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June 29, 2022

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

**VIA ELECTRONIC FILING**

**RE: Valley Energy, Inc. – Supplement No. 59 to Tariff Gas – Pa. P.U.C. No. 2;  
Docket No. R-2022-3032300**

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the Prehearing Memorandum of Valley Energy, Inc. ("Valley"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to this proceeding are being duly served with a copy of this document. Thank you.

Very truly yours,

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

Adeolu A. Bakare  
MCNEES WALLACE & NURICK LLC

Counsel to Valley Energy, Inc.

c: Administrative Law Judge Marta Guhl (via email)  
Certificate of Service

**CERTIFICATE OF SERVICE**

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

**VIA E-MAIL**

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NO CONFIDENTIAL MATERIALS



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Adeolu A. Bakare

Counsel to Valley Energy, Inc.

Dated this 29<sup>th</sup> day of June, 2022, in Harrisburg, Pennsylvania.

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
v.	:	Docket No. R-2022-3032300, <i>et al.</i>
Valley Energy, Inc.	:	
	:	

**PREHEARING MEMORANDUM OF  
VALLEY ENERGY, INC.**

Valley Energy, Inc. ("Valley Energy" or "Company") submits this Prehearing Memorandum in anticipation of the Prehearing Conference scheduled for June 30, 2022.

**I. HISTORY OF THE PROCEEDING**

On April 29, 2022, Valley Energy filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 59 to Tariff Electric-Pa. P.U.C. No. 2 ("Supplement No. 59"), proposing an annual increase in rates of \$999,631 as well as Supplement No. 2.

The Office of Consumer Advocate ("OCA") and Office of Small Business Advocate ("OSBA") filed Formal Complaints against Valley Energy's proposed rate increase. Athens Borough, South Waverly Borough, and Larry E. Cole filed Formal Complaints as well. The Bureau of Investigation and Enforcement ("I&E") submitted a Notice of Appearance in the proceeding.

On June 16, 2022, the Commission entered an Order suspending Valley Energy's proposed tariff supplements by operation of law until January 28, 2023, and instituted an investigation into the proceedings. This proceeding was referred to the Office of Administrative Law Judge, where Administrative Law Judge ("ALJ") Marta Guhl was assigned to the case and a Prehearing Conference was scheduled for June 30, 2022.

## II. SERVICE LIST

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

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## III. ANTICIPATED ISSUES AND SUB-ISSUES

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

To support the requested rate increases, the Company anticipates addressing the following sub-issues:

1. Revenue Requirement – The Company will demonstrate that the proposed rates appropriately reflect sales and revenues in the Historic, Future, and Fully-Projected Future ("FPF") Test Years.

2. Expenses – The Company will demonstrate that it appropriately reflected and accounted for known and measurable expenses in the Historic, Future, and FPF Test Years.
3. Rate of Return – The Company will show that the proposed rate of return reflects an appropriate capital structure, cost of debt and cost of equity, and will provide the Company with the minimum revenues necessary to allow an opportunity to earn a fair return on utility property.
4. Rate Base – The Company will confirm that its developed rate bases appropriately reflect the original cost of utility plant in the Historic, Future, and FPF Test Years, depreciation reserve, cash working capital, and materials and supplies.
5. Rate Structure – The Company will support its proposed rate allocations.
6. Rate Design – The Company will demonstrate that its proposed design changes are just, reasonable and not unduly discriminatory.

#### IV. PROPOSED WITNESSES

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

##### Valley Witnesses

**Howard S. Gorman, President, HSG Group, Inc.; 45 Hill Park Ave., Great Neck, NY 11021; 516-829-6856** – develops the FPF Test Year revenue requirement and rate base and Future Test Year net income. Presents the Company's proposed revenue allocation and proposed rates and charges that produce the overall revenue requirement and the class revenue targets, as well as the proof of revenue and bill comparisons at the proposed rates

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

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

**Edward E. Rogers, President and CEO, Valley; 523 Keystone Ave., Sayre, PA 18840; 570-888-9664** – provides a general overview of Valley Energy, its operations, service territory, and customer base. Will discuss the major factors that necessitate the rate relief requested. Discusses Valley's proposed tariff changes.

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

**Cody Chapman, Vice President of Operations, Valley; 523 Keystone Avenue, Sayre, Pennsylvania 18840; 570-888-9664** – responsible for coordinating with HSG Group, Inc. to address the anticipated capital projects and other operational expenses that will be undertaken during the Future Test Year and the Fully-Projected Future Test Year.

**V. PROPOSED SCHEDULE AND DISCOVERY RULES**

The Company proposes the below procedural schedule.

<b>Event</b>	<b>Date</b>
Company's Rate Case Filings	April 29, 2022
Company's' Direct Testimony	April 29, 2022
Prehearing Conference	June 30, 2022
Other Parties' Direct Testimony	July 25, 2022
Initial Settlement Conference	Prior to July 29, 2022
All Parties' Rebuttal Testimony	August 16, 2022
All Parties' Surrebuttal Testimony	September 1, 2022
Company's Oral Rejoinder Outline	September 7, 2022
Hearings (including Oral Rejoinder) in Harrisburg	September 8-9, 2022
Main Briefs	September 29, 2022
Reply Briefs	October 11, 2022
Suspension Period Ends	January 28, 2023

Valley Energy is engaged in discussions with the parties regarding the procedural schedule and has received representations of support or non-opposition to the proposed schedule from I&E, OCA, and OSBA.

Additionally, discovery has commenced for the proceedings, with the Company responding to more than 400 data requests and interrogatories, including subparts, to date. Due to the relatively small size of the Company's staff, and the Company's efforts to respond to discovery

requests from the parties, the Company suggest that, in lieu of any acceleration of the discovery deadlines, all parties commit in good faith to respond to each request as quickly as possible.

The Company proposes that service via electronic mail shall constitute sufficient service to satisfy any "in-hand" dates. In addition, any discovery served after 12:00 p.m. on Friday or holidays should be considered to have been served on the following business day for purposes of calculating any responsive deadlines.

## **VI. CONSOLIDATION**

The Company notes that its affiliate Citizens' Electric Company of Lewisburg, PA ("Citizens") filed a parallel rate case on April 29, 2022 at Docket No. R-2022-3032369. For purposes of judicial economy, the Company supports consolidation of the Citizens' and Valley rate cases. The Company has discussed consolidation with I&E and OCA and neither party opposes consolidation.

## VII. POSSIBILITY OF SETTLEMENT

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

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to Valley Energy, Inc.

Dated: June 29, 2022