation.

4

5 **Q. What are the ramifications to the Company and its**
6 **customers if the PAPUC adopts BI&E witness John**
7 **Zalesky's proposal to disallow the Company's federal**
8 **income tax expense in its entirety and pass the lower**
9 **tax expense to customers as part of the current rate**
10 **change?**

11 **A.** Flowing the NOL's to customers that resulted from Tax
12 Depreciation currently would be a "Normalization
13 Violation" of the Internal Revenue Code and would
14 result in the elimination of the Company's ability to
15 depreciate plant assets on an accelerated basis.
16 While the Company's total income tax expense would
17 still be recorded at the Statutory Rate of 21% (i.e.,
18 Current and Deferred Income Taxes), it would increase
19 current income taxes paid by the Company and reduce or
20 totally eliminate the Accumulated Deferred Income Tax
21 Balance associated with Plant Assets (i.e., FERC
22 Account 282). If the Company incurred a
23 "Normalization Violation" then it would only be
24 allowed to take a Straight Line (SL) depreciation

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 deduction for plant assets over the Tax life of the
2 Asset. So for example, if the Company constructed an
3 asset that had a cost of \$200 and a book and tax life
4 of 20 years, it could only deduct \$10 for tax
5 depreciation in the first year using SL. By
6 comparison using accelerated depreciation the Company
7 could utilize the double declining method and deduct
8 \$20 in the first year and give customers a rate base
9 deduction equal to the difference between book
10 depreciation of \$10 and tax depreciation of \$20 or \$10
11 x the Federal Statutory Tax Rate of 21% or \$2 (i.e.,
12 \$190 x 21%). The use of accelerated depreciation also
13 applies to Accumulated State Income Taxes which would
14 be recorded at the statutory rate of 9.99%.
15 The impact of Mr. Zalesky's recommended adjustment is
16 that the balance of Accumulated Deferred Income Taxes
17 in FERC Account 282 would decrease in the future and
18 as a result there would be a corresponding increase to
19 PCLP's Rate Base.

20

21 **ACT 40**

22 **Q. Did OCA witness Mgrace ask the Company a question as**
23 **to whether or not it has satisfied the requirement of**
24 **Act 40 in this rate filing?**

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 A. Yes. OCA Set IV, question 5¹⁴ asked if the Company was
2 in compliance with Act 40 for ratemaking purposes.

3

4 **Q. How did the Company respond?**

5 A. The Company responded that Act 40 of the Internal
6 Revenue Code Section 162 limits the deductibility of
7 certain types of expenses (e.g., penalties, fines,
8 etc.). The Company did not have any of these types of
9 expenses and as a result there was no adjustment
10 necessary in order to calculate income tax expense for
11 ratemaking purposes.

12

13 **Q. Was Mr. Murgace referring to an Act 40 other than the**
14 **one contained Internal Revenue Code rules and**
15 **regulations?**

16 A. Yes. Based on his testimony, he was referring to a
17 Pennsylvania statute that was passed on August 11, 2016
18 (OCA Statement 1, pages 38 - 41) that eliminated the
19 Consolidated Tax Saving Adjustment that had been used
20 by the PAPUC in rate cases.

21

22 **Q. Does Pike currently have any Consolidated Tax Losses**
23 **that it can utilize?**

¹⁴ See Appendix A for PCLP's response to OCA Set IV, Question 5

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 A. No. All of Pike's active affiliates are regulated
2 utilities other than its parent company Corning
3 Natural Gas Holding Company.
4

5 **Q. Did PCLP's 2014 and prior rate cases have a**
6 **Consolidated Tax Adjustment?**

7 A. No. PCLP was in a tax loss position in prior rate
8 filings. It could not utilize all of its own tax
9 deductions, let alone provide taxable income that
10 could be used by other affiliates to apply against
11 their tax losses.
12

13 **Q. OCA Statement NO. 1, page 39, lines 17 - 20 indicates**
14 **that if a differential existed prior to the effective**
15 **date as a result of applying the ratemaking methods**
16 **employed by the Commission certain adjustments are**
17 **necessary. Did the Company have a "differential prior**
18 **to the effective date of the Order" (i.e., August 11,**
19 **2016)?**

20 A. No. As indicated previously PCLP had been in tax loss
21 positions in prior cases and as a result no
22 Consolidated Tax Adjustment had ever been applied to
23 it. Furthermore, PCLP was acquired by CNGH in
24 September 2016, so any Consolidated Tax Adjustment

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 that might have existed when it was part of CEI was
2 gone.

3

4

RETURN ON EQUITY

5 **Q. Please discuss the Return on Equity ("ROE")**
6 **recommendations of BI&E witness Anthony Spadaccio**
7 **(BI&E Statement No. 2) and OCA witness Marlon Griffing**
8 **(OCA Statement No. 3).**

9 **A. Mr. Spadaccio recommended a Return on Equity for PCLP**
10 **gas of 10.05% (BI&E Statement No. 2, page 5) and Mr.**
11 **Griffing recommended a Return on Equity for PCLP gas**
12 **of 9.28% (OCA Statement No. 3, page 35).**

13

14 **Q. How were the recommended Return on Equity**
15 **recommendations of BI&E witness Anthony Spadaccio and**
16 **OCA witness Marlon Griffing calculated?**

17 **A. Both Mr. Spadaccio and Mr. Griffing relied on**
18 **Discounted Cash Flow (DCF) Models to calculate their**
19 **recommended Return on Equity for the Company.**

20

21 **Q. Did BI&E witness Anthony Spadaccio and OCA witness**
22 **Marlon Griffing perform any calculations using a**
23 **Capital Asset Pricing Model ("CAPM")?**

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 A. Yes, they both calculated a Return on Equity using a
2 Capital Asset Pricing Model as well.

3

4 **Q. What Return on Equity did BI&E witness Anthony**
5 **Spadaccio and OCA witness Marlon Griffing calculate**
6 **using their CAPM's?**

7 A. Mr. Spadaccio calculated a ROE of 10.12% (BI&E
8 Statement No. 2, page 27). Mr. Griffing calculated an
9 ROE of 11.60% using the CAPM (OCA Statement No. 3),
10 page 35).

11

12 **Q. Did either BI&E witness Anthony Spadaccio or OCA**
13 **witness Marlon Griffing reflect the results of their**
14 **calculations from the CAPM into the ROE calculation**
15 **that they are recommending for PCLP?**

16 A. No. Mr. Spadaccio indicated the he used his CAPM
17 result to present to the Commission only as a
18 comparison to his DCF results (BI&E Statement No. 2,
19 page 17). Mr. Griffing indicated that "he found the
20 CAPM ROE results to be unreasonably high and excluded
21 them from consideration" (OCA Statement No. 3, page
22 36).

23

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. Did OCA witness Marlon Griffing include a table in
2 testimony showing a range of ROE's that had been
3 authorized for gas companies in 2019 and 2020?

4 A. Yes. In his testimony (OCA Statement 3, page 38), he
5 was asked to describe the authorized ROEs in the 2019-
6 2020 gas cases. He responded that "the mean ROE for
7 the ten 2019 cases was 9.77 percent, while the media
8 was 9.77 percent. The range was from 9.20 percent to
9 10.25 percent. The mean ROE for the thirteen 2020
10 cases was 9.55 percent and the median was 9.42
11 percent. The range is from 9.15 percent to 10.00
12 percent" (OCA Statement No. 3, page 38). His
13 testimony also included a reference to the table
14 below. We would note that Table showed a slightly
15 lower number of rate cases than indicated in the
16 testimony of OCA witness Griffing for 2020 (i.e., 12
17 vs. 13).

18

19	<u>Year</u>	<u>No. of Gas Cases</u>	<u>Mean ROE</u>	<u>Median ROE</u>	<u>ROE Range</u>
20	2019	10	9.77	9.77	9.20-10.25
21	2020	12	9.44	9.42	9.15-10.00

22

23 Q. Based on the forgoing does the Accounting Panel have
24 any observations?

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 A. Yes. We would just state that we believe that some
2 weighting of the CAPM should have been factored into
3 the recommended ROE's of both Mr. Spadaccio and Mr.
4 Griffing. In other rate cases we have participated in
5 we have seen Cost of Money Experts weight their
6 recommended ROE's using 2/3 DCF and 1/3 CAPM or some
7 other combination to calculate their recommended
8 Return on Equity.

9 The recommended ROE of Mr. Spadaccio using only his
10 DCF calculations is fairly close to the result he
11 calculated in his CAPM, so an additional weighting of
12 the CAPM would only move his recommended return
13 slightly. On the other hand, weighting the CAPM
14 results of OCA witness Marion Griffing into his DCF
15 calculation would have a significant impact on his
16 calculated ROE.

17 There is a surprisingly large discrepancy between the
18 ROE recommended by BI&E witness Anthony Spadaccio of
19 10.05% and OCA witness Marlon Griffing of 9.28%,
20 especially since their calculated returns were both
21 the result of only using DCF Models with no weighting
22 for CAPM. The ROE recommended by Mr. Spadaccio of
23 10.05% is at the high end of the range for ROE granted
24 in a rate case in the last two years based on the

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Table above; OCA witness Marion Griffing's ROE is at
2 the low end the range.

3 We would note that the Company chose not to use an
4 Expert Cost of Capital witness in this proceeding in
5 order to avoid the expense to its customers and will
6 rely on the ROE ultimately deemed appropriate by the
7 Commission. Based on the foregoing, the Accounting
8 Panel believes that the ROE recommended by Mr.
9 Spadaccio should adopted by the Commission.

10

11

IMPACT OF COVID PANDEMIC

12 Q. OCA witness Karl Richard Pavlovic (OCA Statement No.
13 2, pages 4 - 12) discussed the current impact of the
14 COVID Pandemic on the health of the economy and PCLP's
15 customers. Does the Company agree with his analysis?

16 A. Yes. The Company cannot dispute that the COVID
17 Pandemic has had a devastating impact on the national
18 economy and in PCLP's Service territory. The Pandemic
19 has also taken a toll on the physical and mental
20 health of some individuals.
21 The Accounting Panel agrees with Mr. Pavlovic
22 recommendation (OCA Statement No. 2, Page 12). "I
23 recommend that the Commission set PCLP's revenue
24 requirement at the lowest amount feasible to ensure the

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 financial viability of the Company. OCA Witness
2 Mugrace is evaluating the reasonableness of the
3 Company's pro forma revenue requirement claims. It
4 appears likely, however, that some amount of rate
5 increase is required for the Company to obtain a
6 realistic cash flow and a minimum level of
7 profitability."

8

9 **Q. Did other witnesses express similar concerns?**

10 A. Yes. At Public Input Hearings conducted February 8th
11 several customers expressed concern over their ability
12 to afford the increase in rates that PCLP has
13 requested as a result of the Pandemic's impact on the
14 local economy. The BI&E and other OCA witnesses
15 voiced similar concerns in their direct testimony.

16

17 **Q. Does the Company believe that there is an end in sight**
18 **to the current economic conditions caused by the COVID**
19 **Pandemic?**

20 A. Yes. We believe that the economy will continue to
21 improve over the next several months as the vaccine is
22 distributed and more people get inoculated.

23

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. Do you have any support for your belief that the
2 economy is improving?

3 A. We are relying on employment information put out by
4 the Federal government. According to the U.S. Bureau
5 of Labor Statistics, unemployment fell by 0.4
6 percentage points to 6.3% in January 2021 and nonfarm
7 payrolls added 49,000 jobs. The number of unemployed
8 fell to 10.1 million.
9 It is not expected that new rates will go into effect
10 until the third quarter of 2021 and we believe the
11 economy, especially in the Company's Service territory
12 will continue to improve.

13

14 Q. What is the makeup of residential customers in the
15 PCLP service area?

16 A. Based on the testimony of the Milford Mayor Sean Strub
17 who testified in the Public Input Hearing of February
18 8, 2021, he indicated that approximately 45% of homes
19 in his town were seasonal and / or second weekend
20 homes. Frank Tarquinio, the President of the Milford
21 Borough Council indicated that 1/3 of residents in the
22 Community are retired or living on a fixed income.
23 Some people work in service industries that cater to

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 tourists. There are no major industries in the
2 Company's service area.

3 Based on the forgoing we would have to say that the
4 make-up of our residential customers is diverse with
5 some customers who can afford the increase in rates
6 and others who may struggle to pay their utility
7 bills.

8 It should be noted that the Company has not had a base
9 rate increase since 2014. Since that time energy
10 prices have fallen significantly, so customers have
11 benefited from lower utility bills for the last
12 several years.

13

14 **Q. Are there any mechanisms that the Commission should**
15 **consider in setting rates as part of this case?**

16 A. The Company would entertain "Phase-In" of the approved
17 rate change if it is kept whole by allowing carrying
18 charges on any rate increase that would be deferred
19 and recovered in subsequent periods. This approach
20 has been used in other jurisdictions that allow for
21 multi-year rate plans and can help mitigate the impact
22 of a large rate change in the first year.

23

24

ACCOUNTING PANEL - UPDATE / REBUTTAL TESTIMONY

1 Q. Does that conclude your testimony?

2 A. Yes, it does. We reserve the right to update or amend

3 this testimony.

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility :
Commission :
 :
 v. : DOCKET NO. R-2020-3022134
 :
Pike County Light :
& Power Company (gas) :

**Pike County Light and Power Company
Statement No. 2-R
Update/Rebuttal Testimony of
Accounting Panel
Charles Lenns and Richard A. Kane**

Appendix A

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

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**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES, SET I**

2. Please refer to Company Exhibit G-1, Schedule 5 page 1 of 2 – Statement of Direct and Allocated Charges from Corning Natural Gas Corporation. Please provide a detailed breakdown of the following costs by Account No., by Direct Charges and Allocated Charges for the periods ending June 30, 2018, June 30, 2019 and June 30, 2020:
- a) Distribution Expenses – Operations totaling \$5,663.
 - b) Distribution Expenses – Maintenance totaling \$115,098.
 - c) Customer Accounts Expense- Operations totaling \$36,050.
 - d) Customer Service & Information Expenses – Operations totaling \$141.
 - e) Sales Promotion Expense – Operations totaling \$5,788.
 - f) Administrative and General Expenses – Operations – totaling \$260,089
 - g) Administrative and General Expenses – Maintenance – totaling \$3,466.

RESPONSE: Please see the attachment entitled “**Pike Allocated Gas Charges 2018 – 2021.xlsx**” for a detailed breakdown of the above costs by Account Number, by Direct Charges, and Allocated Charges for the periods ending June 30, 2018, June 30, 2019 and June 30, 2020.

Below is description of the types of costs included in each category:

- a. Distribution expenses of \$5,663 represent primarily payroll charges of Pike’s General Manager for operation and supervision of the distribution system.
- b. Distribution maintenance charges of \$115,098 were primarily for the cost of inspecting, stripping and coating of service lines.
- c. Customer accounts expense of \$36,050 were primarily internal labor costs for meter reading and costs associated with billing and collection activities.
- d. Customer service expense of \$141 was primarily for customer contact services.
- e. Sales expense of \$5,788 was primarily for customer informational newspaper notices.
- f. Administrative expenses of \$260,089 were for salaries of general office employees, office supplies and expenses including petty cash, telecommunication expenses, outside consulting services, property insurance, 401K matching contributions, Regulatory Commission, vehicle expenses, general liability insurance, employee health and life insurance, and worker’s compensation insurance expenses.
- g. Administrative maintenance expenses of \$3,466 were incurred for the maintenance of the building and grounds of Pike’s Operating Center.

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES, SET I**

4. Refer to Company Exhibit G-3 Gas Rate Base – Summary. Refer to Exhibit G-3 Statement in Support of Change No. (1a) through (1d), Schedule 1 pages 1 through 4. Refer to Exhibit G-3 Capital Expenditures / Close Outs to Plant Schedules 10 and Gas Plant Additions Schedule 11.
 - a) Please explain the differences between Schedule 10 and Schedule 11 as far as plant balances and the flow of these balances to Schedule 1 (1a through 1d), by:
 - I. Pipe Replacement Program (LTIP)
 - II. Recurring Capital Budget Upgrades/Replacements
 - III. General Plant Account
 - b) Please provide a detailed breakdown and description of the following:
 - I. Pipe Replacement Program (LTIP)
 - II. Recurring Capital Budget Upgrades/Replacements
 - III. General Plant Account

RESPONSE:

- a. Schedule 10 shows the forecast capital expenditures for calendar years 2020 and 2021. The expenditures that are to be transferred to plant in service during the periods ended June 30, 2021 and December 31, 2021 are shown on Schedule 11.
 - i. For the LTIP pipe replacement program 50% of 2020 capital expenditures from Schedule 10 (representing July – December 2020 completed plant additions) and 50% of the capital expenditures from Schedule 10 for 2021 (representing January – June 2021 completed plant additions) were carried over to the first column of Schedule 11. In a similar manner, the remaining 50% of the capital expenditures from Schedule 10 for 2021 (representing July – December 2021 completed plant additions) were carried over to the second Column of Schedule 11.
 - ii. For the recurring gas capital budget items with the exception of the JHA Gas Main project 50% of the 2020 and 2021 expenditures from Schedule 10 were included in the first column of Schedule 11 and the remaining 50% of 2021 expenditures for 2021 from Schedule 10 were included in the second column of Schedule 11. The JHA Gas main project is expected to be completed by June 30, 2021, so the entire project cost was included in the first column of Schedule 11
 - iii. For General Plant, with the exception of the Meter Testing Software, 50%

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

of the 2020 and 2021 expenditures from Schedule 10 were included in the first column of Schedule 11 and the remaining 50% of 2021 expenditures for 2021 from Schedule 10 were included in the second column of Schedule 11. The meter testing software was scheduled and installed in the fourth quarter of 2020, so it was included in the first column of Schedule 11.

The total Gas plant additions of \$700,000 and \$400,000 shown on Schedule 11 are included in Exhibit G-3 Statement in Support of Change No. (1a). The General Plant additions of \$400,000 and \$300,000 from Schedule 11 are included in Exhibit G-3 Statement in Support of Change No. (1b).

b. Please refer to the testimony of Steven Grandinali (Statement No. 3) and the Company's Gas LTIP petition included as an attachment in response to question 24 below.

- i. Pipe Replacement Program (LTIP) – Please see page 4 of the testimony and the Company's LTIP filing for a description of the project. The Gas LTIP filing also contains the year to year pipe and services replacement schedule.
- ii. Recurring Capital Budget Upgrades / Replacements – Please see Pages 5-6 of the testimony. The projects include new services and the replacement and upgrading of existing services from the low pressure system to the medium pressure system; district regulator improvements; the replacement of meters that are currently not able to communicate with the ITRON system; the JHA Engineering Company project that is performing the up-front engineering surveying, design, and permitting for the entire main replacement program of the gas system. Extension and / or replacement of mains due to new business or extensive leak repair; measuring equipment on district regulators (Charts, pens; sensing and monitoring equipment).
- iii. General Plant Projects / Replacements:
 - Computers / Printers: The budget provides funding for new and replacement computers along with the associated hardware and software on an ongoing basis as equipment becomes obsolete.
 - Work Management System: The Company's financial, customer, and billing functions are currently handled by Cayenta Software. The next function the Company plans to roll out is a work management system in order to automate the process for estimating, scheduling, and tracking the flow of work on projects.
 - Advanced Utility Systems (CIS) Upgrade Version 4 with Mobile: The Company currently has a Harris Utilities CIS Infinity V 3.0 System. The system implementation went live in September 2017. The CIS that we are on is currently being supported by the software vendor, but only for a limited time. There will be no new developments for this CIS. The Company is upgrading to a Harris Utilities CIS Infinity V 4.0 System.

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

The new system adds features that will allow custom user defined fields, more detailed reporting, better tracking of customers' usage, the possibility of SMS (short message service) integration for text messaging of emergency information to customers, and the ability to archive older data from the CIS system to improve database performance. As technology is improving customers are looking for updated services.

Meter Test Equipment and Software: Will allow the Company to perform in-house testing of meters returned from field and new purchased meters as well as software to program and read meters using appropriate sensors.

Tools, Shop, and Garage Equipment: The budget provides funding for new and replacement tools, shop and garage equipment.

PROVIDED BY: Part a) Charles Lennox, Richard A. Kane (Accounting Panel)
Part b) Steven Grandinali

DATE: January 12, 2021

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE’S INTERROGATORIES, SET I**

14. Refer to Company Exhibit G-4 Schedule 3 page 1 of 2 – Wage and Salary Increase. Please provide a breakdown and description of the Administrative Payroll allocated to from Corning Natural Gas Corporation to PCLP – Gas Operations. Please also provide this breakdown for the periods ending June 30, 2018 and June 30, 2019.

RESPONSE: Please see the table below for the breakdown by function, of the Corning employees that charged a portion of their salaries and wages to Pike for the fiscal periods ended June 30, 2018, June 30, 2019, and June 30, 2020.

Pike County Light & Power Company, Inc.			
Summary of CNG Salary & Wages			
Charged to GAS FERC Account 920			
Description	Twelve Month Ended June 30,		
	2018	2019	2020
<u>Payroll allocated from CNG</u>			
- Executives (4)	\$ 12,247	\$ 18,330	\$ 21,108
- Accounting (4)	11,242	7,814	9,648
- Financial Reporting (1)	2,558	1,689	2,234
- Customer Service (1)	2,117	2,212	2,438
- Accounts Payable (2)	6,085	3,554	1,711
- Information Technology (2)	3,596	2,299	2,984
- Human Resources (2)	1,886	854	1,280
- Purchasing - Inventory (1)	-	-	502
Total Gas	\$ 39,729	\$ 36,752	\$ 41,905

PROVIDED BY: Charles Lennox, Richard A. Kane (Accounting Panel)

DATE: January 12, 2021

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES, SET I**

26. Refer to Company Exhibit G-3 Schedule 11. For each of the projects (LTIP Program, Recurring Capital Budget Upgrades/Replacements, and General Plant Account), please provide a schedule that shows:
- a) The proposed cost(s)
 - b) The start date
 - c) Percentage of Completion (by 3 months (quarter) period))
 - d) Anticipated end date
 - e) The need for the addition/upgrade/replacement
 - f) Any budget differences/variance to the original budget amount
 - g) A brief description of the project/additions.

RESPONSE:

For the LTIP Projects:

- a) The proposed cost(s): \$375,000
- b) The start date: November 2020
- c) Percentage of Completion (by 3 months (quarter) period)): 100%
- d) Anticipated end date: December 2020
- e) The need for the addition/upgrade/replacement: Main & Services are Bare Steel and Steel prone to water infiltration.
- f) Any budget differences/variance to the original budget amount: Final spending amounts for 2020 are not yet available.
- g) A brief description of the project/additions: Please see the Company's Gas LTIP Filing included in response to question 24 above

Recurring Capital Budget Upgrades / Replacements

The budget and spending for recurring Capital Upgrades and Replacements represents day to day work not projects. Items such as new, relocated or replaced services not part of the GMR; such as main for new business extension of result of main replaced due to leaks etc. For the JHA project, please refer to the Company's response to question 27 below. Final spending amounts for 2020 are not yet available.

General Plant:

The Cayenta Work management system budgeted item is associated the design, programming and implementation of a work management system software. The AUS System Upgrades is the Customer information management system. Final spending amounts for 2020 are not yet available.

PROVIDED BY: Steven Grandinali

DATE: January 12, 2021

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES, SET IV**

4. Provide a schedule of Charitable Contributions, Civic and Chambers of Commerce costs, for the periods ending June 30, 2018 through June 30, 2020, and through the test year period ending June 30, 2021. How are these costs allocated to the Gas Operations?

RESPONSE: Please see the excel attachment entitled "**PCLP Dues, Ads, Donations.xlsx**" for the Charitable Contributions, Civic, and Chambers of Commerce costs, for the periods ending June 30, 2018 through June 30, 2020, and through the test year period ending June 30, 2021. The Company allocates 85% of these expenditures to electric and 15% to gas. Please note that these expenditures are charged "below the line" to FERC account 426 and are excluded from the Company's revenue requirement calculations.

PROVIDED BY: Charles Lenns, Richard A. Kane (Accounting Panel)

DATE: January 26, 2021

Below is the contribution information contained in PCLP Dues, Ads, Donations.xlsx

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company, Inc.				
Contributions, Civic, & Chamber of Commerce Charged "Below the Line" FERC Account 426				
For The Periods Ended June 30, 2018 - 2021				
Gas				
BOROUGH OF MILFORD	\$ 75.00	\$ -	\$ 150.00	\$ 150.00
CENTER FOR DEV DISABILITIES	300.00	172.50	-	-
GREATER PIKE COMM FOUNDATION	525.00	450.00	225.00	225.00
KAREN ANN QUINLAN (HOSPICE)	75.00	75.00	-	-
MILFORD ENHANCEMENT COMMITTEE	75.00	-	-	-
PEEC	18.75	18.75	-	-
PIKE CNTY AREA AGENCY ON AGING	15.00	-	-	-
PIKE CNTY CHAMBER OF COMMERCE	332.25	112.50	75.00	75.00
PIKE COUNTY COMMISSIONERS	30.00	30.00	143.25	150.00
PIKE COUNTY PUBLIC LIBRARY	37.50	37.50	37.50	37.50
POCONO FOX TROT 5K	37.50	37.50	-	-
PROGRESSIVE HEALTH OF PA INC	37.50	-	-	-
STEPHEN SILLER TUNNEL TO TOWER	37.50	37.50	-	-
TROOP 5	22.50	-	-	-
UNITED WAY OF PIKE COUNTY	146.25	11.25	209.19	210.00
UNITED WAY OF PIKE COUNTY (Accrual)	-	1,500.00	(1,125.00)	375.00
VICTIMS INTERVENTION PROGAM	-	15.00	-	-
KINDRED SPIRITS ARTS PROG INC	-	30.00	-	-
LUPOSELL ENTERPRISES	-	37.50	-	-
WESTFALL VOLUNTEER FIRE DEPT	15.00	-	-	-
Total Gas	\$ 1,779.75	\$ 2,565.00	\$ (285.06)	\$ 1,222.50

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS) RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES, SET IV**

5. Has the Gas Company complied with the Act 40 – Computation of Income Tax expenses for ratemaking purposes? If so, please show where in the filing, this is accounted for. If not, why not?

RESPONSE: The Company complied with the Act 40 – Computation of Income Tax expenses for ratemaking purposes. PCLP did not have any disbursements for fines, penalties, judgments, entertainment, compensation with Section 162 limitation, etc. As a result, there were no Act 40 deductions to eliminate from the income tax computation for rate making purposes

PROVIDED BY: Charles Lenns, Richard A. Kane (Accounting Panel)

DATE: January 26, 2021

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pike County Light & Power Company 2020 General Base Rate Increase (Gas) Filing
Docket No. R-2020-3022134

**PIKE COUNTY LIGHT & POWER COMPANY (GAS)
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT'S
DATA REQUESTS, SET RE-1-D TO RE-43-D**

I&E-RE-1-D

Reference Pike County Light & Power Company - Gas ("Pike Gas" or "Company")
Exhibit No. G-4, Summary, p. 1, concerning gas cost of service:

- A. Provide a breakdown, by account (similar to the accounts listed in Exhibit G-6, Schedule GRP-4-G), for future test year (FTY) ending June 30, 2021 other operation and maintenance expense of \$500,100;
- B. Refer to Part A. Provide a similar breakdown, by account (as listed in Exhibit G-6, Schedule GRP-4-G), for the fiscal periods ended June 30, 2018 and June 30, 2019;
- C. Refer to Part A above. Explain and provide support for any change over 10% in each account from the HTY to the FTY;
- D. Refer to Part B above. Explain and provide support for any change over 10% in each account from fiscal period ended June 30, 2019 to the HTY; and
- E. Refer to Part C above. Explain and provide support for any change over 10% in account from the fiscal period ended June 30, 2018 to the fiscal period ended June 30, 2019.

RESPONSE:

- A. Please see the attachment entitled "**Pike Gas Operating Expenses – June 30, 2018 - 2021.xlsx**." Please note the total operation and maintenance expense for the Future Test Year is \$504,100, after including \$4,000 of bad debt expense associated with the request base rate increase.
- B. Please see the attachment referenced in part A. above.
- C. Please see the last page of attachment referenced in part A. above. It shows the allocation of the Future Test Year adjustments contained in

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Exhibit G-4, Summary, Page 3 by FERC account. Four accounts vary by more than 10% from the Historic Test Year as follows:

- a. Customer Bad expense (FERC Account 904) is increasing from a negative to positive amount.
 - b. Administrative Salary and Wages (FERC Account 920) and Employee Benefits (FERC Account 926) are increase by more than 10% due to the additional employee positions and associated fringe benefit cost requested by the Company.
 - c. Regulatory Commission expense for the Future Test year includes the amortization of rate case costs.
- D.** An explanation of the major variances by category between the twelve months ended June 30, 2019 and June 30, 2020 are discussed on the first page of the attachment included in part A. of this Data Request.
- E.** An explanation of the major variances by category between the twelve months ended June 30, 2018 and June 30, 2019 are discussed on the first page of the attachment included in part A. of this Data Request.

PROVIDED BY: Charles Lennox, Richard A. Kane (Accounting Panel)

DATE: December 15, 2020

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Below is the information from the excel file Pike Gas Operating Expenses – June 30, 2018 - 2021.xlsx

Pike County Light and Power Company						
Gas Operating Expenses						
Twelve Months Ending June 30, 2018, 2019, 2020, & 2021						
				For the Twelve Months Ended June 30,		
Account	Operating Expense	2018	2019	2020	2021	
		Actual	Actual	Actual	Forecast	
5 870000	Dist Exp-Op/Spv/Eng	2,451.58	1,457.55	4,698.84	4,700	
5 874000	Dist Exp-Mains/Services	28,603.98	36,547.88	964.14	1,000	
5 887000	Dist Exp-Maint Mains	38,451.75	(38,451.75)	6,346.96	6,500	
5 892000	Dist Exp-Maint Services	23,828.78	20,909.22	103,088.03	108,900	
	Distribution Expense	93,336.09	20,462.90	115,097.97	121,100	
5 902002	Cust Accts Exp-Meter Read	15,888.05	10,472.27	44,200.44	48,600	
5 903002	Cust Accts Exp-Records / Collection	31,057.85	(1,817.52)	5,799.78	5,900	
5 904002	Cust Accts Exp-Uncollectible	28,485.38	(10,528.27)	(13,950.08)	29,100	
5 908002	Cust Asst Exp - Cust Information	-	141.20	141.20	100	
	Customer Accounts Expense	75,431.28	(1,732.32)	36,191.34	83,700	
5 917002	Sales Expense-Advertising	3,521.44	6,501.84	5,787.80	5,800	
	Customer Service Expenses	3,521.44	6,501.84	5,787.80	5,800	
5 920002	Admin & Gen Exp-Salaries & Wages	63,810.48	52,443.28	69,049.38	78,900	
5 921002	Admin & Gen Exp-Office Expense	36,416.65	59,282.69	53,070.28	53,400	
5 922002	Admin & Gen Exp-Admin Transf.	(2,646.35)	686.98	50.72	50	
5 923002	Admin & Gen Exp-Outside Services.	95,633.33	48,953.25	55,135.50	55,500	
5 924002	Admin & Gen Exp-Prop Insurance	10,591.47	94.52	4,415.88	4,500	
5 925002	Admin & Gen Exp-Injury & Damages	7,741.56	(2,361.71)	3,309.24	3,800	
5 926032	Admin & Gen Exp-Emp Benefits	64,199.88	92,847.40	68,914.92	79,100	
5 928002	Admin & Gen Exp-Reg Commission	6,452.21	10,780.38	5,480.22	11,100	
5 930022	Admin & Gen Exp-Misc-Elec	575.79	1,729.42	650.03	650	
5 930062	Admin & Gen Exp-Vehicle	-	-	12.78	-	
5 932052	Admin & Gen Exp-Maint Grounds	1,891.89	2,427.38	2,183.22	3,700	
5 932122	Admin & Gen Exp-Maint Office	2,184.03	1,499.92	1,282.62	2,800	
	Administrative & General	286,850.94	268,383.51	263,554.79	293,500	
	Total	\$ 459,139.75	\$ 293,615.93	\$ 420,631.90	\$ 504,100	

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

Pennsylvania Public Utility Commission

v.

Pike County Light and Power Company

Docket No. R-2020-3022134 (Gas)

Office of Consumer Advocate

Response to Pike Gas Interrogatories Directed to OCA: Mugrace Set I

MUGRACE-I-7

Referring to pages 32-34 of Mr. Mugrace's testimony and the Company's response to OCA Set IV question 4, please explain why it is appropriate to reduce the Pike's revenue requirement by \$1,223 for forecast charitable contributions that are appropriately charged below the line to FERC Account 426 and not included in the PCLP's revenue requirement calculations.

Response:

Mr. Mugrace reviewed the response to OCA Set IV No. 4 and has removed the adjustment related to charitable contributions of \$1,223.

Responsible Witness: Dante Mugrace

APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY

Pennsylvania Public Utility Commission
v.
Pike County Light and Power Company (Gas)
Docket No. R-2020-3022134

Responses of the Bureau of Investigation and Enforcement to
Pike County Light and Power Company (Gas) Interrogatories Set I
Witness: Sakaya

SAKAYA-I-1 The direct testimony of Esyan A. Sakaya (BI&E Statement 3) pages 15 – 18 discusses the forecast amount of forfeited discounts the Company will bill in the future test year. The historic forfeited discounts were based on total customer bills including gas cost recoveries and all surcharges / credits. The calculated increase in forfeited discount revenues of \$961 reflects an assumption that historic forfeited discounts are only applicable to delivery revenues.

a. Would you agree that the Company's two year average discount rate as a percentage of total revenues included with workpapers supporting Exhibit G-4, Schedule 1 of 0.17% would be more appropriate to use in forecasting forfeited discount revenues? If not, why not?

b. Would you agree that applying the discount rate of 0.17% to the Company's requested rate increase of \$262,200 would result in additional forfeited discounts of \$446 would be more representative of future additional discount revenues, assuming the Company was granted the full increase it requested? If not, why not?

RESPONSE: **a. Yes. Based on Pike (Gas) Statement 2 on page 33, I agree with the Company's assessment that the two-year average discount rate as a percentage of total revenues would be 0.17%.**

b. Assuming the Company was granted the full requested increase, I agree that applying the discount rate of 0.17% to the Company's requested rate increase of \$262,200 would result in additional forfeited discounts of approximately \$446 and would be more representative of future additional discount revenues.

**APPENDIX A - ACCOUNTING PANEL - UPDATE / REBUTTAL
TESTIMONY**

**Pike County Light and Power Company (Gas)
Docket No. R-2020-3022134**

**Responses of the Bureau of Investigation and Enforcement to
Pike County Light and Power Company (Gas) Interrogatories Set I
Witness: John Zalesky**

- ZALESKY-I-7 The direct testimony of Mr. Zalesky (BI&E Statement 1) page 17 (lines 6-9), indicates that an adjustment was made to reduce Other O&M expense in order to reflect the amortization of the deferred income tax balances in Accounts 253912 and 253922.
- a. Was Mr. Zalesky aware that the five-year amortization of balance in Account 253922 would result in a charge to expense of \$8,591 and the fifty-year amortization of the balance in Account 253921 would result in a credit to expense of \$288?
 - b. Please explain why the adjustment to amortize the balance in Accounts 253912 and 253922 results in a reduction to expense and not an increase to expense.

- RESPONSE:**
- a. **Mr. Zalesky was aware of these amounts.**

 - b. **It is Mr. Zalesky's understanding that amortization of Account 253912 results in an increase to expenses of \$288 and amortization of Account 253922 results in a decrease to expenses of \$8,591. The net effect of these amortizations is a decrease to expenses of \$8,303.**

Exhibit G-3
February 2021 Update

Pike County Light And Power Company
Gas Rate Base
At June 30, 2020 And 2021

Exhibit G-3
Feb 2021 Update
Summary
Page 1 of 2

Description	Actual Per Books at 6/30/2020 (a)	Difference Between Historical and Future Years		Future Year at 06/30/21 (d)=(a)+(c)	February 2021 Updates & Adjustments		Future Year As Updated at 06/30/21 (g)=(d)+(f)	Schedule No.
		Reference (b)	Amount (c)		Reference (e)	Amount (f)		
Utility Plant:								
Gas Plant in Service	\$ 3,001,700	(1a)	\$ 954,000	\$ 3,955,700		\$ -	\$ 3,955,700	1
Common Plant in Service (Allocated)	293,600	(1b)	60,900	354,500	(10)	13,400	367,900	1
Interco plant allocated from Corning Gas (Net)	-	(1c)	29,500	29,500		-	29,500	1
CWIP not taking interest	103,500	(1d)	(103,500)	-		-	-	1
Total Utility Plant	3,398,800		940,900	4,339,700		13,400	4,353,100	
Utility Plant Reserves:								
Accumulated Provision For Depreciation of Gas Plant in Service	167,000	(2a)	24,200	191,200	(11)	1,400	192,600	2
of Common Plant in Service (Allocated)	107,800	(2b)	16,900	124,700		-	124,700	2
Total Utility Plant Reserves	274,800		41,100	315,900		1,400	317,300	
Net Plant	3,124,000		899,800	4,023,800		12,000	4,035,800	
Additions to Net Plant								
Working Capital Requirements:								
Cash Working Capital	56,900	(3)	15,600	72,500	(12)	-	72,500	3
Materials and Supplies	147,200	(4)	6,700	153,900		-	153,900	4
Prepayments	4,200	(5)	-	4,200		-	4,200	5
Deferred Debits (Net of Tax)	-	(6)	16,000	16,000	(13)	(16,000)	-	6
Total Additions	208,300		38,300	246,600		(16,000)	230,600	
Deductions to Net Plant:								
Deferred Credits (Net of Tax)	(20,300)	(7)	-	(20,300)	(14)	7,400	(12,900)	7
Customer Deposits	21,700	(8)	700	22,400		-	22,400	8
Accumulated Deferred Income Taxes	147,400	(9)	49,000	196,400	(15)	(500)	195,900	9
Total Deductions	148,800		49,700	198,500		6,900	205,400	
Gas Rate Base	\$ 3,183,500		\$ 888,400	\$ 4,071,900		\$ (10,900)	\$ 4,061,000	

Pike County Light And Power Company
Changes in Gas Rate Base
For the 12 Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Summary
Page 2 of 2

Adjustment Number	Description	Amount
(1a)	Changes in Plant in Service - Additions & Retirements	\$ 954,000
(1b)	Changes to Common Plant	60,900
(1c)	Changes to Intercompany Plant allocated to Pike Gas	29,500
(1d)	Changes to Construction Work in Progress	(103,500)
(2a)	Changes to Gas Depreciation Reserve - Existing Depreciation Rates	24,200
(2b)	Changes to Common Plant - Depreciation	16,900
(3)	Changes in Working Capital Requirements (O&M)	15,600
(4)	Change in Material and Supplies	6,700
(5)	Change in Working Capital Prepayments	-
(6)	Changes to Rate Base for Deferred Debits	16,000
(7)	Changes to Rate Base for Deferred Credits	-
(8)	Changes in Customer Deposits	700
(9)	Changes in Deferred Income Taxes	49,000
February 2021 Update Adjustments		
(10)	To Correct Allocation of Common General Plant Balance	13,400
(11)	Adjustment to reflect amortization of Unallocated Depr Reserve Deficiency	1,400
(12)	Update for Working Capital Adjustments	-
(13)	Adjustment to Eliminate Rate Case Costs from Rate Base	(16,000)
(14)	Update For Other Deferred Credits	7,400
(15)	Update to Accumulated Deferred Income Taxes	(500)

Pike County Light And Power Company
Statement in Support of Change No. (1b)
To Gas Plant in Service
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 1
Page 2 of 4

<u>Common Plant in Service</u>	<u>Total Amount</u>	<u>Gas Allocation (Rounded) 15%</u>
Balance at June 30, 2020	\$ 1,957,164	\$ 293,600
Additions - Completed CWIP at June 30, 2020 Change (1d) *	\$ 105,100	
Additions - July 1, 2020 thru June 30, 2021	400,000	
Additions - July 1, 2021 thru December 31, 2021	<u>300,000</u>	
Total Additions	805,100	120,800
Retirements - July 1, 2020 thru June 30, 2021	(10,000)	
Retirements - July 1, 2021 thru December 31, 2021	** <u>(300,000)</u>	
Total Retirements	<u>(310,000)</u>	<u>(46,500)</u>
Net Additions (Change No. 1)	<u>495,100</u>	74,300
Ending Balance at December 31, 2021	\$ 2,452,264	\$ 367,800
As Filed	<u>\$ 2,362,964</u>	<u>\$ 354,400</u>
Adjustment No. (10)	<u>\$ 89,300</u>	<u>\$ 13,400</u>

* See G-3, Schedule 1, Page 4 of 4

** General Plant, excluding structures, is amortized over 5 - 10 years. Plant of approximately \$300,000 will be fully amortized and retired in September 2021.

Pike County Light And Power Company
Statement in Support of Change No. (2a)
To Gas Depreciation Reserve
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 2
Page 1 of 2

Accumulated Provision for Depreciation of Gas Plant	Amount
Balance at June 30, 2020	\$ 167,000
Additions - July 1, 2020 thru June 30, 2021	\$ 69,900
Additions - July 1, 2021 thru December 31, 2021	<u>39,400</u>
Total Additions	<u>109,300</u>
Retirements - July 1, 2020 thru June 30, 2021	(55,800)
Retirements - July 1, 2021 thru December 31, 2021	<u>(27,900)</u>
Total Retirements	<u>(83,700)</u>
Net Additions (Change No. 2a)	<u>25,600</u>
Ending Balance at December 31, 2021 - Feb 2021 Update	\$ 192,600
Ending Balance at December 31, 2021 - Feb 2021 Update	<u>191,200</u>
Adjustment No. 11	<u>\$ 1,400</u>

Pike County Light And Power Company
Statement in Support of Change No. (3)
For The Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 3
Page 2 of 2

	<u>Amount</u>	<u>(Lead) / Lag Days</u>	<u>Dollar Days</u>
Revenue Recovery	<u>1,906,000</u>	<u>34.2</u>	<u>\$ 65,185,200</u>
Gas Supply Expenses:	889,800	30.2	26,871,960
Pike Salaries & Wages	211,096	11.0	2,322,059
401K Pension Match	7,072	11.0	77,797
Employee Welfare Expenses	75,906	30.2	2,292,346
Intercompany Charges	73,323	30.2	2,214,342
Uncollectible Accounts Accrual	29,087	34.2	994,789
Other O&M	92,822	23.2	2,151,667
Amortizations:			
Rate Case Costs	5,600	-	-
PUC Assessment	4,978	-	-
Insurance	4,416	-	-
Depreciation & Amortization	126,100	-	-
Taxes Other - Payroll	16,100	11.0	177,100
- Property Tax	3,100	-	-
Income Taxes:			
Federal Income Tax	26,405	38.5	1,016,585
Deferred Federal Income Tax	24,995	-	-
Corporate Business Tax (State)	15,409	38.5	593,263
Deferred Corporate Business Tax	11,891	-	-
Return on Invested Capital	<u>287,900</u>	<u>-</u>	<u>-</u>
 Total Requirement	 <u>1,906,000</u>	 <u>20.3</u>	 <u>38,711,910</u>
 Net Lag		 <u>13.9</u>	 <u>26,473,290</u>
 Net Requirement (Net Lag / 365)			 \$ 72,530
 Historical Cash Working Capital			 <u>72,505</u>
 Net Change			 <u>\$ 25</u>
 Adjustment No. 12 Rounded			 <u>\$ -</u>

Pike County Light And Power Company
Statement in Support of Change (6)
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 6

Deferred Debit Items - As Filed	Rate Case Acct 186035	After Tax (b)	Rounded
Deferred Debit Balance as of June 30, 2020	\$ -	\$ -	\$ -
Deferred Charges 7/1/2020 - 6/30/2021 (a)	22,500	15,999	16,000
Less: Amortization of Deferred Charges 7/1/20 - 6/30/21	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Debit Balance as of June 30, 2021	22,500	\$ 15,999	\$ 16,000
Adjustment 13 to Eliminate Rate Case Cost from Rate Base	<u>(22,500)</u>	<u>(15,999)</u>	<u>(16,000)</u>
Ending Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(a) See Exhibit G-4, Schedule 5 for projected rate case expenditures

(b) Calculation of After Tax Factor:

Pike County Light And Power Company
Statement in Support of Change (7)
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 7

Deferred Credit Items - As Filed	FIT Tax Rate Change			After Tax *	Rounded
	Protected Assets Acct 253912	Non-Protected Assets Acct 253922	Total Accts. 253912 & 253922		
Negative Deferred Credit Balance as of June 30, 2020	\$ 14,387	\$ (42,955)	\$ (28,569)	\$ (20,315)	\$ (20,300)
Deferred Credits 7/1/2020 - 6/30/2021	-	-	-	-	-
Less: Amortization of Deferred Charges 7/1/20 - 6/30/21	-	-	-	-	-
Negative Deferred Credit Balance as of June 30, 2021	<u>\$ 14,387</u>	<u>\$ (42,955)</u>	<u>\$ (28,569)</u>	<u>\$ (20,315)</u>	<u>\$ (20,300)</u>
Deferred Credit Items - Feb 2021 Update					
Negative Deferred Credit Balance as of June 30, 2020	\$ 14,387	\$ (42,955)	\$ (28,569)	\$ 10,230	\$ 10,200
Deferred Credits 7/1/2020 - 6/30/2021	-	-	-	-	-
Less: Amortization of Deferred Charges 7/1/20 - 6/30/21	(288)	10,739	10,451	7,432	7,400
Negative Deferred Credit Balance as of June 30, 2021	<u>\$ 14,099</u>	<u>\$ (32,216)</u>	<u>\$ (18,118)</u>	<u>\$ (12,883)</u>	<u>\$ (12,900)</u>
Net Adjustment No. 14	<u>\$ (288)</u>	<u>\$ 10,739</u>	<u>\$ (10,451)</u>	<u>\$ 7,432</u>	<u>\$ 7,400</u>

* Calculation of After Tax Factor:

SIT Rate =	9.9900%
+ FIT Rate =	21.0000%
+ SIT Rate Net of FIT Rate [9.99% x (1-21%)] =	7.8921%
= Effective Net FIT / SIT Rate =	<u>28.8921%</u>
Net of SIT & FIT Multiplier (1/1-28.8921%)	<u>71.1079%</u>

Pike County Light And Power Company
Statement in Support of Change No. (9)
To Accumulated Deferred Income Taxes
For the Twelve Months Ended June 30, 2021

Exhibit G-3
Feb 2021 Update
Schedule 9

<u>Accumulated Deferred Income Taxes</u>	<u>Balance</u> <u>Accounts 282012 / 282082</u>
Balance at June 30, 2020	<u>\$ 147,400</u>
 <u>Additions - July 1, 2020 thru June 30, 2021</u>	
Tax Depreciation - Normalized	227,214
Less: Book Depreciation	<u>110,805</u>
Net Schedule M Tax Deduction	116,409
x Effective SIT / FIT Tax Rate	<u>28.8921%</u>
Net Additions July 1, 2020 thru June 30,2021	33,600
 <u>Additions - July 1, 2021 thru December 31, 2021</u>	
Tax Depreciation - Normalized	113,607
Less: Book Depreciation	<u>61,900</u>
Net Schedule M Tax Deduction	51,707
x Effective SIT / FIT Tax Rate	<u>28.8921%</u>
Net Additions July 1, 2021 thru Dec. 31,2021	<u>14,900</u>
Net Additions	<u>\$ 48,500</u>
Ending Balance at June 30, 2021 - Feb 2021 Update	\$ 195,900
Ending Balance at June 30, 2021 - Feb 2021 Update	<u>196,400</u>
Adjustment No. 15	<u>\$ (500)</u>

Exhibit G-4
February 2021 Update

Pike County Light And Power Company
Gas Cost of Service
For the Twelve Months Ended June 30, 2020
and the Twelve Months Ended June 30, 2021

Exhibit G-4
Feb 2021 Update
Summary
Page 1 of 3

	12 mos. Ended June 30, 2020 (1)	Difference Between Historical and Future Years		12 mos. Ended June 30, 2021 (4)=(1+3)	Future Year			Proposed Rate Change (8)	As Adjusted for Add'l Revenue (9)=(7+8)
		Reference (2)	Amount (3)		February 2021 Update				
					Reference (5)	Amount (6)	June 30, 2021 (7)=(4+6)		
Operating Revenues:									
Sales of Gas - Base Rate Revenue	\$ 1,448,200	(1a)	191,500	\$ 1,639,700		-	\$ 1,639,700	\$ 273,500	\$ 1,913,200
Other Operating Revenues	2,500	(1b)	300	2,800	(11)	(10,500)	(7,700)	500	(7,200)
Total Operating Revenues	1,450,700		191,800	1,642,500		(10,500)	1,632,000	274,000	1,906,000
Operating Expenses:									
Purchased Gas Expense	853,200	(2)	36,600	889,800		-	889,800	-	889,800
Other Operation and Maintenance Expense	420,600	(3a)	7,000	500,100		-	500,100	4,200	504,300
		(3b)	16,400			-			
		(4)	10,800			-			
		(5)	5,600			-			
		(6)	700			-			
		(7)	39,000			-			
Depreciation & Amortization Expense	91,300	(8a)	33,700	125,000	(12)	1,100	126,100	-	126,100
		(8b)	-			-			
Taxes other than Income	10,200	(9)	9,000	19,200		-	19,200	-	19,200
Total Operating Expenses	1,375,300		158,800	1,534,100		1,100	1,535,200	4,200	1,539,400
Operating Income Before Income Taxes:	75,400		33,000	108,400		(11,600)	96,800	269,800	366,600
State Income Tax	-	(10)	1,200	1,200	(13)	(900)	300	27,000	27,300
Federal Income Tax	(100)	(10)	2,200	2,100	(13)	(1,700)	400	51,000	51,400
Operating Income after Taxes	\$ 75,500		\$ 29,600	\$ 105,100		\$ (9,000)	\$ 96,100	\$ 191,800	\$ 287,900
Rate Base	\$ 3,183,500		\$ 888,400	\$ 4,071,900		\$ (10,900)	\$ 4,061,000	\$ -	\$ 4,061,000
Rate of Return	2.37%			2.58%			2.37%		7.09%

Pike County Light And Power Company
 Calculation of Gas Revenue Requirement
 For the Twelve Months Ended June 30, 2021

Exhibit G-4
 Feb 2021 Update
 Summary
 Page 2 of 3

	Amount
Rate Base at June 30, 2021	\$ 4,061,000
x Rate of Return at June 30, 2021	7.09%
Total Return Required	287,925
Total Earned Return (Per Exhibit G-4, Summary, Page 1 of 3)	96,100
Addition Return Required	191,825
Multiplied by Retention Factor*	1.4257
Total Revenue Requirement	\$ 273,485
 Rounded	 \$ 273,500

* Retention Factor:		
Additional Revenue	100.0000	\$ 273,500
Plus: Forfeited Discounts	0.1700	500
Less: Revenue Taxes -- N/A	-	-
Less: Uncollectibles	1.5300	4,200
	98.6400	269,800
Less: State Income Tax @ 9.99%	9.8541	27,000
	88.7859	242,800
Less: Federal Income Tax @ 21%	18.6450	51,000
Retention Factor	70.141	\$ 191,800
	1.0000	
	0.7014	
	1.4257	

Pike County Light And Power Company
Changes in Gas Cost of Service
For the Year Ended June 30, 2021

Exhibit G-4
Feb 2021 Update
Summary
Page 3 of 3

Adjustment Number	Description	Amount
(1a)	Changes In billed revenue to reflect forecast sales	\$ 191,500
(1b)	Change in Other Operating Revenues	300
(2)	Change to cost of purchased gas cost to match forecast recoveries	36,600
(3a)	Changes in Operations and Maintenance Expenses to reflect increases in Wages and Salaries	7,000
(3b)	Changes in Operations and Maintenance Expenses to reflect Additional Employee Positions	16,400
(4)	Changes in Operation and Maintenance Expense to Reflect Estimated Payroll Ancillary Costs -- Health Insurance, Workers Comp, 401K Match	10,800
(5)	Changes in Operation and Maintenance Expenses to reflect amortization of rate case costs	5,600
(6)	Changes in Operation and Maintenance Expense - Intercompany Administrative & Operating Charges	700
(7)	Change in Uncollectible Expense	39,000
(8a)	Changes in Depreciation Expense -- At Existing Rates	33,700
(8b)	Changes in Depreciation Expense - Annual allowance for Net Salvage / Amortization of Reserve Deficiency Case R-2008-2046520	-
(9)	Changes in Taxes Other than income to reflect Changes in Payroll Tax, Realty and Gross Earnings Tax	9,000
(10)	Calculation of Income Tax Expense - Per Books Test Year Normalize Income tax for Out of Period Adjustments & Interest Synchronization	
	- State Income Tax Adjustments	1,200
	- Federal Income Tax Adjustments	2,200
February 2021 Update Adjustments		
(11)	Update Other Operating Revenues for TCJA Amortization	(10,500)
(12)	Update and Correct Depreciation	1,100
(13)	Calculation of Income Tax Expense for the Twelve Months Ended June 30, 2021	
	State Income Tax Adjustment	(900)
	Federal Income Tax Adjustment	(1,700)

Pike County Light And Power Company
Statement in Support of Change No. (15)
To Adjust For Other Operating Revenue
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Feb 2021 Update
Schedule 1
Page 2 of 2

Other Operating Revenues	Twelve Months Ended		Net Change
	June 30, 2020	June 30, 2021	
Late Payment Charge-Gas	\$ 2,498	\$ 2,769	\$ 271
Provision for FIT Refund			
- 50 Year Amortization of Protected Assets	-	288	288
- 4 Year Amortization of Non-Protected Assets	-	(10,739)	(10,739)
- Other Miscellaneous Sales Adjustments	-	-	-
Total Other Electric Revenues	2,498	(7,682)	\$ (10,180)
Other Operating Revenues As Filed	2,498	2,769	271
February 2021 Update	-	(10,451)	(10,451)
Rounded (Change 15)	\$ -	\$ (10,500)	\$ (10,500)

Pike County Light And Power Company
Statement in Support of Change No. (8a)
To Depreciation Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
February 2021 Update
Schedule 8
Page 1 of 4

	Amount			Adjustment
	Gas Dist. Plant	Common Gen'l Plant Allocated	Total Gas	
<u>Gas Plant in Service</u>				
At June 30, 2020 Per Exhibit G-3, Summary	3,591,404	298,533	3,889,937	
Less Acquisition Adjustment	(589,743)	(4,958)	(594,701)	
June 30, 2020 Plant In Service Balance	3,001,661	293,575	3,295,236	
Less: Non-Depreciable Plant Per Exhibit G-4, Page 3 of 4	-	(46,650)	(46,650)	
Depreciable Plant at June 30, 2020	<u>3,001,661</u>	<u>246,925</u>	<u>3,248,586</u>	
<u>Additions - July 1, 2020 thru June 30, 2021</u>				
Distribution - Completed CWIP at 6/30/2020	87,668	15,763	103,431	
Distribution / General Additions Plant	700,000	60,000	760,000	
<u>Additions - July 1, 2021 thru December 31, 2021</u>				
Distribution / General Additions	250,000	45,000	295,000	
Total Additions	<u>1,037,668</u>	<u>120,763</u>	<u>1,158,431</u>	
<u>Retirements - July 1, 2020 thru June 30, 2021</u>				
Distribution / General Plant	(55,800)	(1,500)	(57,300)	
<u>Retirements - July 1, 2021 thru December 31, 2021</u>				
Distribution / General Plant	(27,900)	(45,000)	(72,900)	
Total Retirements	<u>(83,700)</u>	<u>(46,500)</u>	<u>(130,200)</u>	
<u>Gas Depreciable Plant at June 30, 2021</u>				
	3,955,629	321,187	4,276,817	
x Existing Composite Book Depreciation Rate	2.050%	14.013%	2.948%	
<u>Calculated Accruals to Depreciation Reserves</u>				
For The Twelve Months Ended June 30, 2021 Feb 2021 Update	81,090	45,008	126,098	
For The Twelve Months Ended June 30, 2021 As Filed	80,022	45,008	125,030	
Increase In Depreciation Expense	<u>1,068</u>	<u>-</u>		<u>\$ 1,068</u>
Rounded Change (8)				<u>\$ 1,100</u>

To Depreciation Expense
Calculation of Electric Composite Book Depreciation Rate
For the Twelve Months Ended June 30, 2021

Gas- Distribution	June 30, 2020 Plant Balance	Average Service Life	Annual Rate	COR & Salvage Adj.	Annual Accrual with Salvage	COMPOSITE RATES		
						Annual	Monthly	
PK - G- 374000 - LAND-EASEMENTS	715.00	60	1.67%	-	11.94	1.67%	0.139%	
PK - G- 376000 - MAINS	1,794,703.04	70	1.43%	973.00	26,637.25	1.48%	0.124%	
PK - G- 378000 - MEAS AND REGULA EQ	101,978.18	30	3.33%	-	3,395.87	3.33%	0.278%	
PK - G- 380000 - SERVICES	753,793.70	65	1.54%	5,157.00	16,765.42	2.22%	0.185%	
PK - G- 381000 - METERS	69,921.10	30	3.33%	(240.00)	2,088.37	2.99%	0.249%	
PK - G- 382000 - METER INSTALLS	150,361.87	40	2.50%	(8.00)	3,751.05	2.49%	0.208%	
PK - G- 382400 - METER BARS	61,884.13	40	2.50%	-	1,547.10	2.50%	0.208%	
PK - G- 384000 - HOUSE REG INSTALLS	9,180.00	40	2.50%	-	229.50	2.50%	0.208%	
PK - G- 385000 - INDUST MEAS/REG EQ	32,210.00	35	2.86%	-	921.21	2.86%	0.238%	
Gas distribution Total	2,974,747.02			5,882.00	55,347.72			
Depreciable Gas distribution Total	2,974,747.02			5,882.00	55,347.72	1.86%	0.155%	
Gas- General Plant Total								
PK - E- 394001 - TOOLS & EQUIPMENT	26,913.91	5	20.00%	-	5,382.78	20.00%	1.667%	
Gas- General Plant Total	26,913.91			-	5,382.78			
Depreciable Gas- General Plant Total	26,913.91			-	5,382.78	20.00%	1.667%	
Amortization of Unallocated Reserve					900.00	900.00		
Total Gas	3,001,660.93			6,782.00	61,630.50			
Total Depreciable Gas	3,001,660.93			6,782.00	61,630.50	2.050%	0.171%	

Pike County Light And Power Company
Statement in Support of Change No. (8b)
To Depreciation Expense
For the Twelve Months Ended June 30, 2021

Exhibit G-4
Feb 2021 Update
Schedule 8
Page 4 of 4

Gas Plant	Proposed Annual Net Salvage	Current Net Salvage Allowed	Net Change In Expense
376000 MAINS	\$ 973	\$ 973	\$ -
378000 MEASURING AND REGULATING EQUIPMENT	-	-	-
380000 SERVICES	5,157	5,157	-
381000 GAS METER PURCHASES	(240)	(240)	-
382000 GAS METER INSTALLS	(8)	(8)	-
382400 GAS METER BAR	-	-	-
384000 HOUSE REGULATOR INSTALLATIONS	-	-	-
385000 INDUSTRIAL MEAS & REG EQUIPMENT	-	-	-
Total	\$ 5,882	\$ 5,882	\$ -
40 Year Amortization of Reserve Deficiency - Case R-2008-2046520 through March 2049	900	900	-
Total Adjustment	<u>\$ 6,782</u>	<u>\$ 6,782</u>	<u>\$ -</u>
Rounded			<u>\$ -</u>

Pike County Light And Power Company
Adjustment No. (10)
Calculation of Gas State Income Taxes
For The Twelve Months Ended June 30, 2021

Exhibit G-4
Feb 2021 Update
Schedule 10
Page 1 of 3

	Per Books 12 Months Ended 6/30/2020	Income Tax Normalizing Adjustments	12 Months Ended 6/30/2020 (1)	Income Adjustments (2)	12 Months Ended 6/30/2021 (3) = (1) + (2)	February 2021 Update		Proposed Rate Change (6)	As Adjusted For Additional Revenue (7) = (4) + (5)
						Income Adjustments (4)	12 Months Ended 6/30/2021 (5) = (3) + (4)		
Operating Income Before Income Taxes	75,400	-	\$ 75,400	\$ 33,000	\$ 108,400	\$ (9,000)	\$ 99,400	\$ 269,800	\$ 369,200
Less Interest Expense (incl amort of debt exp)	104,107	(28,340)	75,767	21,144	96,911	(259)	96,652	-	96,652
Other Income & Deductions (incl Donations)	3,915	(3,915)	-	-	-	-	-	-	-
Book Income Before FIT	<u>(32,622)</u>	<u>32,255</u>	<u>(367)</u>	<u>11,856</u>	<u>11,489</u>	<u>(8,741)</u>	<u>2,748</u>	<u>269,800</u>	<u>272,548</u>
Section I - Permanent Items:									
Add: Negative Provision for Uncollectibles	13,950	(13,950)	-	-	-	-	-	-	-
Less: Uncollectable Write-Offs (not in O&M)	-	-	-	-	-	-	-	-	-
Total	<u>13,950</u>	<u>(13,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pretax Income	(46,572)	46,205	(367)	11,856	11,489	(8,741)	2,748	269,800	272,548
Section II - Normalized Items:									
Add: Additional Taxable Income and Unallowable Deductions:									
Book Depreciation	91,300	-	91,300	33,700	125,000	1,100	126,100	-	126,100
Amortization of Rate Case Expenditures	-	-	-	5,600	5,600	-	5,600	-	5,600
Recovery of Prior Deferred Purchased Gas Cost	208,807	-	208,807	(208,807)	-	-	-	-	-
Total	<u>300,107</u>	<u>-</u>	<u>300,107</u>	<u>(169,507)</u>	<u>130,600</u>	<u>1,100</u>	<u>131,700</u>	<u>-</u>	<u>131,700</u>
Deduct: Non-Taxable Income and Allowable Deductions									
Tax Depreciation	227,125	-	227,125	-	227,125	-	227,125	-	227,125
Rate Case Expenditures	-	-	-	22,500	22,500	-	22,500	-	22,500
Deferral of Def. Purchased Gas Costs	312,519	-	312,519	(312,519)	-	-	-	-	-
Total	<u>539,643</u>	<u>-</u>	<u>539,643</u>	<u>(290,019)</u>	<u>249,625</u>	<u>-</u>	<u>249,625</u>	<u>-</u>	<u>249,625</u>
Federal NOL	-	-	-	-	-	-	-	-	-
Taxable Income	(286,109)	46,205	(239,904)	132,368	(107,536)	(7,641)	(115,177)	269,800	154,623
State Tax Adjustments	98,608	(98,608)	-	-	-	-	-	-	-
Adjusted Taxable Income	(187,501)	(52,403)	(239,904)	132,368	(107,536)	(7,641)	(115,177)	269,800	154,623
x State Income Tax @ 9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%
Current Tax Provision	(18,731)	(5,235)	(23,966)	13,224	(10,743)	(763)	(11,506)	27,000	15,494
Deferred Income Tax Dr.- Account 410	53,910	-	53,910	(28,973)	24,938	-	24,938	-	24,938
Deferred Income Tax Cr.- Account 411	(29,981)	-	(29,981)	16,934	(13,047)	(110)	(13,157)	-	(13,157)
	<u>5,198</u>	<u>(5,235)</u>	<u>(37)</u>	<u>1,184</u>	<u>1,148</u>	<u>(873)</u>	<u>275</u>	<u>27,000</u>	<u>27,275</u>
Rounded	<u>\$ 5,200</u>	<u>\$ (5,200)</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,100</u>	<u>\$ (900)</u>	<u>\$ 300</u>	<u>\$ 27,000</u>	<u>\$ 27,300</u>

Pike County Light And Power Company
Adjustment No. (10)
Calculation of Gas Income Taxes
For the Twelve Months Ended June 30, 2021

Exhibit G-4
February 2021 Update
Schedule 10
Page 2 of 3

	Per Books 12 Months Ended 6/30/2020	Adjustments	12 Months Ended 6/30/2020 (1)	Proposed Rate Change (2)	12 Months Ended 6/30/2021 (3) = (1) + (2)	February 2021 Update		Proposed Rate Change (6)	As Adjusted For Additional Revenue (7) = (4) + (5)
						Income Adjustments (4)	12 Months Ended 6/30/2021 (5) = (3) + (4)		
State Taxable Income (G-4, Sched 10, Pg 1)	\$ (187,501)	\$ (52,403)	\$ (239,904)	\$ 132,368	\$ (107,536)	\$ (7,641)	\$ (115,177)	\$ 269,800	\$ 154,623
Less: State Income Tax	(5,198)	5,235	37	(1,184)	(1,148)	873	(275)	(27,000)	(27,275)
Federal Tax Adjustments	32,789	(32,789)	-	-	-	-	-	-	-
Adjusted Taxable Income	(159,910)	(79,957)	(239,867)	131,184	(108,684)	(6,767)	(115,451)	242,800	127,349
* Federal Income Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%
Current Federal Income Tax	\$ (33,581)	\$ (16,791)	\$ (50,372)	\$ 27,549	\$ (22,824)	\$ (1,421)	\$ (24,245)	\$ 51,000	\$ 26,743
<u>Deferred Federal Income Tax Applicable To:</u>									
Book Depreciation	(19,173)	-	(19,173)	(7,077)	(26,250)	(231)	(26,481)	-	(26,481)
Amortization of Rate Case Expenditures	-	-	-	(1,176)	(1,176)	-	(1,176)	-	(1,176)
Recovery of Prior Deferred Purchased Gas Cost	(43,849)	-	(43,849)	43,849	(0)	-	(0)	-	(0)
Tax Depreciation	47,696	-	47,696	-	47,696	-	47,696	-	47,696
Rate Case Expenditures	-	-	-	4,725	4,725	-	4,725	-	4,725
Deferral of Def. Purchased Gas Costs	65,629	-	65,629	(65,629)	(0)	-	(0)	-	(0)
Total	69,476	-	69,476	(17,055)	52,421	-	52,421	-	52,421
<u>Summary of Federal Income Taxes:</u>									
Current Federal Income Tax - 409	(33,581)	(16,791)	(50,372)	27,549	(22,824)	(1,421)	(24,245)	51,000	26,755
Deferred Federal Income Tax Dr - 410	113,325	-	113,325	(60,904)	52,421	-	52,421	-	52,421
Deferred Federal Income Tax Dr - 411	(63,022)	-	(63,022)	35,596	(27,426)	(231)	(27,657)	-	(27,657)
Deferred FIT Adjustments	-	-	-	-	-	-	-	-	-
Total	\$ 16,722	\$ (16,791)	\$ (69)	\$ 2,241	\$ 2,172	\$ (1,652)	\$ 519	\$ 51,000	\$ 51,519
Rounded	\$ 16,700	\$ (16,800)	\$ (100)	\$ 2,200	\$ 2,200	\$ (1,700)	\$ 500	\$ 51,000	\$ 51,500

Pike County Light & Power Company (Gas)

Statement No. 3-R

1 **Q. Mr. Grandinali have you previously testified in this**
2 **proceeding?**

3 A. Yes. I submitted direct testimony (PCLP Statement No. 3)
4 where I provided an overview of the Pike's gas system that
5 serves the Matamoras and Westfall areas in Pennsylvania. My
6 testimony also discussed the Company's gas main replacement
7 program and planned system pressure upgrades as presented in
8 the Company's Distribution Gas Long Term Infrastructure
9 Improvement Plan ("LTIIP") that was submitted to the PAPUC
10 and approved in June 13, 2019 (Docket No. P-2019-3007304).

11

12 **PURPOSE OF REBUTTAL TESTIMONY**

13 **Q. What is the purpose of your rebuttal testimony in this**
14 **proceeding?**

15 A. My rebuttal testimony will address items raised by BI&E
16 witness Lara Lapinski (BI&E Statement No. 4) concerning
17 PCLP's Gas Main Cast Iron Study and the Distribution
18 Integrity Management Plan (DIMP) to reduce risk, provide a
19 history of leaks, and prioritize the pipeline replacement
20 programs.

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Gas Main Study / DIMP

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Q. Did BI&E witness Lara Lapinski recommend that the Company provide a copy of the 2018 Cast Iron Study to the Commission as part of this proceeding?

A. Yes. Lara Lapinski recommended on page 5, lines 9-10 (BI&E Statement No. 4) that the Company provide a copy of the Study.

Q. Has the Company complied with this request?

A. Yes the Company submitted a Confidential copy of the 2018 Cast Iron Study as part of its supplemental response to BI&E data request I&E-PS-3 on February 8, 2021. I would note that this report had also been filed previously with BI&E when it was first issued. The Cast Iron Study provides a schedule detailing the Company's gas main replacement program. The study also contains the gas main criteria applied to the mains to identify a schedule for replacement. The criteria applied is by material type, pipe size, age, leak patterns and information on field condition such as flooding.

1 **Q. Who performed the Cast Iron Main Study?**

2 A. The individual subject matter expert ("SME") who performed
3 the Cast Iron Main study is a retired Gas Engineer who
4 worked for Orange and Rockland Utilities (ORU) for 34 years
5 of which 19 were in the Gas Engineering Department. This SME
6 had performed system studies of both the New York and
7 Pennsylvania gas systems. The approach to the
8 prioritization of the individual projects of the Gas Main
9 Replacement was based on size, type, age, leaks data and
10 field conditions. The leak data provided indicates that
11 leaks are not significant in the system by type or material.
12 In speaking with the SME and other ORU SME's, all indicated
13 that leaks were not a significant driver in establishing the
14 criteria. The size, type and age have a greater impact on
15 safety and reliability. The system has main pipe that is
16 well over a hundred years old, which are made of cast iron
17 of smaller diameters.

18

19 **Q. Did the Company also supplement its response to I&E-PS-10,**
20 **I&E-PS-11, I&E-PS-12, I&E-PS-13, and I&E-PS-14?**

21 A. Yes, the 2017 through 2020 leak data originally requested in
22 I&E-PS-10 through I&E-PS-14 was also submitted on February

1 8, 2021. The Company's response included a breakdown of
2 material type from 2016 through 2019. Some of the 2020
3 information was not available at the time the Company
4 supplemented its response to I&E-PS-10 through I&E-PS-14.

5

6 **Q. What is the status of the 2020 PHMSA Report?**

7 A. As indicated in our response to I&E-PS-10 the 2020 PHMSA
8 report has not been completed at this time; the information
9 should be available by March 2021. It will reflect the
10 information covering the main replacements completed in
11 calendar year 2020. Portions of the report were provided in
12 the supplemental responses. Once completed the 2020 PHMSA
13 report will reflect a 0.75 mile increase in plastic pipe and
14 reductions of various amounts on different main types.

15

16 **Q. What is the current status of the Company's Distribution**
17 **Integrity Management Plan (DIMP) to address risk scoring and**
18 **risk ranking?**

19 A. PCLP is in the process of revising its Distribution
20 Integrity Management Plan (DIMP) to address the risk scoring
21 and risk ranking in Section 7.0 of the document. The

1 revisions are intended to address the concerns raised by
2 Lara Lapinski on page 5, line 18 through page 6 line 14 of
3 her testimony (BI&E Statement No. 4).

4

5 **Q. What type of reviews has the Company conducted of PCLP's Gas**
6 **system?**

7 **A.** SME's from both Corning Natural Gas and PCLP evaluated the
8 PCLP system leak history along with the other criteria and
9 determined that leaks do not have a major impact in the risk
10 assessment. The risk assessment relied more on the material
11 type, size, age, and field conditions. The maintenance and
12 inspections performed on the system provided the Company
13 SMEs with the data and field knowledge to support the
14 prioritization of the main replacements. PCLP has only
15 replaced approximately 1.02 miles of metallic mains in a
16 flood prone area and an area of small diameter cast iron
17 main. The risk of exposure of flooding and mechanical
18 failure of antiquated main has been reduced to those
19 customers served by that system.

20

1 **Q. What system concerns did the Company address as part of its**
2 **LTIIP filing?**

3 A. In the Company's LTIIP filing three areas of concern were
4 presented, the Gas Main Replacement; the relocation of
5 meters and services to outdoors; and the replacement of a
6 dual gas regulator station. The regulator replacement was
7 a high priority, due to its condition and the critical
8 impact it had on maintaining the low pressure system.
9 Company SMEs reviewed the performance, reliability and
10 physical condition of the station, and it was too high a
11 risk not to replace the regulators.

12

13 **Q. Does that conclude your rebuttal testimony?**

14 A. Yes, it does. I reserve the right to update or amend my
15 testimony.