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October 26, 2022

By Electronic Filing

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

RE: Leatherstocking Gas Company LLC 2022 General Base Rate Increase (Gas) Filing;
Docket No. R-2022-3032764; **LEATHERSTOCKING GAS COMPANY
LLC'S PRE-SERVED TESTIMONY, EXHIBITS AND TESTIMONY
VERIFICATIONS**

Dear Secretary Chiavetta:

In compliance with Ordering Paragraph Number 3 of Administrative Law Judge Jeffrey A. Watson's October 25, 2022 Interim Order Approving Joint Stipulation and Admitting Testimony and Exhibits into the Record and Cancelling the Hearings, enclosed you will find the following pre-served testimony, exhibits and verifications filed on behalf of Leatherstocking Gas Company LLC ("Leatherstocking") in the above-captioned matter:

Rate Case Filing and Direct Testimony

- A. Appendix A – Tariff Leaves;
- B. Appendix B – Impact of the Proposed Rate Change on Total Bill Revenues for the Twelve Months Ended March 31, 2023;
- C. Leatherstocking Statement No. 1 – Direct Testimony of Accounting and Rate Panel Charles Lenns and Richard A. Kane, including Exhibit Nos. G-1 through G-6;
- D. Data Responses to 52 Pa. Code Section 53.52;
- E. Proofs of Notice;
- F. Verification.

Rebuttal Testimony

- A. Leatherstocking Statement No. 1-R - Rebuttal Testimony of Accounting and Rate Panel Charles Lenns and Richard A. Kane, including Appendices A and B and Exhibits G-2 Oct. 2022 Update through G-4 Oct. 2022 Update.

Verifications

- A. Testimony Verification of Charles Lenns;
B. Testimony Verification of Richard A. Kane.

All parties were previously served copies of the aforementioned Testimony.

Very truly yours,

/s/ Whitney E. Snyder

Thomas J. Sniscak
Whitney E. Snyder
Phillip D. Demanchick
Counsel for Leatherstocking Gas Company LLC

WES/das
Enclosure

cc: Administrative Law Judge Jeffrey A. Watson (jeffwatson@pa.gov)
Nick Miskanic, Legal Assistant (nmiskanic@pa.gov)
Per Certificate of Service

Leatherstocking Rate Case Filing and Direct Testimony

- A. Appendix A – Tariff Leaves;
- B. Appendix B – Impact of the Proposed Rate Change on Total Bill Revenues for the Twelve Months Ended March 31, 2023;
- C. Leatherstocking Statement No. 1 – Direct Testimony of Accounting and Rate Panel Charles Lenns and Richard A. Kane, including Exhibit Nos. G-1 through G-6;
- D. Data Responses to 52 Pa. Code Section 53.52;
- E. Proofs of Notice;
- F. Verification.

A. Appendix A – Tariff Leaves;

LEATHERSTOCKING GAS COMPANY LLC

Gas Rate Case

Proposed Tariff Leaves effective September 1, 2022

P.U.C. No. 1 Gas

17th Revised Leaf No. 1

17th Revised Leaf No. 2

17th Revised Leaf No. 3

2nd Revised Leaf No. 50

2nd Revised Leaf No. 51

2nd Revised Leaf No. 52

2nd Revised Leaf No. 53

2nd Revised Leaf No. 54

2nd Revised Leaf No. 55

2nd Revised Leaf No. 56

2nd Revised Leaf No. 57

2nd Revised Leaf No. 58

2nd Revised Leaf No. 59

2nd Revised Leaf No. 60

2nd Revised Leaf No. 61

2nd Revised Leaf No. 62

2nd Revised Leaf No. 63

2nd Revised Leaf No. 64

17th Revised Leaf No. 85

17th Revised Leaf No. 86

17th Revised Leaf No. 87

17th Revised Leaf No. 88

2nd Revised Leaf No. 89

2nd Revised Leaf No. 90

LEATHERSTOCKING GAS COMPANY LLC

GENERAL TARIFF

Rules and Rate Schedules

Governing the Furnishing of

Gas Service in the Counties of

Susquehanna and Bradford, Pennsylvania

NOTICE

This Tariff makes changes to existing rates, rules and regulations. See Leaf No. 2

2. CHANGES MADE BY THIS SUPPLEMENT

Supplement No. 17 has been filed to reflect:

- (1) increased delivery (i.e., per CCF) charges applicable to Service Classification Nos. 1, 2, 3, 4, 5, and 6.
- (2) a roll-in of the Construction Build-Out CIAC Fee or CBOCF Surcharge into delivery rates.

Second Revised Pages 50 – 64, 89, 90
Cancelling First Pages 50 – 64, 89, 90

Seventeenth Revised Pages 85 – 88
Cancelling Sixteenth Revised Pages 85 – 88

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RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.2 BOROUGH OF GREAT BEND

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.3 BOROUGH OF HALLSTEAD

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.4 TOWNSHIP OF GREAT BEND

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.5 BOROUGH OF NEW MILFORD

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.6 TOWNSHIP OF NEW MILFORD

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.7 BOROUGH OF MONTROSE

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.8 TOWNSHIP OF BRIDGEWATER

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.9 BOROUGH OF OAKLAND

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.10 BOROUGH OF SUSQUEHANNA

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.11 BOROUGH OF OAKLAND

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.12 BOROUGH OF LANESBORO

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.13 TOWNSHIP OF HARMONY

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.14 TOWNSHIP OF WYALUSING

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.15 BOROUGH OF WYALUSING

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

RULES AND REGULATIONS

**17. CONSTRUCTION BUILD-OUT CICA FEE (“CBOCF”)
BY MUNICIPALITY (continued)**

17.16 TOWNSHIP OF DIMOCK

The CBOCF amounts by Customer class for the above municipality shall be as follows:

| | | |
|----------------------|----------------|-----|
| SC 1 Residential | 0.00 ¢ per Ccf | (D) |
| SC 2 General Service | 0.00 ¢ per Ccf | (D) |
| SC 3 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 4 Commercial | 0.00 ¢ per Ccf | (D) |
| SC 5 Transportation | 0.00 ¢ per Ccf | (D) |
| SC 6 Transportation | 0.00 ¢ per Ccf | (D) |

SERVICE CLASSIFICATION NO. 1

APPLICABLE TO USE OF SERVICE FOR:

Residential Service and Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 166.207¢ per Ccf (l)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 94.244¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$20.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before twenty days from the date the bill is mailed to the Customer. If the bill is not paid within twenty days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SPECIAL PROVISIONS:

Budget Billing Plan: Any customer taking service hereunder may, upon request, be billed monthly in accordance with the budget billing plan provided for in Section 9.8 of the Rules and Regulations.

SERVICE CLASSIFICATION NO. 2

APPLICABLE TO USE OF SERVICE FOR:

General Service and Non-Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 166.207¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 94.244¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$20.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from the date the bill is mailed to the Customer. If the bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SPECIAL PROVISIONS:

Budget Billing Plan: Any customer taking service hereunder may, upon request, be billed monthly in accordance with the budget billing plan provided for in Section 9.8 of the Rules and Regulations.

SERVICE CLASSIFICATION NO. 3

APPLICABLE TO USE OF SERVICE FOR:

Commercial customers that use 5,000 to 24,999 Mcf annually and purchases gas supply from the Company.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 148.711¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate ("GCR") shall be 94.244¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$300.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from the date the bill is mailed to the Customer. If the bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SERVICE CLASSIFICATION NO. 4

APPLICABLE TO USE OF SERVICE FOR:

Commercial customers that use a minimum 25,000 Mcf annually and purchases gas supply from the Company.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 139.964¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate ("GCR") shall be 94.244¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$1,220.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from the date the bill is mailed to the Customer. If the bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SERVICE CLASSIFICATION NO. 5

APPLICABLE TO USE OF SERVICE FOR:

Transportation customers that use 5,000 to 24,999 Mcf annually and provides its own gas supply.

RATE - FOUR PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 148.711¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$300.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from the date the bill is mailed to the Customer. If the bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

SERVICE CLASSIFICATION NO. 6

APPLICABLE TO USE OF SERVICE FOR:

Transportation customers that use a minimum of 25,000 Mcf annually and provides its own gas supply.

RATE - FOUR PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 139.964¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

Not less than \$1,220.00 net per month during which service is furnished to a Customer at each location.

TERMS OF PAYMENT:

Bills are due and payable on or before fifteen days from the date the bill is mailed to the Customer. If the bill is not paid within fifteen days, service may be discontinued after suitable written notice as outlined in the Rules and Regulations.

TERM:

Terminable at any time unless a specified period is required under a main extension agreement.

B. Appendix B – Impact of the Proposed Rate Change on Total Bill Revenues for the Twelve Months Ended March 31, 2023;

Appendix B

Leatherstocking Gas Company LLC

Impact of Proposed Rate Change on Total Billed Revenue with Gas Costs (a)
For the Twelve Months Ended March 31, 2023

| Service Class | Type of Service | Annual Bills | Total Sales (Ccf) | Total Revenues at | | Increase: | |
|---------------|---|--------------|-------------------|-------------------|----------------|----------------|----------------|
| | | | | Present Rates | Proposed Rates | Revenue Change | Percent Change |
| 1 | Residential | 3,840 | 304,000 | \$652,102 | \$868,571 | \$216,470 | 33.20% |
| 2 | General Service & Non-Residential Heating | 1,488 | 350,220 | \$692,530 | \$941,911 | \$249,381 | 36.01% |
| 3 | Commercial | 68 | 369,400 | \$682,527 | \$917,875 | \$235,349 | 34.48% |
| | Transportation (b) | 12 | 2,695,070 | \$140,144 | \$140,144 | - | N/A |
| | Total | 5,408 | 3,718,690 | \$2,167,303 | \$2,868,501 | \$701,200 | 32.35% |

(a) Excludes sales tax

(b) Customer served under a Competitive Energy Rate

C. Leatherstocking Statement No. 1 – Direct Testimony of Accounting and Rate Panel Charles Lennox and Richard A. Kane, including Exhibit Nos. G-1 through G-6;

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility :
Commission :
:
v. : DOCKET NO. R-2022-3032764
:
Leatherstocking Gas :
Company LLC :

**Leatherstocking Gas Company LLC
Statement No. 1
Direct Testimony of
Accounting and Rate Panel
Charles Lennox and Richard A. Kane**

LEATHERSTOCKING GAS COMPANY LLC
GAS RATE CASE
STATEMENT NO. 1
DIRECT TESTIMONY OF ACCOUNTING AND RATE PANEL
CHARLES LENNS AND RICHARD A. KANE

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LEATHERSTOCKING GAS COMPANY LLC
GAS RATE CASE
STATEMENT NO. 1
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CHARLES LENNS AND RICHARD A. KANE

1 INTRODUCTION AND QUALIFICATIONS OF WITNESSES

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

4 A. Charles Lenns, 330 West William Street, Corning, New
5 York 14830.

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

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

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

12 **(Kane)** I am a Rate Case Consultant and have been retained
13 by CNGH to provide assistance in the development of the
14 exhibits and testimony presented in 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 Duquesne
20 University Law School, and am a certified public
21 accountant. I began my professional career in the tax
22 practice of Ernst & Young ("EY") and have served clients

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1 in the firm's power and utilities tax and Mergers &
2 Acquisition practice. I was a tax partner from 1989 until
3 retiring from EY in 2012. From 2012 until 2018 I served
4 as Vice President - Tax for Consolidated Edison Inc.
5 ("CEI") until I reached the mandatory retirement age for
6 Officers with that Corporation. I joined CNGH as Vice
7 President and Chief Financial Officer in July of 2020
8 for the parent and all of its subsidiaries, including
9 Corning Natural Gas Corporation ("CNG"), Pike County
10 Light and Power Company ("Pike"), and Leatherstocking
11 Gas Company LLC ("Leatherstocking", "LGC", 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 electric,
13 gas, and steam rate case filings involving Con Edison
14 Company of New York ("CECONY"), Orange and Rockland
15 Utilities, Inc. ("ORU"), Rockland Electric Company
16 ("RECO"), and Pike.

17 **Q. Have you previously submitted testimony before the**
18 **Pennsylvania Public Utility Commission ("PUC")?**

19 A. **(Lenns)** Yes, I submitted direct and rebuttal testimony
20 as part of the Accounting Panel in Pike's last PUC gas
21 and electric base rate cases docketed at R-2020-
22 3022134 and R-2020-3022135, respectively.

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1 ▪ Present Leatherstocking's proposed method to
2 allocate the rate increase to residential and
3 commercial rate classes.

4 **Q. Is the Accounting and Rate Panel sponsoring any**
5 **exhibits in this filing?**

6 A. Yes. The Accounting and Rate Panel is sponsoring
7 Exhibits G-1 through G-6, which explain and detail the
8 following:

- 9 ▪ Historic financial data and Intercompany cost
10 allocations between CNG and Leatherstocking
11 (Exhibit G-1);
- 12 ▪ Actual and forecast capital structures and rate
13 of return (Exhibit G-2);
- 14 ▪ Historic and forecast gas rate base (Exhibit G-
15 3);
- 16 ▪ Historic and forecast cost of service (Exhibit G-
17 4);
- 18 ▪ Historic and forecast gas sales and revenues
19 (Exhibit G-5); and
- 20 ▪ Gas rate design (Exhibit G-6).

21
22

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1 **HISTORY OF LEATHERSTOCKING GAS COMPANY LLC IN PENNSYLVANIA**

2 **Q. Please discuss the formation of Leatherstocking Gas**
3 **Company, LLC and its current operations.**

4 A. Leatherstocking Gas Company, LLC began as a 50/50
5 partnership between CNGH and Mirabito Regulated
6 Industries, LLC ("MRI") in 2010 in New York and in
7 2011 in Pennsylvania. Leatherstocking began serving
8 its first Pennsylvania customer in Susquehanna County
9 in 2013. Since that time the Company has expanded and
10 currently distributes natural gas in Susquehanna and
11 Bradford Counties in Pennsylvania.

12 On July 1, 2020, CNGH purchased MRI's 50% share of
13 Leatherstocking operations in Pennsylvania and is now
14 the sole owner of Leatherstocking gas distribution
15 operations in Pennsylvania. The PUC approved this
16 transaction at Docket No. A-2020-3019229. The
17 Company's first office was located on Grow Avenue in
18 Montrose. The current office is in the renovated
19 Tannery Place building on Main Street.

20 Leatherstocking gets its natural gas from the
21 Marcellus Shale, supporting local jobs and the local
22 economy while providing a less expensive, cleaner

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1 source of fuel to residents and businesses. LGC is a
2 local distribution company serving gas to end users
3 and currently serves approximately 450 customers. The
4 Company is continuing to work on its mission toward
5 expansion which brings natural gas from local sources
6 to unserved rural communities.

7 Leatherstocking's Pennsylvania service territory is
8 geographically separate from CNGH's other utility
9 operations. In order to manage operations in
10 Leatherstocking's service territory, four full-time
11 staff were hired to handle daily operations, gas leak
12 response, customer needs, and manage utility
13 investments. Administrative and operational support
14 is provided by CNGH's wholly owned utility
15 subsidiaries Corning Natural Gas Corporation and Pike
16 County Light and Power Company when needed.

17
18 **CURRENT RATES AND PROPOSED RATE INCREASE**

19 **Q. Has Leatherstocking ever filed a base rate case**
20 **before?**

21 **A.** No. The current rates were established by the PUC
22 after an extensive investigation, review, and approval

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1 of Leatherstocking's franchise application and initial
2 tariff.

3 **Q. When were Leatherstocking's gas delivery rates**
4 **established?**

5 A. Leatherstocking has been operating under gas rates
6 that were established and went into effect on May 16,
7 2013.

8 **Q. Please explain why Leatherstocking is seeking a gas**
9 **base rate increase at this time.**

10 A. The Company has been operating under rates that have
11 been in place since 2013. Since that time
12 Leatherstocking has invested significant amounts of
13 capital for infrastructure necessary to serve new
14 customers in its franchise territory. While the new
15 customers have provided additional revenues each year,
16 those revenues don't offset all of the carrying cost
17 of the additional infrastructure investments. In
18 addition the Company has also experienced increases in
19 operating costs over the last decade that have
20 required Leatherstocking to absorb those increases.
21 Assuming new rates go into effect in the second

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1 quarter of 2023; it will be almost ten years since
2 Leatherstocking rates were first established.

3 **Q. Have the costs to provide service to customers changed**
4 **since rates were first established in 2013?**

5 A. Yes. The purpose of this rate filing is to align
6 rates to current and expected cost of service since
7 the present rates were set as a start-up utility
8 without any customers, operations, or plant in
9 service.

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

12 A. For the first several years Leatherstocking was in its
13 infancy, just starting up. As a result, it was first
14 necessary for the Company to build its distribution
15 network and secure gas supply before it could offer
16 retail service to customers. As a practical matter,
17 it has taken time to market the availability of
18 natural gas and educate customers about the benefits
19 of switching from alternative fuels such as propane
20 and oil.

21 **Q. How large a rate increase is Leatherstocking seeking?**

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1 A. Leatherstocking is seeking to increase its delivery
2 rates by \$701,200; representing an increase of
3 approximately 32.35¹ percent in total forecast revenues
4 based upon a future test year ending March 31, 2023.
5 The delivery and transportation component of total
6 revenues would increase by 58.31² percent.

7

8 **EXHIBIT G-1 HISTORICAL FINANCIAL DATA**

9 **Q. Please describe Exhibit G-1.**

10 A. Exhibit G-1 contains the historic financial data for
11 Leatherstocking as required by PUC regulations.
12 Schedule 1 shows the balance sheets of Leatherstocking
13 at March 31, 2018, 2019, 2020, 2021 and 2022.
14 Schedule 2 provides the account balances comprising
15 the Company's net investment in gas utility plant in
16 service at March 31, 2022. Schedule 3 is a
17 comparative income statement for Leatherstocking's gas
18 operations for the twelve months ended March 31, 2018,
19 2019, 2020, 2021, and 2022. Schedule 4 shows the
20 intercompany charges billed to Leatherstocking under

¹ See Exhibit G-6, Schedule 1 for the calculation of the percentage increase of total forecast revenues (including gas cost recoveries) and total delivery and transportation revenues.

² See Exhibit G-6, Schedule 1 for the calculation of the percentage increase for the delivery and transportation component of total revenues.

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1 the terms of the intercompany agreements with CNG and
2 Pike for the twelve months ended March 31, 2022.
3 Schedule 5 shows the intercompany cost allocation
4 factors utilized for administrative payroll between
5 March 1, 2021 and February 28, 2022 and those
6 currently in effect. Schedule 6 shows the activity
7 impacting the Intercompany Payable between
8 Leatherstocking, CNG, and Pike between March 31, 2021
9 and March 31, 2022. These charges and credits are in
10 accordance with the terms of the intercompany
11 agreement between the affiliates.

12

13 **INTERCOMPANY COST ALLOCATIONS**

14 **Q. Is the Accounting and Rate Panel familiar with**
15 **Leatherstocking's books and records, as well as the**
16 **intercompany cost allocations between Leatherstocking**
17 **and its affiliates, pursuant to which certain**
18 **Administrative and General costs, including but not**
19 **limited to, wages, shared services and taxes, are**
20 **allocated to Leatherstocking?**

21 **A. Yes.**

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1 **Q. Are the accounts of the Company kept in accordance**
2 **with the Uniform System of Accounts as prescribed by**
3 **the PUC?**

4 **A. Yes.**

5 **Q. Please describe Exhibit G-1, Schedule 4 in more**
6 **detail.**

7 **A. Exhibit G-1, Schedule 4, "Statement of Direct and**
8 **Allocated Charges From Affiliate Companies" is**
9 **submitted in support of the charges for gas operations**
10 **billed by CNG and Pike to Leatherstocking. The**
11 **schedule sets forth by prime account each item for**
12 **which a direct charge is made or which was the result**
13 **of an allocation.**

14 **Q. What types of services are billed by CNG to**
15 **Leatherstocking based on direct charges?**

16 **A. On a monthly basis, CNG bills Leatherstocking on a**
17 **direct charge basis for services rendered whenever it**
18 **is practical, based on payroll records, direct**
19 **payments to vendors and contractors, and usage studies**
20 **supporting the distribution of clearing accounts. CNG**
21 **updates its Cost Allocation factors annually for**
22 **shared expenses. The factors that are currently in**

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1 effect are shown on Schedule 6 of Exhibit G-1. The
2 direct and allocated charge billings are for
3 activities and services rendered that are for the
4 exclusive benefit of Leatherstocking's customers and
5 are primarily shared administrative costs such as
6 customer billing and collection, processing of
7 invoices, administration of benefit plans, accounting,
8 tax and financing functions, and information
9 technology and computer Services.

10 **Q. Does Pike County Light and Power Company bill any**
11 **costs to Leatherstocking?**

12 A. CNG bills LGC on behalf of Pike for the cost of labor
13 provided when needed by Leatherstocking. As shown on
14 Exhibit G-1, Schedule 5, approximately 1 percent of
15 Pike's administrative payroll cost is allocated to
16 LGC.

17 **Q. Does LGC charge any of its costs back to CNG and/or**
18 **Pike?**

19 A. Yes. One of LGC's employees also performs work for
20 CNG. As a result, a portion of their salary is charged
21 to CNG and Pike based on historical time spent working
22 on intercompany assignments. As shown on Exhibit G-1,

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1 Schedule 5, LGC charges approximately 72 percent of
2 its administrative payroll cost to LGC and 2 percent
3 to Pike.

4 **Q. How is administrative payroll allocated between LGC,**
5 **CNG and Pike?**

6 A. Allocation Factors A, B, and C are used to bill
7 payroll cost between affiliates and are shown on
8 Schedule 5 of Exhibit G-1. The allocations are based
9 on actual time spent by employees working at each
10 affiliate during the prior calendar year.

11 **Q. What is the purpose of Allocation Factor "D" shown on**
12 **Schedule 5 of Exhibit G-1?**

13 A. Factor D is used to allocate a portion of the office
14 space and operating center at Corning Natural Gas
15 Company to affiliates. The allocation factor is based
16 on actual floor space used by CNG employees that
17 provide services to the affiliates. Please refer to
18 Exhibit G-3, Schedule 1, Page 2 for the description of
19 the facilities, the net book value at December 31,
20 2021, and the portion allocated to LGC. Shared CNG
21 Office furniture and equipment also shown on Exhibit

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1 G-3, Schedule 1, Page 2 is allocated based on Payroll
2 Factor A.

3 We would note that the allocation of the CNG office,
4 operating center, furniture and equipment is done
5 solely for the purpose of setting rates for each of
6 the regulated affiliates. CNG reduces its rate base
7 for amounts allocated to affiliates and the affiliates
8 would add their proportionate share of this net plant
9 to their rate base.

10 **Q. How is federal income tax allocated between**
11 **affiliates?**

12 With regard to Federal income taxes, CNGH and its
13 subsidiaries file a consolidated Federal Income tax
14 return and any tax liability or benefit is allocated
15 among CNGH and its subsidiaries as provided for in
16 Section 1152-1 (a) (2) of the Internal Revenue Code of
17 1954. Tax liabilities or benefits are computed and
18 allocated to each company on the separate return
19 basis, with tax liabilities or benefits allocated to
20 the affiliate that generated the liability or benefit,
21 and each affiliate's tax liabilities never exceeds its
22 separate return liability.

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1

2 **EXHIBIT G-2 CAPITALIZATION AND COST OF FINANCING**

3 **Q. Please describe Exhibit G-2.**

4 A. Exhibit G-2 shows the actual and forecast capital
5 structures of the Company.

6 **Q. What capital structure is Leatherstocking requesting**
7 **in this proceeding?**

8 A. The Company is requesting a capital structure at March
9 31, 2023 as shown below:

| | <u>Ratio</u> |
|-----------------|-----------------------|
| Long-Term Debt | 43.92% |
| Short-Term Debt | 10.66% |
| Common Equity | <u>45.43%</u> |
| Total | <u><u>100.00%</u></u> |

15

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

18 A. Yes, we do.

19 **Q. Please explain why this capital structure is**
20 **appropriate?**

21 A. It reflects the types of financing currently being
22 employed by Leatherstocking, as set forth on Exhibit

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1 G-2, Schedule 1 and for the twelve months ending March
2 31, 2023. The capital structure reflects the
3 proportions of the actual capital being used in the
4 utility's business. The average daily short-term debt
5 balance for the Twelve Months Ended March 31, 2022 of
6 \$1,227,505 was reflected as a proxy for short-term
7 debt in the Capital Structure as of March 31, 2023.
8 The current cost of short-term debt of 4.0% was used
9 in calculating the cost of this debt.

10 **Q. Please explain the adjustment to eliminate Goodwill**
11 **from the Company's Equity Balance, as shown on**
12 **Schedule 1 of Exhibit G-2, to calculate the Equity**
13 **Ratio of 45.43 percent?**

14 A. When CNGH acquired MRI's 50 percent ownership in
15 Leatherstocking Gas Company, LLC of Pennsylvania it
16 paid a premium for the net assets and recorded
17 Goodwill of \$918,121 on Leatherstocking's books. For
18 purposes of setting rates in this proceeding, the
19 Company eliminated the Goodwill balance from its
20 Proprietary Capital and did not include it as part of
21 its Rate Base, so that customers will not pay for this
22 expenditure.

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1 **Q. Is a 45.43 percent equity ratio appropriate to attract**
2 **new debt financings at reasonable cost when needed?**

3 A. Historically the Company has been able to issue debt
4 at market rates with its current capital structure and
5 equity ratio. The recent increases in interest rates
6 by the Federal Reserve Board during June 2022 have not
7 been reflected in the cost of debt and the Company may
8 need to update the cost of debt at the time of
9 rebuttal testimony. A more pressing concern is that
10 the earned returns for the Company have been negative
11 for the last several years, which will make it more
12 difficult to finance with new debt going forward in a
13 cost effective manner, unless the Company receives
14 adequate rate relief.

15 **Q. What is the Company's current rate of return?**

16 A. As set forth in Exhibit G-4, Summary, Page 1, the
17 Company's current rate of return was a negative 0.58
18 percent as of March 31, 2022, and is forecasted to be
19 2.65% at the end of March 31, 2023 (Future Test Year).

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

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1 A. As shown on Exhibit G-2, Schedule 3, the cost of
2 equity return is 10.0 percent.

3 **Q. Did the Company perform a calculation to determine**
4 **that a return on common equity of 10.0 percent is**
5 **appropriate?**

6 A. No, it is the Company's desire to accept the return on
7 equity the Commission deems appropriate in this Case
8 without relying on outside experts. The Company did
9 not perform a calculation to determine that return on
10 equity of 10.0 percent is appropriate due to the costs
11 involved in performing such a study and retaining an
12 outside expert to testify to the underlying
13 calculations. Instead, the Company utilized the
14 Commission's market-based return on equity approved on
15 June 16, 2022, for Gas Distribution System Improvement
16 Charges ("DSIC") of 10.15% as a starting point. In an
17 effort to mitigate the size of the rate increase the
18 Company is requesting, we have lowered the requested
19 return from 10.15% to 10.0%.

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

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1 A. As shown on Exhibit G-2, Schedule 3, the overall ROR
2 is 7.24 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 Leatherstocking's historic and future gas
8 rate base.

9 **Q. Please describe the method used to calculate the**
10 **historic gas rate base at March 31, 2022, as shown on**
11 **the summary page.**

12 A. We began with actual gas utility plant and plant
13 reserves to arrive at net plant at March 31, 2022. To
14 net plant, we added cash working capital, materials
15 and supplies, prepayments, and deferred debits.
16 Finally, we deducted deferred credits, customer
17 deposits, and accumulated deferred income taxes to
18 arrive at gas rate base.

19 **Q. Please describe the method used to calculate the**
20 **forecast gas plant balance at March 31, 2023.**

21 A. We began with the actual gas plant in service balance
22 per books at March 31, 2022. To this balance we added

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1 the capital plant additions that will be completed by
2 March 31, 2023 as shown on Schedules 1 (Page 1 of 3),
3 10, and 11 of Exhibit G-3. The majority of the new
4 plant additions are required to provide service to the
5 Wyalusing School District. This project is currently
6 well underway and will be completed this summer. The
7 budgeted gas distribution expenditures going through
8 September 30, 2023 are shown on Exhibit G-3, Schedule
9 10. The forecast of plant additions between April 1
10 2022 and March 31, 2023 are shown on Exhibit G-3,
11 Schedule 11.

12 We did not forecast any retirements of distribution
13 plant because the Company's infrastructure is
14 relatively new and most facilities are less than ten
15 years old. General plant is amortized over five
16 years; as a result, we forecast that 20% of the
17 existing general plant assets will be retired each
18 year.

19 Adjustment (1a) in the amount of \$763,100 reflects the
20 net plant additions and retirements for distribution
21 and general plant and is shown on Exhibit G-3,
22 Schedule 1, Page 1 of 3.

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1 **Q. What is the purpose of Exhibit G-3, Schedule 1, page 2**
2 **of 3?**

3 A. Adjustment (1b) shown on Exhibit G-3, Schedule 1, Page
4 2 of 3 is necessary to allocate a portion of CNG's
5 administrative office, operating center, equipment,
6 and computers that are used by CNG employees who
7 provide services to Leatherstocking. Office space and
8 the operating center were allocated on the basis of
9 square footage utilized by those employees (i.e.,
10 0.72%). Furniture, equipment, and computers were
11 allocated on the basis of CNG administrative wages
12 charged to Leatherstocking (i.e., 1.63%).

13 **Q. What is the purpose of Exhibit G-3, Schedule 1, Page 3**
14 **of 3?**

15 A. Exhibit 3, Schedule 1, Page 3 of 3 shows the
16 calculation of the average non-interest bearing
17 Construction-Work-In-Progress ("CWIP") balance for the
18 Twelve Months Ended March 31, 2022. We compared the
19 Monthly average balance for the Historic Test Year to
20 the balance at March 31, 2022. This resulted in a net
21 decrease to the March balance of \$24,762 or \$24,800
22 rounded. Adjustment (1c) lowered the March 31, 2022

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1 CWIP balance in order to reflect the actual twelve
2 month average.

3 **Q. Why is it appropriate to include non-bearing CWIP in**
4 **Rate Base?**

5 A. The Company's non-interest bearing CWIP balance is
6 primarily made up of capital projects for new gas
7 mains, services, and gate stations that can take
8 several months or longer to complete. The Company
9 does not accrue an Allowance For Funds Used During
10 Construction ("AFUDC") on these projects, which would
11 increase the final cost of these projects. Instead it
12 has included the average non-interest bearing CWIP
13 balance as part of its Rate Base. The non-interest
14 bearing CWIP balance also includes items such as
15 meters and regulators that, because of long lead
16 times, are purchased in advance to insure they are
17 available when needed, and small short-term capital
18 projects that take more than one month to complete.
19 As shown on Exhibit G-3, Schedule 10, the Company is
20 currently undertaking a major project in Wyalusing
21 that will be completed in 2022 and additional projects
22 in Wyalusing that will be started this year and

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1 completed during the first year new rates will be in
2 effect (i.e., April 1, 2023 - March 31, 2024).

3 **Q. Please describe the calculation of the accumulated**
4 **provision for depreciation of gas plant in service for**
5 **the period ending September 30, 2023.**

6 A. We began with the per books balance at March 31, 2022,
7 added accruals projected for the twelve months ended
8 March 31, 2023 and subtracted projected retirements
9 for the same period to arrive at the ending balance at
10 March 31, 2023. Our Adjustment (2a) of \$246,500 for
11 the gas plant reserve is shown on Exhibit G-3,
12 Schedule 2, Page 1.

13 **Q. Please continue.**

14 A. The Company is currently allowed to bill rate-payers a
15 Customer Build-Out CIAC Fee ("CBOCF surcharge") in
16 order to recover depreciation of new plant. As of
17 March 31, 2022 LGC has recovered \$406,670 of
18 accelerated depreciation. We increased this balance
19 by \$36,934 to reflect additional recoveries from a few
20 Elk Lake Customers whose CBOCF charges were not
21 properly classified in the customer billing system
22 during the Historic Test Year (i.e., the twelve months

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1 ended March 31, 2022). For the Future Test Year
2 (i.e., the twelve months ended March 31, 2023), we
3 forecast that the Company will collect an additional
4 \$307,086 through its CBOCF surcharge and increased the
5 depreciation reserve by this amount. Please refer to
6 G-3, Schedule 2, Page 2 Adjustment No. (2b).

7 As we will discuss later in our testimony, the Company
8 is proposing to roll the current \$0.30 per Ccf CBOCF
9 surcharge into base delivery rates and eliminate the
10 associated accrual of depreciation in order to utilize
11 these revenues to mitigate the rate increase the
12 Company is seeking in this proceeding.

13 **Q. How did you calculate the cash working capital for the**
14 **twelve months ending March 31, 2022 and 2023?**

15 A. The Company utilized the Federal Energy Regulatory
16 Commission's ("FERC") 1/8 Cash Working Capital
17 Formula. The FERC formula assumes that the time lag
18 between the payment for goods and services and the
19 receipt of revenues from customers is 45 days, on
20 average, from the time service is rendered. The FERC
21 formula excludes non-cash O&M items (e.g., the
22 amortization of prepaid expenses), and purchased gas

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1 costs. The purpose of the cash working capital
2 component of rate base is to compensate the Company
3 for funds it provides to pay operating expenses in
4 advance of receipt of revenues. It reflects the
5 amount of capital over and above investment in plant
6 and other separately identified rate base items
7 provided by the Company to bridge the gap between the
8 time the Company provides service and the time the
9 Company collects revenue for that service. The
10 working capital requirement for the Twelve Months
11 Ended March 31, 2022 is shown on Exhibit G-3, Schedule
12 3, Page 1 of 2. Adjustment (3) shown on Page 2 of
13 Schedule 3, Exhibit G-3 compares the Cash Working
14 Capital requirement for the twelve months ended March
15 31, 2023 with that for the twelve months Ended March
16 31, 2022 and lowers the amount by \$17,400 to reflect
17 the impact of the lower level of operating and
18 maintenance expenses in the Future Test Year as
19 compared to the Historic Test Year.

20 **Q. How did you calculate the Plant Materials and Supplies**
21 **component Adjustment (4) of gas working capital?**

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1 A. We used the average balance for the twelve months
2 ended May 31, 2022 as a proxy for the Plant Materials
3 and Supplies balances for the twelve-month period
4 ended March 31, 2023. The calculation is shown on
5 Exhibit G-3, Schedule 4.

6 **Q. How did you calculate the prepayment component of gas
7 working capital Adjustment (5)?**

8 A. We used the same method we used to calculate the Plant
9 Materials and Supplies balances. The components of
10 prepayments and the balances used for the calculations
11 are shown on Exhibit G-3, Schedule 5.

12 **Q. Please describe Exhibits G-3, Schedule 6, Schedule 7,
13 and Schedule 8.**

14 A. Schedule 6 of Exhibit G-3 is a placeholder for
15 Regulatory Assets that the Company would seek to have
16 included in Rate Base. Currently the only regulatory
17 assets the Company has are for Deferred Purchased Gas
18 Costs, which are subject to interest and are therefore
19 not includable in Rate Base.

20 Schedule 7 of Exhibit G-3 is a placeholder for
21 Regulatory Liabilities and Schedule 8 of Exhibit G-3
22 is a placeholder for Customer Deposits that would

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1 A. We began with the actual per books information for the
2 twelve months ended March 31, 2022. This information is
3 shown in Column 1 of Exhibit G-4, Summary, Page 1 of 3.
4 Column 3 sets forth the adjustments necessary to bring
5 historical revenues, expenses, and rate base in line
6 with the levels of revenues, expenses and rate base
7 projected for the twelve months ending March 31, 2023.

8 **Q. Please describe how the revenue requirement of \$701,200**
9 **shown on page 2 of the Summary was calculated?**

10 A. We began with the projected March 31, 2023 rate base
11 from Exhibit G-3, Summary. To this balance we applied
12 the overall rate of return shown on Exhibit G-2, Schedule
13 3. This produced a return of \$786,612. We compared
14 this number to the earned return projected on page 1,
15 column 4 of the Summary, which was earnings of \$288,000.
16 The difference between these two amounts is \$498,612,
17 which we factored up for income taxes to arrive at a
18 revenue requirement of \$701,205 or \$701,200 rounded.

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

20 A. Exhibit G-4, Schedule 1, Page 1 of 3 compares the
21 forecast billed gas sales and revenues for the Twelve
22 Months Ended March 31, 2023 to the actual gas sales

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1 and revenues for the Twelve Months Ended March 31,
2 2022. The calculation of the forecast delivery
3 revenues and gas cost recoveries for the Twelve Months
4 Ended March 31, 2023 come from Exhibit G-5, Schedule
5 6.

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

7 A Exhibit G-4 Schedule 1, page 2 of 2 shows Other
8 Operating Revenues for the Twelve Months Ended March
9 31, 2022 and 2023. The revenues for both years were
10 relatively small (i.e., \$23,000 and \$4,000
11 respectively). As a result, Adjustment (1b) is zero
12 as a result of rounding.

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

14 A. Exhibit G-4, Schedule 2 reflects the change in
15 purchased gas costs and matches projected gas cost
16 recoveries through the GCR for the Twelve Months Ended
17 March 31, 2023.

18 **Q. Please describe Adjustment No. (3), Changes in**
19 **Operation and Maintenance Expense to reflect the**
20 **normalization of estimated rate case expenses, as**
21 **shown on Exhibit G-4, Schedule 3.**

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1 A. Adjustment No. (3) Represents an increase in O&M
2 expense of \$30,000 to normalize the estimated
3 incremental costs associated with this rate case over
4 five years. As shown on Schedule 3, Leatherstocking
5 estimates that it will incur \$150,000 of costs in the
6 preparation and filing of this case, which are
7 primarily for outside consulting fees to prepare the
8 exhibits and testimony in support of the revenue
9 requirement and rate design, as well as outside legal
10 fees. Rate case expense is subject to change and the
11 Company will update the amount as the case progresses,
12 particularly if the case is fully litigated.

13 **Q. Please address Adjustment No. (4), as shown in G-4,**
14 **Schedule 4.**

15 A. Adjustment No. (4) reduces the Company's Future Test
16 Year level of operation and maintenance expense by
17 \$100,000 in order to lower the overall rate increase.
18 The Company reflected this adjustment in recognition
19 that the overall increase is significant and in order
20 to partially offset its impact will try to absorb a
21 portion of the increase. This adjustment is a
22 placeholder and intended to offset adjustments to the

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1 LGC's rate request that may be proposed by PUC's I&E
2 Staff and/or other Intervenors in this Case. As a
3 result LGC may reduce and/or eliminate this adjustment
4 at the time of rebuttal testimony depending on the
5 positions adopted by parties to this Case.

6 **Q. Please explain the purpose of Adjustment (5) to**
7 **operating expense as shown in G-4, Schedule 5.**

8 A. Adjustment (5) is necessary to normalize the Historic
9 Test Year level of operating expenses and contains two
10 non-recurring items and one other adjustment.

11 The first item relates to payments made to the
12 Wyalusing School District in the amount of \$61,471.
13 Under the terms of the agreement between the Company
14 and the School District it was required to pay the
15 District the difference between the price of heating
16 oil and natural gas this past winter, since it was
17 unable to supply natural gas to this customer due to
18 construction delays. At this time, we anticipate
19 starting deliveries to the Wyalusing School this
20 summer and no future payments should be required.
21 The second item was to eliminate donations totaling
22 \$3,300 charged to regulatory account 917 in error.

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1 The donations should have been charged "below the
2 line" to regulatory account 426.

3 The third item was to eliminate payments made for dues
4 to the Northeast Gas Association of \$4,239. While
5 these dues are an appropriate business expense and the
6 Company's membership in this Organization does provide
7 benefits to customers, we have eliminated this cost in
8 this Case in order to avoid any controversy.

9 **Q. Please explain Adjustment (6) to depreciation expense.**

10 A. Exhibit G-4, Schedule 6 consists of three pages. The
11 first page shows the calculation of depreciation
12 expense for the rate year, the Twelve Months Ended
13 March 31, 2023. Page 2 shows the calculation of the
14 composite book depreciation rate for intangible, gas
15 distribution, and general plant that was utilized on
16 page 1 of this Exhibit. Page 3 shows the depreciation
17 recoveries the Company receives through the CBOCF
18 surcharge.

19 **Q. Please explain how the adjustment to depreciation
20 expense shown on page 1 of Schedule 6 was calculated.**

21 A. We started with the intangible, gas distribution, and
22 general plant balances at March 31, 2022. We then

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1 reflected the plant additions and retirements as shown
2 on Exhibit G-3, Schedule 1, Page 1 to calculate the
3 plant balance subject to depreciation at March 31,
4 2023. The plant balances were then multiplied by the
5 composite depreciation rates from page 2 to calculate
6 the rate year level of depreciation expense of
7 \$285,526. This level was compared to the Historic
8 Test Year level of \$273,454 and resulted in the
9 depreciation adjustment of \$12,072 which was rounded
10 to \$12,100.

11 We would note that the depreciation expense associated
12 with Intangible plant (i.e., \$9,044) is charged "below
13 the line" to regulatory account 425 and therefore
14 excluded from the Company's revenue requirement
15 calculation.

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

19 A. The depreciation reserve calculations shown on Exhibit
20 G-4, Schedule 6 are reflected in the Rate Base Exhibit
21 G-3, Schedule 2, page 1 in order to adjust Rate Base.

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1 Q, What is the basis for the depreciation rates utilized
2 by the Company?

3 A. Most of the Company's infrastructure is less ten years
4 old. As a result, we do not have adequate data or
5 experience upon which to calculate depreciation rates.
6 As result, LGC has adopted depreciation rates that are
7 based on those used by other gas utilities. We have
8 assumed that the usefulness and life expectancy of LGC
9 plant will be similar to other gas utilities that have
10 much older infrastructures. The Company's
11 depreciation rates do not include any allowance for
12 salvage or removal cost at this point since we do not
13 have enough data or experience on which to base an
14 estimate. The Table below shows expected average
15 service lives and depreciation rates used by LGC for
16 distribution plant.

| <u>Type of Distribution Plant</u> | <u>Average Service Life (Years)</u> | <u>Depreciation Rate</u> |
|------------------------------------|---|------------------------------|
| Gas Mains | 60 | 1.67% |
| Measuring & Regulator Equipment | 40 | 2.50% |
| Services | 40 | 2.50% |
| Meters | 35 | 2.86% |
| Meter Installations | 40 | 2.50% |
| House Regulators | 45 | 2.22% |

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1 For General Plant, most of the items such as computer
2 equipment, vehicles, and small tools have much shorter
3 useful lives. As a result, the Company is amortizing
4 General Plant and Structures over five years.

5 **Q. What is Leatherstocking's proposal with regards to the**
6 **surcharge revenues and accelerated depreciation**
7 **recovered through the Construction Build Out Fee**
8 **("CBOCF") in this case?**

9 A. As discussed above, Leatherstocking is proposing to
10 roll the current CBOCF surcharge revenues of \$0.30 per
11 Ccf into base rates on a revenue neutral basis and
12 stop the accrual of accelerated depreciation. As part
13 of the Company's filing the Company has made this
14 change in order to lower its rate request by
15 approximately \$307,100.

16 As shown on the top of Exhibit G-4, Schedule 6, Page
17 3, for the period starting April 1, 2023, the Company
18 has zeroed out the CBOCF rate and reduced the
19 depreciation expense by the amount recorded in the
20 Historic Test Year of \$225,909 (i.e., Adjustment 6b).
21 The bottom of Exhibit G-4, Schedule 6, Page 3, shows
22 the estimated CBOCF surcharge recoveries for the

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1 Twelve Months Ended March 31, 2023 of \$307,086. This
2 amount has been reflected as an increase to the
3 depreciation reserve shown on Rate Base Exhibit G-3,
4 Schedule 2, Page 2.

5 **Q. Please describe Adjustment No. (7), Changes in Taxes**
6 **Other than Income Taxes as shown on Schedule 7 of**
7 **Exhibit G-4.**

8 A. Adjustment (7) is a placeholder for the actual and
9 forecast payroll and property taxes charged to expense
10 during the Historic Test Year Ended March 31, 2022 and
11 the Future Test Year Ended March 31, 2023. The
12 Historic Test Year amounts were carried forward to the
13 Future Test Year and as result, Adjustment (7) is
14 zero.

15 **Q. Please describe Adjustment No. (8), Calculation of**
16 **Income Tax Expense for the Twelve Months Ended March**
17 **31, 2023, as shown Exhibit G-4, Schedule 8.**

18 A. Adjustment No. (8) shows the necessary additions and
19 subtractions that must be made to operating income
20 before taxes in order to determine taxable income to
21 which the statutory tax rates are applied.

22 **Q. Please explain page 3 of Schedule 8.**

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1 A. Page 3 shows the calculation of the interest deduction
2 included in page 1 of Schedule 8. The weighted cost
3 of debt of 2.70 percent comes from Exhibit G-2,
4 Schedule 3 after combining the weighted interest cost
5 for both long- and short-term debt and is multiplied
6 by Leatherstocking's rate base to determine the
7 interest deduction reflected on pages 1 and 2 of this
8 Exhibit.

9 **Q. Has Leatherstocking included a consolidated income tax**
10 **adjustment ("CTA") in its calculation of Federal**
11 **income tax expense?**

12 A. No, the Company has not reflected a CTA Adjustment in
13 its federal income tax calculations. Leatherstocking
14 has had tax losses every year since operations began.
15 As a result, the Company is not able to utilize tax
16 losses generated by other affiliates in the
17 consolidated group. Furthermore, for ratemaking
18 purposes a CTA adjustment is no longer authorized
19 under Section 1301.1(a), which was added to the Public
20 Utility Code by Act 40 of 2016. Act 40 became law on
21 June 12, 2016 and was effective sixty days later
22 (August 11, 2016) to "all cases where the final order

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1 is entered after the effective date of [Section
2 1301.1].”

3 **Q. Was the federal income tax calculation shown on**
4 **Exhibit G-4, Schedule 8, Page 2 done on a “Stand-**
5 **alone” basis?**

6 A. Yes. The computation of federal income tax expense
7 reflects only Leatherstocking’s taxable income,
8 deductions and credits without regard to that of other
9 affiliates in the consolidated group.

10 **Q. What does Section 1301.1(b) provide?**

11 A. Section 1301.1(b) states as follows:

12 If a differential accrues to a public utility
13 resulting from applying the ratemaking methods
14 employed by the commission prior to the effective date
15 of subsection (a) for ratemaking purposes, the
16 differential shall be used as follows:

- 17 a) fifty percent to support reliability or
18 infrastructure related to the rate base
19 eligible capital investment as determined by
20 the commission; and
21 b) fifty percent for general corporate purposes.

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1 Section 1301.1(b) will no longer apply after December
2 31, 2025.

3 **Q. Have you calculated the "differential" in income taxes**
4 **referenced in Section 1301.1(b)?**

5 A. No. As indicated above, Leatherstocking has been in a
6 tax loss position since it began operations and as a
7 result, it was not able to utilize any tax losses of
8 other affiliates in the consolidated group.

9

10 **EXHIBIT G-5 GAS SALES AND REVENUES**

11 **Q. What were Leatherstocking's actual total delivery and**
12 **transportation volumes for the 12 months ended March**
13 **31, 2022?**

14 A. Leatherstocking's actual total delivery and
15 transportation volumes for the 12 Months Ended March
16 31, 2022 were 3,532,345 CCFs as shown on Exhibit G-5,
17 Schedules 1, 5, and 6. The associated actual monthly
18 billed revenues for the 12 Months Ended March 31,
19 2022, are shown on Exhibit G-5, Schedule 3.

20 **Q. Please summarize, in aggregate form, your delivery**
21 **volume forecasts for the 12 months ending March 31,**
22 **2023.**

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1 A. For the 12 months ending March 31, 2023, the total
2 delivery volume forecast is 3,718,690 CCFs, which is
3 an increase of 186,345 CCFs from the 12 months ended
4 March 31, 2022 and is equivalent to a 5.3 percent
5 growth for the period. The calculation of the
6 forecast sales is shown on Exhibit G-5, Schedule 5.

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

9 A. As shown on Exhibit G-5, Schedule 5, we started with
10 the actual delivery volumes for the Twelve months
11 ended March 31, 2022. To this level we added 60,872
12 CCFs in order to reflect historical average customer
13 usage by class. This resulted in normalized sales for
14 the historic period of 3,593,217 CCFs. To this level
15 of sales we made an adjustment to reflect the
16 estimated sales for new residential and commercial
17 customers of 125,473 CCF's. The addition of the
18 Wyalusing School is the primary contributor to the
19 projected sales growth between the Twelve Months Ended
20 March 31, 2022 and March 31, 2023.

21 **Q. Please explain how you estimated Leatherstocking's gas**
22 **revenues for the forecast period.**

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1 A. The projected gas revenues are shown on the bottom of
2 Exhibit G-5, Schedule 6. We populated this Schedule
3 with the projected delivery volumes from Schedule 5 in
4 column 1 and the forecast number of customers in
5 column 2. We then priced out the monthly customer
6 charge shown in Column 3 by multiplying the number of
7 customers in Column 2 by the current tariff rates.
8 Delivery revenues shown in column 4 were calculated by
9 taking the forecast sales volumes shown in column 1
10 and multiplying it by the current tariff rates for all
11 customers.

12 **Q. Please continue.**

13 A. The distributions of sales and revenues on a
14 monthly basis, for the Twelve Months Ended March 31,
15 2023 are shown on Exhibits G-5, Schedule 2 and 4,
16 respectively, and are based on the historic
17 distribution during the Historic Test Year Ended March
18 31, 2022.

19 Gas Cost Rider ("GCR") revenues columns 5 were
20 calculated by multiplying the forecast monthly sales
21 volumes shown in Exhibit G-5, Schedule 2 by the tariff
22 rates that were in effect through June 30, 2022 and

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1 the new tariff rates that are effective July 1, 2022.

2 Total gas revenues are shown in Column 6.

3

4

EXHIBIT G-6 GAS RATE DESIGN

5 **CONSTRUCTION BUILD-OUT CIAC FEE ("CBOCF")**

6 **Q. Is the Company proposing to move the current surcharge**
7 **for the Construction Build-Out CIAC Fee ("CBOCF") into**
8 **base rates?**

9 A. Yes. As indicated above, the Company is proposing to
10 move the current CBOCF surcharge into base rates on a
11 revenue neutral basis and to stop the associated
12 depreciation accruals in order to utilize these
13 revenues to mitigate the size of the rate increase
14 requested in this filing.

15 **Q. How did the Company reflect moving the current CBOCF**
16 **surcharge into base rates in the Tariffs included in**
17 **Appendix A of this Filing?**

18 A. The Company moved the current CBOCF into base rates by
19 first changing the current surcharge rate on Tariff
20 Leaves 50 through 64 from \$0.30 per CCF to \$0.00 per
21 CCF.

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1 As part of Tariff Leaves 85 through 90, we then added
2 the \$0.30 per CCF rate along with the rate increase
3 requested by the Company to calculate the delivery
4 rates we are proposing.

5

6 **ALLOCATION OF RATE INCREASE**

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

9 A. As discussed above, we first added the current CBOCF
10 surcharge factor of \$0.30 per ccf to the base rate
11 delivery charges. The overall rate increase of
12 \$701,200 was then allocated uniformly to the forecast
13 delivery charge for each customer class. The Company
14 is not proposing any changes to the current monthly
15 service charges. The proposed revenue levels by rate
16 class are presented in Exhibit G-6, Schedule 1 for the
17 Future Test Period, the twelve months ended March 31,
18 2023.

19 **Q. Did you calculate a rate increase for Service**
20 **Classification No. 4 (SC-4)?**

21 A. Yes we did. We would note that the Company currently
22 does not have any SC-4 customers nor do we anticipate

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1 adding any in the foreseeable future, but in order to
2 provide for the possibility that one or more may be
3 added, we applied the same overall percentage increase
4 in delivery rates to the SC-4 class. As result the
5 proposed delivery rate would increase from the current
6 \$0.50 per CCF to \$1.3996 per CCF as shown in Schedule
7 4 and 5 of Exhibit G-6.

8 **Q. Do the Tariffs for Service Classifications No. 5 (SC-**
9 **5) and No. 6 (SC-6) also reflect the rate increase?**

10 Yes, Service Classifications No. 5 and No. 6 is for
11 transportation service and the rates charged to these
12 customers would be the same as those applied to
13 Service Classifications No. 3 and No. 4, respectively,
14 with the exception of the Gas Cost Recovery Rate
15 ("GCR"), which they would not be subject to. As with
16 Service Class No. 4, the Company currently does not
17 have any SC-5 or SC-6 customers, nor do we anticipate
18 adding any in the foreseeable future.

19 **Q. Did you allocate any of the rate increase to LGC's**
20 **transportation customer? If not, why not?**

21 A. We did not allocate any of the rate increase to the
22 Company's sole transportation customer.

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1 Transportation service for this customer is based on a
2 competitive contract rate. The sole transportation
3 customer is served by the existing Pentex Pipeline
4 that was in place prior to the build out of the
5 Wyalusing distribution system. The current
6 transportation rate was established based on the cost
7 of the existing pipeline when no other customers
8 existed in Wyalusing. The transportation customer is
9 the major employer in Wyalusing and changes to current
10 rates could facilitate their move to a more economical
11 location, making the Company's ability to attract new
12 customers more difficult and delay the build out of
13 the franchise area in Wyalusing.

14

15 **Bill Impact Analysis**

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

18 A. Yes. This analysis is on page 3 of Exhibit G-6. For
19 each rate class, total charges under present and
20 proposed rates at varying monthly usage levels is
21 shown for Service Classification No. 1 (SC-1), Service
22 Classification No. 2 (SC-2), and Service

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1 Classification No. 3 (SC-3). So for example, the
2 total monthly bill, including gas costs, for a SC-1
3 Residential customer using 100 CCF would increase from
4 \$209.24 to \$280.45, or by 34.0%.

5 Schedule 2 of Exhibit G-6 shows that the proposed
6 rates result in an overall increase of 33.2% for the
7 SC-1 class, 36.0% for the SC-2 class (including sales
8 tax), and 34.5% for the SC-3 class.

9 **Q. What is the difference between Schedule 4 and 5 of**
10 **Exhibit G-6?**

11 A. Schedule 4 of Exhibit G-6 shows the calculation of
12 total revenues for each Service Class at current and
13 proposed rates including Gas Cost Recoveries ("GCR")
14 at current and proposed rates. Schedule 5 of Exhibit
15 G-6 shows the calculation of total revenues for each
16 Service Class at current and proposed rates excluding
17 GCR revenues.

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

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

Leatherstocking Gas Company, LLC

Exhibit G-1

Index of Schedules

Balance Sheet and Supporting Schedules, Income Statement,
and Joint Operating Agreement Charges for the Test Year

| <u>Schedule</u> | <u>Title of Schedule</u> | <u>Witness</u> |
|-----------------|--|-------------------------|
| (1) | Balance Sheet as of March 31, 2022, 2021, 2020, 2019, and 2018 | Accounting & Rate Panel |
| (2) | Detail of Gas Plant in Service and associated Depreciation Reserves as of March 31, 2022 | Accounting & Rate Panel |
| (3) | Comparative Income Statement-Gas for the Twelve Month Period Ended March 31, 2022, 2021, 2020, 2019, and 2018 | Accounting & Rate Panel |
| (4) | Joint Operating Agreement Charges for the Historic Test Year, the Twelve Month Period Ended March 31, 2022 | Accounting & Rate Panel |
| (5) | Intercompany Payroll Allocation Factors in effect from March 1, 2021 through February 28, 2023 | Accounting & Rate Panel |
| (6) | Intercompany Accounts Payables / Receivables with Affiliates the Twelve Month Period Ending March 31, 2022 | Accounting & Rate Panel |

Leatherstocking Gas Company, LLC
Balance Sheet

Exhibit G-1
Schedule 1
Page 1 of 2

| | As of March 31, | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| <u>ASSETS AND OTHER DEBITS</u> | | | | | |
| <u>Utility Plant</u> | | | | | |
| Gas Plant in Service | \$ 11,484,844 | \$ 10,936,508 | \$ 11,722,391 | \$ 11,443,714 | 11,424,382.04 |
| Construction Work in Progress | 632,089 | 533,189 | 1,176,825 | 1,143,734 | 728,805 |
| Total Utility Plant | 12,116,933 | 11,469,697 | 12,899,216 | 12,587,448 | 12,153,187 |
| <u>Accumulated Provision for Depreciation</u> | | | | | |
| Gas | 912,439 | 413,076 | 2,293,950 | 1,860,199 | 1,411,269 |
| Total Accumulated Provision for Depreciation | 912,439 | 413,076 | 2,293,950 | 1,860,199 | 1,411,269 |
| Net Utility Plant | 11,204,494 | 11,056,621 | 10,605,266 | 10,727,249 | 10,741,918 |
| <u>Current and Accrued Assets</u> | | | | | |
| Cash | (95,441) | 18,076 | 49,246 | 106,852 | 20,746 |
| Customer Accounts Receivable | 202,574 | 177,743 | 149,829 | 214,105 | 281,194 |
| Other Accounts Receivable | 527,983 | 45,368 | 701,000 | 722,228 | 706,768 |
| Materials and Supplies | 31,076 | - | 278,202 | 244,527 | 212,107 |
| Prepayments | 1,810 | 12,663 | 8,259 | 13,875 | 5,933 |
| Total Current and Accrued Assets | 668,002 | 253,850 | 1,186,537 | 1,301,588 | 1,226,747 |
| <u>Deferred Debits</u> | | | | | |
| Unamortized Debt Expense | 50,463 | 43,381 | 55,547 | 55,621 | 45,581 |
| Miscellaneous Deferred Debits | 158,026 | 3,309 | 4,560 | 14,392 | 6,660 |
| Goodwill | 918,121 | 918,121 | - | | |
| Total Deferred Debits | 1,126,611 | 964,811 | 60,107 | 70,013 | 52,241 |
| Total Assets and Other Debits | \$ 12,999,106 | \$ 12,275,282 | \$ 11,851,910 | \$ 12,098,850 | \$ 12,020,906 |

Leatherstocking Gas Company, LLC
Balance Sheet

Exhibit G-1
Schedule 1
Page 2 of 2

| | As of March 31, | | | | |
|---|-----------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| <u>LIABILITIES AND OTHER CREDITS</u> | | | | | |
| <u>Proprietary Capital</u> | | | | | |
| Common Stock Issued | \$ - | \$ - | \$ - | \$ - | \$ - |
| Paid-In Capital / Retained Earnings | 5,782,253 | 4,910,656 | 4,843,965 | 5,152,022 | 5,020,340 |
| Total Proprietary Capital | 5,782,253 | 4,910,656 | 4,843,965 | 5,152,022 | 5,020,340 |
| <u>Long-Term Debt</u> | | | | | |
| Bonds - Long-Term | 5,757,678 | 5,579,791 | 6,126,766 | 6,034,144 | 6,204,190 |
| Total Capitalization | 11,539,931 | 10,490,446 | 10,970,731 | 11,186,165 | 11,224,530 |
| <u>Current and Accrued Liabilities</u> | | | | | |
| Notes Payable | 1,176,874 | 1,306,571 | 766,628 | 612,848 | 550,000 |
| Accounts Payable | 476,549 | 543,892 | 118,904 | 302,530 | 247,267 |
| Tax Collections Payable | 191 | 85 | (70) | 335 | 1,045 |
| Taxes Accrued - Federal | (312,604) | (312,604) | - | - | - |
| - Other | (551,853) | (350,186) | (3,354) | (2,099) | (1,007) |
| Other Current Liabilities | - | - | (929) | (929) | (929) |
| Total Current and Accrued Liabilities | 789,156 | 1,187,757 | 881,179 | 912,684 | 796,376 |
| .. | | | | | |
| <u>Deferred Credits</u> | | | | | |
| Accumulated Deferred Income Taxes - Other | 670,018 | 597,079 | - | - | - |
| Total Deferred Credits | 670,018 | 597,079 | - | - | - |
| Total Liabilities and Equity | \$ 12,999,106 | \$ 12,275,282 | \$ 11,851,910 | \$ 12,098,850 | \$ 12,020,906 |

Leatherstocking Gas Company, LLC
Net Book Value of Gas Plant-in-Service
As of March 31, 2022

Exhibit G-1
Schedule 2

| <u>Intangible Plant</u> | PUC Account | Gas Plant-in-Service | Accumulated Provision for Depreciation & Amortization | Net Book Value |
|---------------------------------|------------------------|---------------------------------|--|-----------------------|
| Organization Costs | 301 | \$ 280,573 | \$ 88,428 | \$ 192,145 |
| Franchise & Consents | 302 | 8,763 | 243 | 8,519 |
| Total Intangible Plant | | <u>289,335</u> | <u>88,671</u> | <u>200,664</u> |
| | | | | |
| <u>Distribution Plant</u> | | | | |
| Land and Land Rights | 374 | 38,355 | 1,124 | 37,230 |
| Structures & Improvements | 375 | 48,859 | 2,848 | 46,011 |
| Distribution Mains | 376 | 6,303,572 | 179,718 | 6,123,854 |
| Meas. And Reg. Equip. - General | 378 | 2,362,376 | 90,027 | 2,272,348 |
| Services | 380 | 1,719,659 | 65,300 | 1,654,359 |
| Meters | 381 | 82,118 | 4,534 | 77,584 |
| Meter Installations | 382 | 470,923 | 13,108 | 457,816 |
| House Regulator Installations | 383 | 1,459 | 61 | 1,398 |
| Accelerated Recovery of Plant | 399 | - | 406,670 | (406,670) |
| Total Gas Plant | | <u>11,027,319</u> | <u>763,389</u> | <u>10,263,931</u> |
| | | | | |
| <u>General Plant</u> | | | | |
| Office Furniture & Equipment | 391.1 | 2,202 | 1,227 | 975 |
| Computer Equipment | 391.3 | 42,117 | 9,155 | 32,963 |
| Transportation Equipment | 392 | 90,365 | 38,415 | 51,951 |
| Small Tools | 394 | 33,505 | 11,583 | 21,921 |
| Total General Plant | | <u>168,189</u> | <u>60,379</u> | <u>107,810</u> |
| | | | | |
| Total Gas Plant-in-Service | | <u>\$ 11,484,844</u> | <u>\$ 912,439</u> | <u>\$ 10,572,405</u> |

Leatherstocking Gas Company, LLC
Statement of Income - Gas

Exhibit G-1
Schedule 3

| | Twelve Months Ended March 31, | | | | |
|--------------------------------------|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total Operating Revenue | \$ 1,361,055 | \$ 1,294,684 | \$ 1,191,838 | \$ 1,188,324 | \$ 1,144,434 |
| Less: Purchased Gas Expense | <u>295,770</u> | <u>218,233</u> | <u>254,732</u> | <u>230,960</u> | <u>206,847</u> |
| Gross Profit | 1,065,285 | 1,076,452 | 937,106 | 957,365 | 937,587 |
| Operating Expenses and Taxes | | | | | |
| Operation-excl. Purchased Gas | 676,684 | 474,853 | 371,972 | 309,029 | 310,698 |
| Maintenance | 81,601 | 96,631 | 68,611 | 43,303 | 36,875 |
| Provision for Depreciation | 490,319 | 425,953 | 424,364 | 429,517 | 407,158 |
| General Taxes | 21,070 | 20,707 | 20,100 | 17,197 | 15,513 |
| Income Taxes | <u>(127,509)</u> | <u>(60,820)</u> | <u>-</u> | <u>-</u> | <u>25</u> |
| Total Operating Exp and Taxes | 1,142,165 | 957,324 | 885,047 | 799,046 | 770,269 |
| Net Utility Income | (76,880) | 119,128 | 52,059 | 158,318 | 167,318 |
| Other Non-Operating Income | 1,235 | 65,468 | 533 | (1,124) | 4,852 |
| Other Non-Operating Expense | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,872)</u> |
| Other Non-Operating Income | 1,235 | 65,468 | 533 | (1,124) | 2,980 |
| Deductions From Gross Income | | | | | |
| Interest-Long-term Debt | 283,120 | 260,005 | 281,125 | 273,949 | 301,098 |
| Interest on Notes Payable | - | - | - | - | 638 |
| Other Interest Deductions | 40,402 | 55,957 | 54,358 | 50,843 | 10,959 |
| Amortization of Debt Expense | 9,627 | 12,166 | 14,122 | 9,492 | 9,255 |
| Miscellaneous Deductions | <u>9,194</u> | <u>9,480</u> | <u>11,044</u> | <u>21,229</u> | <u>962</u> |
| Total Deductions | 342,342 | 337,608 | 360,649 | 355,512 | 322,911 |
| Net Income-Utility | <u>\$ (417,987)</u> | <u>\$ (153,012)</u> | <u>\$ (308,057)</u> | <u>\$ (198,318)</u> | <u>\$ (152,612)</u> |

Leatherstocking Gas Company, LLC
Statement of Direct and Allocated Charges From Affiliate Companies
Twelve Months Ended March 31, 2022

Exhibit G-1
Schedule 4
Page 1 of 2

| | | Direct Charges | Allocated Charges | Total Charges |
|--|---|---------------------------|------------------------------|--------------------------|
| <u>Operation and Maintenance Expenses</u> | | | | |
| <u>Purchased Gas Expense</u> | | | | |
| 803.2 | Gas Supply Expense-Purchases | \$ 447,769 | \$ - | \$ 447,769 |
| 803.4 | Deferred Gas Supply Expense | (151,999) | - | (151,999) |
| | Total Purchased Gas Expenses | <u>\$ 295,770</u> | <u>\$ -</u> | <u>\$ 295,770</u> |
| <u>Distribution Expenses - Operation</u> | | | | |
| 870 | Operation Supervision and Engineering | 2,089 | - | 2,089 |
| 874 | Mains and Services Expenses | 4,904 | 658 | 5,562 |
| | Total Operation | <u>6,993</u> | <u>658</u> | <u>7,651</u> |
| <u>Distribution Expenses - Maintenance</u> | | | | |
| 885 | Maintenance Supervision and Engineering | - | - | - |
| 887 | Maintenance of Mains | 259 | - | 259 |
| 889 | Maint. of Measuring and Regulating Station Equip. - General | 11,715 | - | 11,715 |
| 890 | Maint. of Measuring & Regulator Station Equip. - Industrial | 1,898 | - | 1,898 |
| 892 | Maintenance of Services | 10 | - | 10 |
| 893 | Maintenance of Meters and Home Regulators | - | 67,503 | 67,503 |
| | Total Maintenance | <u>13,881</u> | <u>67,503</u> | <u>81,384</u> |
| | Total Distribution Expenses | <u>20,874</u> | <u>68,161</u> | <u>89,035</u> |
| <u>Customer Accounts Expenses - Operation</u> | | | | |
| 902 | Meter Reading Expense | - | 13,276 | 13,276 |
| 903 | Customer Records and Collection Expenses | - | 89,796 | 89,796 |
| 905 | Miscellaneous Customer Accounts Expenses | 61,471 | 259 | 61,731 |
| | Total Customer Accounts Expenses | <u>61,471</u> | <u>103,331</u> | <u>164,802</u> |
| <u>Customer Service & Information Expenses - Operation</u> | | | | |
| 910 | Customer Assistance Expense | 2,921 | - | 2,921 |
| 911 | Informational and Instructional Expense | 1,523 | - | 1,523 |
| 912 | Miscellaneous Customer Service Expense | 1,011 | 6,019 | 7,030 |
| | Total Customer Service & Informational Expenses | <u>\$ 5,456</u> | <u>\$ 6,019</u> | <u>\$ 11,474</u> |
| <u>Sales Promotion Expense - Operation</u> | | | | |
| 917 | Promotional Advertising | 11,539 | 22,545 | 34,084 |
| | Total Sales Promotion Expense | <u>11,539</u> | <u>22,545</u> | <u>34,084</u> |
| <u>Administrative and General Expenses - Operation</u> | | | | |
| 920 | Administrative and General Salaries | - | 163,052 | 163,052 |
| 921 | Office Supplies and Expenses | 34,370 | 19,612 | 53,982 |
| 923 | Outside Services Employed | 55,847 | 29,344 | 85,191 |
| 925 | Injuries and Damages | - | 80,713 | 80,713 |
| 926 | Employee Benefits | - | 53,900 | 53,900 |
| 928 | Regulatory Commission Expenses | 5,035 | - | 5,035 |
| 930.2 | Miscellaneous General Expenses | 1,680 | 9,922 | 11,602 |
| 930.3 | Miscellaneous General Expenses - Safety | 244 | - | 244 |
| 930.6 | Miscellaneous General Expenses - Vehicles | 4,954 | - | 4,954 |
| 931.1 | General Rents | - | - | - |
| 931 | Expenses of Data Processing Equipment | - | - | - |
| | Total Operation | <u>102,130</u> | <u>356,542</u> | <u>458,672</u> |

Leatherstocking Gas Company, LLC
Statement of Direct and Allocated Charges From Corning Natural Gas Corporation
Twelve Months Ending June 30, 2020

Exhibit G-1
Schedule 4
Page 2 of 2

| <u>Operation and Maintenance Expenses</u> | Direct Charges | Allocated Charges | Total Charges |
|---|---------------------------|------------------------------|--------------------------|
| <u>Administrative and General Expenses - Maintenance</u> | | | |
| 932 Maintenance of General Plant | 212 | 6 | 217 |
| Total Maintenance | 212 | 6 | 217 |
| Total Administrative and General Expense | 102,341 | 356,548 | 458,890 |
| Total Operations and Maintenance | \$ 497,451 | \$ 556,604 | \$ 1,054,055 |
| <u>Other Charges for Operations</u> | | | |
| <u>Other Income and Expense Accounts</u> | | | |
| 408 Taxes Other Than Income Taxes | \$ - | \$ 21,070 | \$ 21,070 |
| 425 Miscellaneous Amortizations | - | 9,044 | 9,044 |
| 426.1 Donations | 150 | - | 150 |
| <u>Balance Sheet Accounts</u> | | | |
| 101 Gas Plant In Service / CWIP | 647,236 | - | 647,236 |
| 108 Accumulated Provision for Depreciation | 499,363 | - | 499,363 |
| 131 Cash & TCI's | (113,517) | - | (113,517) |
| 142 Customer Accounts Receivable / Other Accounts Receivable | 507,445 | - | 507,445 |
| 150 Materials and Supplies | 31,076 | - | 31,076 |
| 165 Prepayments | (10,854) | - | (10,854) |
| 232 Accounts Payable | (67,343) | - | (67,343) |
| 253 Other Deferred Credits | - | - | - |
| 283 Accumulated Deferred Income Tax | 72,940 | - | 72,940 |
| Total Other Charges for Operations | 1,566,497 | 30,114 | 1,596,611 |
| Total Charges for Operations & Maintenance | \$ 2,063,947 | \$ 586,718 | \$ 2,650,666 |

Leatherstocking Gas Company, LLC
Intercompany Cost Allocations (Effective March 1, 2020 to February 28, 2022)

Exhibit G-1
Schedule 5

| Allocation Factor | Allocation of Administrative, Customer, and Gas Supply Payroll | March 1, 2021 - February 28, 2022 | March 1, 2022 - February 28, 2023 |
|--------------------------|---|--------------------------------------|--------------------------------------|
| A | CNG Employees | | |
| | CNG | 89.97% | 89.82% |
| | Pike Electric | 7.18% | 7.38% |
| | Pike Gas | 1.05% | 1.17% |
| | Leatherstocking PA | <u>1.80%</u> | <u>1.63%</u> |
| | | 100.00% | 100.00% |
| B | Pike Employees | | |
| | CNG | 15.67% | 14.68% |
| | Pike Electric | 70.33% | 71.51% |
| | Pike Gas | 12.42% | 12.62% |
| | Leatherstocking PA | <u>1.58%</u> | <u>1.19%</u> |
| | | 100.00% | 100.00% |
| C | Leatherstocking Employees | | |
| | CNG | 71.65% | 71.61% |
| | Pike Electric | 2.01% | 2.01% |
| | Pike Gas | 0.35% | 0.35% |
| | Leatherstocking PA | <u>25.99%</u> | <u>26.03%</u> |
| | | 100.00% | 100.00% |
| D | Allocation of CNG General Plant (based floor space utilized) (a) | | |
| | CNG | 97.20% | 97.20% |
| | Pike Electric | 1.73% | 1.73% |
| | Pike Gas | 0.35% | 0.35% |
| | Leatherstocking PA | <u>0.72%</u> | <u>0.72%</u> |
| | | 100.00% | 100.00% |

(a) See Exhibit G-3, Schedule 1, Page 3 of 4

Leatherstocking Gas Company, LLC
Intercompany Accounts Payables / (Receivables) With Affiliates
Accounts 146 / 234
As of March 31, 2022

Exhibit G-1
Schedule 6

| | |
|---|---------------------|
| Net Payable to / (Receivable from) affiliates at March 31, 2021 | \$ 395,592 |
| Common Expense Allocation | 586,718 |
| Intercompany loans made to PCLP | (450,000) |
| Federal Income Taxes | (223,618) |
| Payments | <u>(584,441)</u> |
| Net Payable to / (Receivable from) affiliates at March 31, 2022 | <u>\$ (275,748)</u> |

Leatherstocking Gas Company LLC
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 Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |
| (2) | Long Term Debt Schedule Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |
| (3) | Cost of Money for Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |

Leatherstocking Gas Company LLC
Capitalization

| | <u>As of March 31, 2022 (Actual)</u> | | | <u>As of March 31, 2023 (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> | \$ 5,757,676 | 47.32% | | \$ 5,058,988 | 43.92% |
| <u>Short Term Debt</u> | 1,176,874 | 9.67% | (a) | 1,227,505 | 10.66% |
| <u>Proprietary Capital</u> | | | | | |
| Common Stock | - | | | - | |
| Paid In Capital | 7,043,121 | | | 7,043,121 | |
| Retained Earnings | (892,119) | | | (892,119) | |
| Goodwill | (918,121) | | | (918,121) | |
| Total Proprietary Capital: | <u>5,232,881</u> | <u>43.01%</u> | | <u>5,232,881</u> | <u>45.43%</u> |
| Total Capitalization | <u>\$ 12,167,431</u> | <u>100.00%</u> | | <u>\$ 11,519,374</u> | <u>100.00%</u> |

- (a) The estimated Short Term Debt Balance at March 31 , 2023 represents the daily average balance between April 1, 2021 - March 31, 2022, The actual short term debt balance at March 31, 2022 was \$1,176,874.

Leatherstocking Gas Company, LLC

Long Term Debt
At March 31, 2022 (Actual)

| Leatherstocking Gas Company of Pennsylvania | Company Accounts | Issue Date | Maturity Date | Original Issue Amount | Amount Outstanding | Unamortized Expense of Issue | Net Proceeds | x | Cost of Debt % | = | Effective Annual Cost (a) |
|--|---------------------|---------------|------------------|--------------------------|-----------------------|------------------------------------|---------------------|---|-------------------|---|---------------------------------|
| Waye Bank Demand Loans | | | | | | | | | | | |
| Loan 1 - 5.30% (b) | 224550 | 7/26/18 | 6/26/23 | \$ 82,447 | \$ 22,461 | \$ 62 | \$ 22,399 | | 5.54% | | \$ 1,240 |
| Loan 2 - 4.75% | 224640 | 3/11/19 | 3/11/29 | 6,000,000 | 4,483,386 | 22,484 | 4,460,902 | | 4.84% | | 216,069.32 |
| Loan 3 - 4.75% | 224650 | 8/11/19 | 2/11/29 | 615,000 | 472,799 | 1,647 | 471,151 | | 4.81% | | 22,682.45 |
| Loan 4 - 4.75% | 224680 | 12/13/21 | 12/13/31 | 800,000 | 779,030 | 17,093 | 761,937 | | 5.09% | | 38,772.18 |
| Letter of Credit (c) | | | | - | - | 4,931 | - | | - | | 11,148.04 |
| Reacquisition of Debt (d) | | | | - | - | 4,246 | - | | - | | 5,703.10 |
| Total | | | | \$ 7,497,447 | \$ 5,757,676 | \$ 50,463 | \$ 5,716,390 | | 5.17% | | \$ 295,616 |

Notes:

- (a) The effective annual cost of debt represents the annualized interest expense (March 31st debt balance x coupon interest rate) plus the annual amortization of debt issuance costs
- (b) Equipment (truck) loan
- (c) Letter of Credit costs includes all annual servicing costs. Letter Credit allows the Company to borrow up to \$1.5 million.
- (d) Debt refinanced in 2019

Leatherstocking Gas Company of Pennsylvania, LLC

Long Term Debt
At March 31, 2023 (Forecast)

| <u>Leatherstocking Gas Company of Pennsylvania</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> |
|--|-----------------------------|-----------------------|--------------------------|----------------------------------|-------------------------------|---|----------------------------|---|---------------------------|---|--|
| Waye Bank Demand Loans | | | | | | | | | | | |
| Loan 1 - 5.30% (b) | 224550 | 7/26/18 | 6/26/23 | \$ 82,447 | \$ 4,372 | \$ 12 | \$ 4,360 | | 6.46% | | \$ 282 |
| Loan 2 - 4.75% | 224640 | 3/11/19 | 3/11/29 | 6,000,000 | 3,927,046 | 19,376 | 3,907,670 | | 4.85% | | 189,643 |
| Loan 3 - 4.75% | 224650 | 8/11/19 | 2/11/29 | 615,000 | 413,507 | 1,422 | 412,084 | | 4.82% | | 19,866 |
| Loan 4 - 4.75% | 224680 | 12/13/21 | 12/13/31 | 800,000 | 714,063 | 15,325 | 698,738 | | 5.11% | | 35,686 |
| Letter of Credit (c) | | | | | | 4,006 | | | | | 11,148 |
| Reacquisition of Debt (d) | | | | | | 736 | | | | | 3,510 |
| Total | | | | <u>\$ 7,497,447</u> | <u>\$ 5,058,988</u> | <u>\$ 40,878</u> | <u>\$ 5,022,853</u> | | <u>5.18%</u> | | <u>\$ 260,135</u> |

Notes:

- (a) The effective annual cost of debt represents the annualized interest expense (March 31st debt balance x coupon interest rate) plus the annual amortization of debt issuance costs
- (b) Equipment (truck) loan
- (c) Letter of Credit costs includes all annual servicing costs. Letter Credit allows the Company to borrow up to \$1.5 million.
- (d) Debt refinanced in 2019

Leatherstocking Gas Company, LLC
Consolidated Cost of Money

Forecast at March 31, 2023

| | <u>Percent of Capital</u> | <u>Cost of Component</u> | <u>Weighted Cost</u> |
|----------------------|-----------------------------------|----------------------------------|--------------------------|
| Long Term Debt | 43.92% | 5.18% | 2.27% |
| Short Term Debt | 10.66% | 4.00% (a) | 0.43% |
| Common Stock Equity | 45.43% | 10.00% (b) | 4.54% |
| Total Capitalization | <u>100.00%</u> | | <u>7.24%</u> |

(a) Based on short-term rate currently in effect

(b) Based on the ROE authorized for gas distribution companies for DSIC purposes of 10.2% at December 1, 2021. To mitigate the rate increase, the Leatherstocking is requesting 10.0%.

Leatherstocking Gas Company, LLC
Index of Schedules
Gas Rate Base

Exhibit G-3

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

Leatherstocking Gas Company, LLC
Gas Rate Base
At March 31, 2022 And 2023

Exhibit G-3
Summary
Page 1 of 2

| Description | Actual Per Books at 3/31/2022 (a) | Difference Between Historical and Future Years | | Future Year at 3/31/2023 (d)=(a)+(c) | Schedule No. |
|--|--|---|-------------------|--|-----------------|
| | | Reference (b) | Amount (c) | | |
| <u>Utility Plant:</u> | | | | | |
| Gas Plant in Service | \$ 11,484,800 | (1a) | \$ 763,100 | \$ 12,247,900 | 1 |
| General Plant allocated from Corning Gas (Net) | - | (1b) | 143,900 | 143,900 | 1 |
| CWIP not taking interest | 632,100 | (1c) | (24,800) | 607,300 | 1 |
| Total Utility Plant | <u>12,116,900</u> | | <u>882,200</u> | <u>12,999,100</u> | |
| <u>Utility Plant Reserves:</u> | | | | | |
| Accumulated Provision For Depreciation | | | | | |
| Gas Plant in Service | 505,800 | (2a) | 246,500 | 752,300 | 2 |
| Accelerated Depreciation | 406,700 | (2b) | 344,000 | 750,700 | 2 |
| Total Utility Plant Reserves | <u>912,500</u> | | <u>590,500</u> | <u>1,503,000</u> | |
| Net Plant | <u>11,204,400</u> | | <u>291,700</u> | <u>11,496,100</u> | |
| <u>Additions to Net Plant</u> | | | | | |
| Working Capital Requirements: | | | | | |
| Cash Working Capital | 93,200 | (3) | (17,400) | 75,800 | 3 |
| Materials and Supplies | 12,800 | (4) | 5,200 | 18,000 | 4 |
| Prepayments | 5,700 | (5) | 100 | 5,800 | 5 |
| Regulatory Assets (Net of Tax) | - | (6) | - | - | 6 |
| Total Additions | <u>111,700</u> | | <u>(12,100)</u> | <u>99,600</u> | |
| <u>Deductions to Net Plant:</u> | | | | | |
| Regulatory Liabilities (Net of Tax) | - | (7) | - | - | 7 |
| Customer Deposits | - | (8) | - | - | 8 |
| Accumulated Deferred Income Taxes | 624,400 | (9) | 106,500 | 730,900 | 9 |
| Total Deductions | <u>624,400</u> | | <u>106,500</u> | <u>730,900</u> | |
| <u>Gas Rate Base</u> | <u>\$ 10,691,700</u> | | <u>\$ 173,100</u> | <u>\$ 10,864,800</u> | |

Leatherstocking Gas Company, LLC
Changes in Gas Rate Base
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Summary
Page 2 of 2

| Adjustment Number | Description | Amount |
|----------------------|--|------------|
| (1a) | Changes in Gas Plant in Service - Additions & Retirements | \$ 763,100 |
| (1b) | Allocation of CNG Jointly Used General Plant | 143,900 |
| (1c) | Changes to Construction Work in Progress | (24,800) |
| (2a) | Changes to Gas Depreciation Reserve - at existing Depreciation Rates | 246,500 |
| (2b) | Changes to Accelerated Depreciation ("CBOCF") Reserve | 344,000 |
| (3) | Changes in Working Capital Requirements (O&M) | (17,400) |
| (4) | Change in Material and Supplies | 5,200 |
| (5) | Change in Working Capital Prepayments | 100 |
| (6) | Changes to Rate Base for Deferred Debits | - |
| (7) | Changes to Rate Base for Deferred Credits | - |
| (8) | Change in Customer Deposits | - |
| (9) | Changes in Deferred Income Taxes | 106,500 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1a)
To Gas Distribution Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 1
Page 1 of 3

| <u>Gas Plant in Service</u> | <u>Intangible</u> | <u>Distribution</u> | <u>General</u> | <u>Total</u> | <u>Rounded</u> |
|---|-------------------|----------------------|-------------------|----------------------|----------------------|
| Balance at March 31, 2022 | \$ 289,335 | \$ 11,029,521 | \$ 165,987 | \$ 11,484,844 | \$ 11,484,800 |
| Additions - April 1, 2022 through March 31, 2023 * | - | 787,685 | 8,600 | 796,285 | |
| Retirements - April 1, 2022 through March 31, 2023 ** | - | - | (33,197) | (33,197) | |
| Net Additions (Change No. 1a) | - | 787,685 | (24,597) | 763,088 | 763,100 |
| Ending Balance at March 31, 2023 | \$ 289,335 | \$ 11,817,206 | \$ 141,390 | \$ 12,247,932 | \$ 12,247,900 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1b)
To Gas Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 1
Page 2 of 3

| <u>Intercompany Plant Allocated from Corning Gas (Net)</u> | Balance at December 31, 2021 | | | % Allocated To | Leatherstocking | Leatherstocking |
|--|------------------------------|-------------------------|--------------|----------------|-----------------|-------------------|
| | Original Cost | Depreciation Reserve | Net Plant | Gas | Gas | \$ Allocation |
| <u>Shared Corning Facilities</u> | | | | | | |
| Land Williams Street | \$ 155,733 | \$ 155,733 | \$ 311,465 | | | |
| Land Riverside | 233,732 | 233,732 | 467,464 | | | |
| West William Street Office | 2,045,075 | 1,113,245 | 3,158,321 | | | |
| Operations Facility | 3,028,020 | 1,726,478 | 4,754,498 | | | |
| Total | \$ 5,462,560 | \$ 3,229,188 | \$ 8,691,748 | x 0.72% | = | \$ 62,908 |
| <u>Shared Corning Office Furniture & Equipment</u> | | | | | | |
| Office Furniture & Equipment - Furniture | \$ 342,255 | \$ (17,482) | \$ 324,773 | | | |
| Office Furniture & Equipment - Machines | 299,814 | 157,042 | 456,856 | | | |
| Office Furniture & Equipment - Computers | 2,566,048 | 1,622,739 | 4,188,788 | | | |
| Total | \$ 3,208,117 | \$ 1,762,300 | \$ 4,970,417 | x 1.63% | = | 81,018 |
| (Change No. 1b) | | | | | | \$ 143,926 |
| Rounded | | | | | | \$ 143,900 |

Leatherstocking Gas Company, LLC
Statement in Support of Change (1c)
To Gas Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 1
Page 3 of 3

| | Monthly CWIP Balance | Interest Bearing CWIP | Non-Interest Bearing CWIP | (\$000) NIB-CWIP |
|---------------------------|-------------------------|-----------------------------|---------------------------------|---------------------|
| March-21 | \$ 533,189 | \$ - | \$ 533,189 | \$ 533 |
| April-21 | 553,861 | - | 553,861 | 554 |
| May-21 | 668,598 | - | 668,598 | 669 |
| June-21 | 712,277 | - | 712,277 | 712 |
| July-21 | 747,096 | - | 747,096 | 747 |
| August-21 | 915,694 | - | 915,694 | 916 |
| September-21 | 794,133 | - | 794,133 | 794 |
| October-21 | 332,136 | - | 332,136 | 332 |
| November-21 | 401,060 | - | 401,060 | 401 |
| December-21 | 404,961 | - | 404,961 | 405 |
| January-22 | 520,164 | - | 520,164 | 520 |
| February-22 | 605,856 | - | 605,856 | 606 |
| March-22 | <u>632,089</u> | <u>-</u> | <u>632,089</u> | <u>632</u> |
| 12 Month Total | <u>\$ 7,287,926</u> | <u>\$ -</u> | <u>\$ 7,287,926</u> | <u>\$ 7,288</u> |
| 12 Month Average | \$ 607,327 | \$ - | \$ 607,327 | \$ 607.3 |
| Balance at March 31, 2022 | <u>632,089</u> | <u>-</u> | <u>632,089</u> | <u>632.1</u> |
| Change (1c) | <u>\$ (24,762)</u> | <u>\$ -</u> | <u>\$ (24,762)</u> | <u>\$ (24.8)</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2a)
To Gas Depreciation Reserve
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 2
Page 1 of 2

| <u>Accumulated Provision for Depreciation of Gas Plant</u> | <u>Intangible</u> | <u>Distribution</u> | <u>General</u> | <u>Total</u> | <u>Rounded</u> |
|--|-------------------|---------------------|------------------|-------------------|-------------------|
| Balance at March 31, 2022 | <u>\$ 88,671</u> | <u>\$ 356,719</u> | <u>\$ 60,379</u> | <u>\$ 505,769</u> | <u>\$ 505,800</u> |
| Additions - April 1, 2022 thru March 31, 2023 | \$ 9,000 | \$ 239,500 | \$ 31,200 | \$ 279,700 | |
| Retirements - April 1, 2022 thru March 31, 2023 | - | - | (33,197) | (33,197) | |
| Net Additions (Change No. 2a) | <u>9,000</u> | <u>239,500</u> | <u>(1,997)</u> | <u>246,503</u> | <u>246,500</u> |
| Ending Balance at March 31, 2023 | <u>\$ 97,671</u> | <u>\$ 596,219</u> | <u>\$ 58,382</u> | <u>\$ 752,272</u> | <u>\$ 752,300</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2b)
To Accelerated Plant Depreciation Reserve
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 2
Page 2 of 2

| <u>Accumulated Provision for Accelerated Depreciation</u> | <u>Total</u> | <u>Rounded</u> |
|---|--------------------------|--------------------------|
| Balance as of March 31, 2022 - Per Books | <u>\$ 406,670</u> | <u>\$ 406,700</u> |
| Additional recoveries through March 31, 2022 (a) | 36,934 | 36,900 |
| Forecast recoveries April 2022 - March 2023 (b) | <u>307,086</u> | <u>307,100</u> |
| Net Additions (Change No. 2b) | <u>344,020</u> | <u>344,000</u> |
| Ending Balance at March 31, 2023 | <u><u>\$ 750,690</u></u> | <u><u>\$ 750,700</u></u> |

- (a) Correction of the accelerated depreciation balance to reflect CBOCF depreciation recoveries from Elk Lake Customers, not properly classified in the billing system.
- (b) See Exhibit G-4, Schedule 8, Page 3 of 3 for computation of Adjustment (2b)

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
For the Twelve Months Ended March 31, 2022

Exhibit G-3
Schedule 3
Page 1 of 2

| Description | 12 Months Ended March 31, 2022 (1) |
|---------------------------------------|---|
| Gas Operation and Maintenance Expense | \$ 1,054,055 |
| Less: Purchased Gas Expense | 447,769 |
| Deferred Purchased Gas Expense | (151,999) |
| O&M Amortizations - Insurance | 7,566 |
| - PaPUC Assessments | <u>5,035</u> |
| Total | <u>\$ 745,684</u> |
| Cash Working Capital = 1/8 of Total | <u>\$ 93,211</u> |
| Rounded | <u>\$ 93,200</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 3
Page 2 of 2

| Description | 12 Months Ended March 31, 2023 (1) |
|--|---|
| Gas Operation and Maintenance Expense | \$ 1,506,700 |
| Less: Purchased Gas Expense | 887,400 |
| O&M Amortizations - Insurance | 7,566 |
| - PaPUC Assessments | 5,035 |
| Total | \$ 606,699 |
| Cash Working Capital = 1/8 of Total | \$ 75,837 |
| Cash Working Capital - 12 Months Ended 3/31/2022 | 93,211 |
| Net Change | \$ (17,373) |
| Change No. 3 (Rounded) | \$ (17,400) |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (4)
Materials and Supplies
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 4

| Month | | Materials & Supplies Inventory Acct 150020 (1) | Gas Rounded (2) |
|---------------------------------------|----------|--|-----------------------|
| April 30, 2021 | Actual | - | |
| May 31, 2021 | Actual | - | |
| June 30, 2021 | Actual | - | |
| July 31, 2021 | Actual | - | |
| August 31, 2021 | Actual | - | |
| September 30, 2021 | Actual | - | |
| October 31, 2021 | Actual | 21,662 | |
| November 30, 2021 | Actual | 21,662 | |
| December 31, 2021 | Actual | 21,662 | |
| January 31, 2022 | Actual | 28,913 | |
| February 28, 2022 | Actual | 28,873 | |
| March 31, 2022 | Actual | 31,076 | |
| April 30, 2022 | Forecast | 31,076 | |
| May 31, 2022 | Forecast | 31,076 | |
| April 1, 2021 - March 31, 2022 Total | | \$ 153,847 | |
| March 31, 2022 - Twelve Month Average | | \$ 12,821 | |
| Rounded | | | \$ 12,800 |
| June 1 2021 - May 31, 2022 Total | | \$ 216,000 | |
| May 31, 2022 - Twelve Month Average | | \$ 18,000 | |
| Rounded | | | \$ 18,000 |
| Net Changes (Change No. 4) | | | 5,200 |
| Twelve Month Average March 31, 2023 | | | \$ 18,000 |

Leatherstocking Gas Company, LLC
Statement in Support of Change (5)
Gas Working Capital Prepayments

Exhibit G-3
Schedule 5

| Month | | PaPUC Assessment Acct. 165200 | Property Insurance Acct. 05 165030 | Total | |
|-------------------------------------|----------|-------------------------------------|--|-----------|-----------|
| April 30, 2021 | Actual | \$ 1,062 | \$ - | \$ 1,062 | |
| May 31, 2021 | Actual | 708 | 6,520 | 7,227 | |
| June 30, 2021 | Actual | 354 | 5,927 | 6,281 | |
| July 31, 2021 | Actual | - | 5,334 | 5,334 | |
| August 31, 2021 | Actual | 4,977 | 4,742 | 9,718 | |
| September 30, 2021 | Actual | 4,524 | 4,149 | 8,673 | |
| October 31, 2021 | Actual | 4,072 | 3,556 | 7,628 | |
| November 30, 2021 | Actual | 3,619 | 2,963 | 6,583 | |
| December 31, 2021 | Actual | 3,167 | 2,371 | 5,538 | |
| January 31, 2022 | Actual | 2,714 | 1,778 | 4,493 | |
| February 28, 2022 | Actual | 2,262 | 1,185 | 3,447 | |
| March 31, 2022 | Actual | 1,810 | 593 | 2,402 | |
| April 30, 2022 | Forecast | 1,357 | - | 1,357 | |
| May 31, 2022 | Forecast | 905 | 7,000 | 7,905 | |
| April 1, 2021 - March 31, 2022 | | Total | \$ 29,268 | \$ 39,118 | \$ 68,386 |
| Twelve Month Average | | | \$ 2,439 | \$ 3,260 | \$ 5,699 |
| Rounded | | | | | \$ 5,700 |
| June 1 2021 - May 31, 2022 | | Total | \$ 29,761 | \$ 39,598 | \$ 69,359 |
| Twelve Month Average | | | \$ 2,480 | \$ 3,300 | \$ 5,780 |
| Rounded | | | | | \$ 5,800 |
| Net Changes (Change No. 5) | | | | | 100 |
| Twelve Month Average March 31, 2023 | | | | | \$ 5,800 |

Leatherstocking Gas Company, LLC
Statement in Support of Change (6)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 6

| Deferred Debit Items | Regulatory Assets 182XXX | After Tax (b) | Rounded |
|---|--------------------------------|---------------|-----------------|
| Deferred Debit Balance as of March 31, 2022 | \$ - | \$ - | \$ - |
| Deferred Charges 4/1/2022 - 3/31/2023 (a) | - | - | - |
| Less: Amortization of Deferred Charges 4/1/22 - 3/31/23 | - | - | - |
| Deferred Debit Balance as of March 31, 2023 | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Change | | | <u>\$ -</u> |

(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 (1-28.8921%) | <u>71.1079%</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change (7)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 7

| Deferred Credit Items | Regulatory Liabilities 254XXXX | After Tax * | Rounded |
|---|--------------------------------------|-------------|-----------------|
| Deferred Credit Balance as of March 31, 2022 | \$ - | \$ - | \$ - |
| Deferred Credits 4/1/2022 - 3/31/2023 | - | - | - |
| Less: Amortization of Deferred Credits 4/1/22 - 3/31/23 | - | - | - |
| Negative Deferred Credit Balance as of March 31, 2023 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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 (1-28.8921%) | <u>71.1079%</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (8)
Customer Deposits
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 8

| Month | | Customer Deposits Acct 235000 (1) | Adjustment No. (8) (2) |
|---------------------------------------|----------|--|------------------------------|
| April 30, 2021 | Actual | \$ - | |
| May 31, 2021 | Actual | - | |
| June 30, 2021 | Actual | - | |
| July 31, 2021 | Actual | - | |
| August 31, 2021 | Actual | - | |
| September 30, 2021 | Actual | - | |
| October 31, 2021 | Actual | - | |
| November 30, 2021 | Actual | - | |
| December 31, 2021 | Actual | - | |
| January 31, 2022 | Actual | - | |
| February 28, 2022 | Actual | - | |
| March 31, 2022 | Actual | - | |
| April 30, 2022 | Forecast | - | |
| May 31, 2022 | Forecast | - | |
| April 1, 2021 - March 31, 2022 | Total | <u>\$ -</u> | |
| March 31, 2022 - Twelve Month Average | | <u>\$ -</u> | |
| Rounded | | | <u>\$ -</u> |
| June 1 2021 - May 31, 2022 | Total | <u>\$ -</u> | |
| May 31, 2022 - Twelve Month Average | | <u>\$ -</u> | |
| Rounded | | | <u>\$ -</u> |
| Net Changes (Change No. 8) | | | <u>-</u> |
| March 31, 2023 - Twelve Month Average | | | <u>\$ -</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (9)
To Accumulated Deferred Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Schedule 9

| <u>Accumulated Deferred Income Taxes</u> | <u>Balance</u> <u>Accounts 283000</u> |
|--|--|
| Balance at March 31, 2022 | <u>\$ 624,400</u> |
| <u>Additions - April 1, 2022 thru March 31, 2023</u> | |
| Tax Depreciation - Normalized | 961,236 |
| Less: Book Depreciation | <u>592,612</u> |
| Net Schedule M Tax Deduction | 368,624 |
| x Effective SIT / FIT Tax Rate | <u>28.8921%</u> |
| Net Additions (Change No. 7) | <u>\$ 106,500</u> |
| Ending Balance at June 30, 2021 | <u><u>\$ 730,900</u></u> |

Leatherstocking Gas Company, LLC
Gas Capital Budgets
For the Twelve Months Ended September 30, 2022 and 2023

Exhibit G-3
Schedule 10

| | Close Out to Plant In Service | Fiscal Year Ended September 30, 2022 | Close Out to Plant In Service | Fiscal Year Ended September 30, 2023 | Total |
|--|-------------------------------------|---|-------------------------------------|---|---------------------------|
| <u>Gas Distribution Plant</u> | | | | | |
| <u>Customer Attachments in Existing Operating Franchises</u> | | | | | |
| Gas Services | Quarterly | \$80,000 | Quarterly | \$80,000 | \$160,000 |
| Gas Mains | 3/31/2022 | 145,000 | Quarterly | - | 145,000 |
| Total | | <u>225,000</u> | | <u>80,000</u> | <u>305,000</u> |
| <u>Wyalusing</u> | | | | | |
| Gas Services | 8/31/2022 | 315,370 | 9/30/2023 | 315,370 | 630,740 |
| Gas Main | 8/31/2022 | 1,100,000 | 9/30/2023 | 1,100,000 | 2,200,000 |
| State Grant (50% reimbursement) | 8/31/2022 | (707,685) | 9/30/2023 | (707,685) | (1,415,370) |
| Gate Station | - | - | 9/30/2023 | 750,000 | 750,000 |
| State Grant (50% reimbursement) | - | - | 9/30/2023 | (375,000) | (375,000) |
| Total | | <u>707,685</u> | | <u>1,082,685</u> | <u>1,790,370</u> |
| <u>General Plant</u> | | | | | |
| Tools and Equipment | Quarterly | - | Quarterly | 1,200 | 1,200 |
| Office Furniture | Quarterly | - | Quarterly | 2,400 | 2,400 |
| IT Technology | Quarterly | 6,600 | Quarterly | 7,000 | 13,600 |
| Total | | <u>6,600</u> | | <u>10,600</u> | <u>17,200</u> |
| Total Capital Budget | | <u>\$939,285</u> | | <u>\$1,173,285</u> | <u>\$2,112,570</u> |

Leatherstocking Gas Company, LLC
Gas Plant Additions
For the Twelve Months Ended March 31, 2023
\$000's

Exhibit G-3
Schedule 11

| <u>Gas Distribution Plant</u> | <u>April 1, 2022 - March 31, 2023 Plant Additions</u> |
|---|---|
| <u>Customer Attachments in Existing Operating Franchises</u> | |
| Gas Services | \$80,000 |
| Gas Mains | - |
| Total | 80,000 |
| <u>Wyalusing (a)</u> | |
| Gas Services | 315,370 |
| Gas Main | 1,100,000 |
| State Grant (50% reimbursement) | (707,685) |
| Gate Station | - |
| State Grant (50% reimbursement) | - |
| Total (a) | 707,685 |
| <u>General Plant</u> | |
| Tools and Equipment | 600 |
| Office Furniture | 1,200 |
| IT Technology | 6,800 |
| Total | 8,600 |
| Total Capital Budget | \$796,285 |
| (a) Project spending through March 31, 2022 for Wyalusing = | \$571,354 |

Leatherstocking Gas Company, LLC
Index of Schedules
Gas Cost of Service

Exhibit G-4

| <u>Schedule</u> | <u>Title of Schedule</u> | <u>Witness</u> |
|-----------------|---|-------------------------|
| Summary | Gas Cost of Service | Accounting & Rate Panel |
| (1) | Changes in billed revenue to reflect forecast sales | Accounting & Rate Panel |
| (2) | Change to cost of purchased gas cost to match forecast recoveries | Accounting & Rate Panel |
| (3) | Changes in Operation and Maintenance Expenses to reflect amortization of rate case costs | Accounting & Rate Panel |
| (4) | Changes in Operation and Maintenance Expenses to reflect Global "Black Box" Adjustment | Accounting & Rate Panel |
| (5) | Changes in Operation and Maintenance Expenses to reflect Elimination of non-recurring charges and Association Dues | Accounting & Rate Panel |
| (6) | Changes in Depreciation Expenses - Plant additions at existing rates and depreciation recovered under CBOCF surcharge | Accounting & Rate Panel |
| (7) | Changes in Taxes Other than income for Payroll and Property Taxes | Accounting & Rate Panel |
| (8) | Calculation of Income Tax Expense | Accounting & Rate Panel |

Leatherstocking Gas Company, LLC
Gas Cost of Service
For the Twelve Months Ended March 31, 2022
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Summary
Page 1 of 3

| | 12 mos. Ended March 31, 2022 (1) | Difference Between Historical and Future Years | | Future Year | | |
|--|--|---|-------------------|--|--------------------------------|---|
| | | Reference (2) | Amount (3) | 12 mos. Ended March 31, 2023 (4)=(1+3) | Proposed Rate Change (5) | As Adjusted for Add'l Revenue (6) |
| Operating Revenues: | | | | | | |
| Sales of Gas - Base Rate Revenue | \$ 1,361,100 | (1a) | 728,900 | \$ 2,090,000 | \$ 701,200 | \$ 2,791,200 |
| Other Operating Revenues | - | (1b) | - | - | - | - |
| Total Operating Revenues | 1,361,100 | | 728,900 | 2,090,000 | 701,200 | 2,791,200 |
| Operating Expenses: | | | | | | |
| Purchased Gas Expense | 295,800 | (2) | 591,600 | 887,400 | - | 887,400 |
| Other Operation and Maintenance Expense | 758,300 | (3) | 30,000 | 619,300 | - | 619,300 |
| | | (4) | (100,000) | | | |
| | | (5) | (69,000) | | | |
| Depreciation & Amortization Expense | 490,300 | (6a) | 12,100 | 276,500 | - | 276,500 |
| | | (6b) | (225,900) | | | |
| Taxes other than Income | 21,100 | (7) | - | 21,100 | - | 21,100 |
| Total Operating Expenses | 1,565,500 | | 238,800 | 1,804,300 | - | 1,804,300 |
| Operating Income Before Income Taxes: | (204,400) | | 490,100 | 285,700 | 701,200 | 986,900 |
| State Income Tax | (49,300) | (8a) | 48,500 | (800) | 70,000 | 69,200 |
| Federal Income Tax | (93,200) | (8b) | 91,700 | (1,500) | 132,600 | 131,100 |
| Operating Income after Taxes | \$ (61,900) | | \$ 349,900 | \$ 288,000 | \$ 498,600 | \$ 786,600 |
| Rate Base | \$ 10,691,700 | | \$ 173,100 | \$ 10,864,800 | \$ - | \$ 10,864,800 |
| Rate of Return | -0.58% | | | 2.65% | | 7.24% |

Leatherstocking Gas Company, LLC
 Calculation of Gas Revenue Requirement
 For the Twelve Months Ended March 31, 2023

Exhibit G-4
 Summary
 Page 2 of 3

| | Amount |
|---|----------------|
| Gas Rate Base at March 31, 2023 | \$ 10,864,800 |
| x Rate of Return at March 31, 2023 | 7.24% |
| Total Return Required | 786,612 |
| Total Earned Return (Per Exhibit G-4, Summary, Page 1 of 3) | 288,000 |
| Addition Return Required | 498,612 |
| Multiplied by Retention Factor* | 1.4063 |
| Total Revenue Requirement | \$ 701,205 |
| Rounded | \$ 701,200 |

| | | |
|--------------------------------|----------|------------|
| * <u>Retention Factor:</u> | | |
| Additional Revenue | 100.0000 | \$ 701,200 |
| Less: State Income Tax @ 9.99% | 9.9900 | 70,000 |
| | 90.0100 | 631,200 |
| Less: Federal Income Tax @ 21% | 18.9021 | 132,600 |
| Retention Factor | 71.108 | \$ 498,600 |
| | 1.0000 | |
| | 0.7111 | |
| | 1.4063 | |

Leatherstocking Gas Company, LLC
Changes in Gas Cost of Service
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Summary
Page 3 of 3

| Adjustment Number | Description | Amount |
|----------------------|--|------------|
| (1a) | Changes In billed revenue to reflect forecast sales | \$ 728,900 |
| (1b) | Change in Other Operating Revenues - :Late Payment Charges | - |
| (2) | Change to cost of purchased gas cost to match forecast recoveries | 591,600 |
| (3) | Change in Operation and Maintenance Expenses to reflect normalization of rate case costs | 30,000 |
| (4) | Change in Operation and Maintenance Expense - Global - Black Box Rate Increase Mitigation Adjustment | (100,000) |
| (5) | Change in Operation and Maintenance Expense - To eliminate non-recurring O&M Expenses | (69,000) |
| (6a) | Change in Depreciation Expense -- New Plant Additions | 12,100 |
| (6b) | Change in Depreciation Expense - Accelerated Depreciation | (225,900) |
| (7) | Change in Taxes Other than income to reflect Changes in Payroll Tax, Realty, and Gross Earnings Tax | - |
| | Change to income taxes resulting from Adjustments 1 - 7 above and for interest synchronization adjustment for rate base | |
| (8a) | - State Income Tax Adjustments | 48,500 |
| (8b) | - Federal Income Tax Adjustments | 91,700 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1a)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 1
Page 1 of 2

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

Rounded

Billed Revenues - Twelve Months Ended March 31, 2023

| | | |
|-----------------------|----|---------|
| Base Revenue | \$ | 126,960 |
| Delivery Revenue | | 768,557 |
| Rider Revenue (GCR) | | 887,386 |
| CIAC / CBOCF Revenues | | 307,086 |
| | | 307,086 |

| | | | |
|--|----|-----------|--------------|
| Total Revenues Future Test Year Revenues (a) | \$ | 2,089,989 | \$ 2,090,000 |
|--|----|-----------|--------------|

Billed Revenues - Twelve Months Ended March 31, 2022

| | | |
|-----------------------|----|---------|
| Base Revenue | \$ | 120,855 |
| Delivery Revenue | | 718,521 |
| Rider Revenue (GCR) | | 295,770 |
| CIAC / CBOCF Revenues | | 225,909 |
| | | 225,909 |

| | | | |
|--|----|-----------|--------------|
| Total Revenues Historic Test Year Revenues (b) | \$ | 1,361,055 | \$ 1,361,100 |
|--|----|-----------|--------------|

| | | | |
|------------------------------------|----|---------|------------|
| Net increase in Revenues (a) - (b) | \$ | 728,934 | \$ 728,900 |
|------------------------------------|----|---------|------------|

Sales Volumes (CCF)

| | Customers | CCF's |
|---|-----------|-----------|
| Forecast - 12 Months Ended March 31, 2023 | 451 | 3,718,690 |
| Actual - 12 Months Ended March 31, 2022 | 436 | 3,532,345 |
| Net increase in Sales | 15 | 186,345 |
| % Increase in Sales volumes | 3.4% | 5.3% |

(a) See Exhibit G-5, Schedule 4 & 6

(b) See Exhibit G-5, Schedule 6

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1b)
To Adjust For Other Operating Revenues
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 1
Page 2 of 2

| | Twelve Months Ended | | Net Change |
|------------------------------------|---------------------|----------------|-------------|
| | March 31, 2022 | March 31, 2023 | |
| Late Payment Charge Revenues | 23 | \$ 4 | \$ (19) |
| Total Other Revenues | 23 | 4 | (19) |
| Change in Other Operating Revenues | | | \$ (19) |
| Rounded (Change 1b) | | | \$ - |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

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 |
|---|---------------------|----------------|-------------------|
| | March 31, 2022 | March 31, 2023 | |
| Purchased Gas Expense * | \$ 295,770 | \$ 887,386 * | \$ 591,617 |
| Net increase in Gas Costs | | | \$ 591,617 |
| Rounded - Change No. 2 | | | \$ 591,600 |

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

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 3

Normalization of Estimated Outside Rate Case Expense

| | | |
|---|----|---------|
| Estimated Rate Case Legal Fees & Expenses (a) | \$ | 150,000 |
| / Normalization Period - Years | | 5 |
| Annual Rate Case Expense | \$ | 30,000 |
| Change No. (3) Rounded | \$ | 30,000 |

(a) Based on reaching a Settlement Agreement before litigation. If rate filing goes to litigation, the estimated amount would be significantly higher.

| | | |
|--|--|------------------|
| Estimated Fees - Legal | | \$75,000 |
| - Outside Rate Consultant | | \$70,000 |
| Printing of Newspaper and Customer Notices | | <u>\$5,000</u> |
| Total | | <u>\$150,000</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (4)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 4

Global (Black Box) Adjustment

(a) Reductions to O&M Expense to mitigate rate Increase \$ (100,000)

Adjustment No. (4) Rounded \$ (100,000)

(a) The Company may update and revise this adjustment at the time of rebuttal testimony.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (5)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 5

| <u>Non-recurring Customer Expenses</u> | |
|--|--------------------|
| To eliminate payments made to the Wyalusing School for Oil (a) | \$ (61,471) |
| To eliminate donations charged to FERC Account 917 | (3,300) |
| To eliminate payments to Northeast Gas Association | <u>(4,239)</u> |
| Change (5) | <u>\$ (69,010)</u> |
| Rounded Total | <u>\$ (69,000)</u> |

(a) Due to construction delays the Company was unable to provide gas service to the Wyalusing School this past winter. As a result the Company made payments to the school to reimburse them for the difference between the cost of oil and the cost of natural gas.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (6a)
To Depreciation Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 6
Page 1 of 3

| | Amount | | | | Adjustment |
|--|----------------|-------------------|-----------------|-------------------|------------------|
| | Plant | | | | |
| | Intangible | Distribution | General | Total | |
| <u>Gas Plant in Service</u> | | | | | |
| Plant In Service Balance at Balance at March 31, 2022 | \$ 289,335 | \$ 11,027,319 | \$ 168,189 | \$ 11,484,844 | |
| Less: Non-Depreciable Plant Per Exhibit G-4, Page 2 of 2 | - | - | - | - | |
| Depreciable Plant balance at March 31, 2022 | <u>289,335</u> | <u>11,027,319</u> | <u>168,189</u> | <u>11,484,844</u> | |
| <u>Additions - April 1, 2022 - March 31, 2023</u> | | | | | |
| Distribution / General Additions Plant | - | 787,685 | 8,600 | 796,285 | |
| Total Additions | <u>-</u> | <u>787,685</u> | <u>8,600</u> | <u>796,285</u> | |
| <u>Retirements - April 1, 2022 - March 31, 2023</u> | | | | | |
| Distribution / General Plant | - | - | (33,197) | (33,197) | |
| Total Retirements | <u>-</u> | <u>-</u> | <u>(33,197)</u> | <u>(33,197)</u> | |
| <u>Gas Depreciable Plant at March 31, 2023</u> | 289,335 | 11,815,004 | 143,592 | 12,247,932 | |
| x Current Composite Book Depreciation Rate | 3.13% | 2.10% | 20.00% | 2.33% | |
| <u>Calculated Accruals to Depreciation Reserves</u> | | | | | |
| For The Twelve Months Ended March 31, 2023 | 9,044 | 247,764 | 28,718 | 285,526 | |
| Less: For the Twelve Months Ended March 31, 2022 | <u>9,044</u> | <u>210,980</u> | <u>53,430</u> | <u>273,454</u> | |
| Increase In Depreciation Expense | <u>-</u> | <u>36,784</u> | <u>(24,712)</u> | | \$ 12,072 |
| Rounded Change (6a) | | | | | \$ 12,100 |

* General Plant depreciation accruals included out of period adjustments for transportation equipment and small tools

| | Plant | | | |
|--|-------------------|----------------------|-------------------|----------------------|
| | Intangible | Distribution | General | Total |
| <u>Depreciation Reserve Calculation</u> | | | | |
| Plant at March 31, 2022 | \$ 289,335 | \$ 11,027,319 | \$ 168,189 | \$ 11,484,844 |
| Plus 50% of Additions / Retirements April 1, 2022 - March 31, 2023 | - | 393,843 | (12,299) | 381,544 |
| Depreciable Plant | <u>\$ 289,335</u> | <u>\$ 11,421,162</u> | <u>\$ 155,891</u> | <u>\$ 11,866,388</u> |
| x Composite Depreciation Rate | 3.13% | 2.10% | 20.00% | 2.36% |
| = Depreciation Accrual April 1, 2022 - March 31, 2023 | <u>\$ 9,044</u> | <u>\$ 239,505</u> | <u>\$ 31,178</u> | <u>\$ 279,727</u> |
| Rounded | <u>\$ 9,000</u> | <u>\$ 239,500</u> | <u>\$ 31,200</u> | <u>\$ 279,700</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (6a)
To Depreciation Expense
Calculation of Electric Composite Book Depreciation Rate
For the Twelve Months Ended March 31, 2022

| Gas - Intangible (a) | March 31, 2022 Plant Balance | Average Service Life | Annual Rate | Cost of Removal / Salvage Adjustment | Annual Accrual with Salvage | Composite Depreciation Rates | |
|---|---|---------------------------------|--------------------|---|--|-------------------------------------|----------------|
| | | | | | | Annual | Monthly |
| G- 301200 - Organization Costs | 280,572.67 | - | - | - | 9,019.68 | 3.21% | 0.268% |
| G- 302200 - Franchise / Consents | 8,762.71 | - | - | - | 24.34 | 0.28% | 0.023% |
| Gas Intangible Plant Total | 289,335.38 | - | - | - | 9,044.02 | 3.13% | 0.260% |
| Gas - Distribution | | | | | | | |
| G- 374200 - Land Rights / Easements | 38,354.54 | - | - | - | - | - | - |
| G 375200 - Structures & Improvements | 48,859.19 | 5 | 20.00% | - | 9,771.84 | 20.00% | 1.667% |
| G- 376200 - Distribution Mains | 6,303,571.59 | 60 | 1.67% | - | 105,269.65 | 1.67% | 0.139% |
| G- 378100 - Measuring & Regulator Equipment | 2,362,375.52 | 40 | 2.50% | - | 59,059.39 | 2.50% | 0.208% |
| G- 380200 - Services | 1,719,658.62 | 40 | 2.50% | - | 42,991.47 | 2.50% | 0.208% |
| G- 381200 - Meters | 82,117.72 | 35 | 2.86% | - | 2,348.57 | 2.86% | 0.238% |
| G- 382200 - Meter Installations | 470,923.41 | 40 | 2.50% | - | 11,773.09 | 2.50% | 0.208% |
| G -383200 - House Regulators | 1,458.62 | 45 | 2.22% | - | 32.38 | 2.22% | 0.185% |
| Gas Distribution Plant Total | 11,027,319.21 | | | - | 231,246.37 | 2.10% | 0.175% |
| Gas - General Plant | | | | | | | |
| G- 391010 - Office Furniture and Equipment | 2,201.91 | 5 | 20.00% | - | 440.38 | 20.00% | 1.667% |
| G- 391030 - Computer Equipment | 42,117.23 | 5 | 20.00% | - | 8,423.45 | 20.00% | 1.667% |
| G- 392000 - Transportation Equipment | 90,365.03 | 5 | 20.00% | - | 18,073.01 | 20.00% | 1.667% |
| G- 394000 - Tools & Equipment | 33,504.84 | 5 | 20.00% | - | 6,700.97 | 20.00% | 1.667% |
| Depreciable Gas- General Plant Total | 168,189.01 | | | - | 33,637.80 | 20.00% | 1.667% |
| Depreciable Gas Distribution Total | 11,484,843.60 | | | - | 273,928.19 | 2.39% | 0.199% |

(a) Amortization of Intangible Plant is charged below the line to PAPUC Account 425 - Miscellaneous Amortization.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (6b)
To Depreciation Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 6
Page 3 of 3

| Accelerated Depreciation Accruals | | Total |
|---|-----------------|--------------|
| Gas Sales Subject to CIAC / CBOCF Surcharge April 1, 2022 - March 31, 2023 | 1,023,620 CCF's | |
| x CIAC / CBOCF Surcharge Rate PER CCF effective April 1, 2023 | \$ - | |
| Accelerated Depreciation Accruals April 1, 2023 - March 31, 2024 | | - |
| Accelerated Depreciation Accruals April 1, 2021 - March 31, 2022 | | (225,909) |
| Adjustment (6b) to eliminate CBOCF depreciation accruals | | \$ (225,909) |
| Adjustment (8b) Rounded | | \$ (225,900) |
| <hr style="border: 0.5px solid black;"/> | | |
| Accelerated Depreciation Reserve | | |
| Balance at March 31, 2022 | | \$ 406,670 |
| Gas Sales Subject to CIAC / CBOCF Surcharge April 1, 2022 - March 31, 2023 | 1,023,620 CCF's | |
| x CIAC / CBOCF Surcharge Rate PER CCF | \$ 0.30 | |
| Change in Accelerated Reserve April 1, 2022 - March 31, 2023 | | 307,086 |
| Ending Balance at March 31, 2023 | | \$ 713,756 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (7)
To Other Tax Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 7

| | Actual March 31, 2022 (1) | Future Year March 31, 2023 (2) | Changes (3) |
|---------------------------------|---------------------------------|--------------------------------------|----------------|
| Payroll Taxes (FICA / Medicare) | \$ 20,114 | \$ 20,114 | \$ - |
| Property Taxes | 956 | 956 | - |
| State and Local Taxes | - | - | - |
| | \$ 21,070 | \$ 21,070 | \$ - |
| Rounded | | | \$ - |

Leatherstocking Gas Company, LLC
Change No. (8a)
Calculation of Gas State Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 8
Page 1 of 3

| | Per Books (a) 12 Months Ended March 31, 2022 | Income Tax Normalizing Adjustments | 12 Months Ended March 31, 2022 (1) | Income Adjustments (2) | 12 Months Ended March 31, 2023 (3) = (1) + (2) | Proposed Rate Change (4) | As Adjusted For Additional Revenue (5) = (3) + (4) |
|--|--|--|---|------------------------------|---|-----------------------------------|---|
| Operating Income Before Income Taxes | 120,885.64 | (325,285.64) | \$ (204,400) | \$ 490,100 | \$ 285,700 | \$ 701,200 | \$ 986,900 |
| Less Interest Expense (incl amort of debt exp) | 83,971.15 | 204,729 | 288,700 | 4,700 | 293,400 | - | 293,400 |
| Other Income & Deductions (incl. Donations) | 4.16 | (4) | - | - | - | - | - |
| Book Income Before FIT | <u>36,910.33</u> | <u>(530,010)</u> | <u>(493,100)</u> | <u>485,400</u> | <u>(7,700)</u> | <u>701,200</u> | <u>693,500</u> |
| Section I - Permanent Items: | | | | | | | |
| PPP Loan Forgiveness | 65,491 | (65,491) | - | - | - | - | - |
| Amortization of Goodwill | 30,604 | (30,604) | - | - | - | - | - |
| Total | <u>96,095</u> | <u>(96,095)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Pretax Income | (59,185) | (433,915) | (493,100) | 485,400 | (7,700) | 701,200 | 693,500 |
| Section II - Normalized Items: | | | | | | | |
| Add: Additional Taxable Income and Unallowable Deductions: | | | | | | | |
| Book Depreciation | (264,761.57) | 755,062 | 490,300 | (213,800) | 276,500 | - | 276,500 |
| Normalization of Rate Case Expenditures | - | - | - | 30,000 | 30,000 | - | 30,000 |
| Recovery of Deferred Purchased Gas Costs | (36,767.90) | 36,768 | - | - | - | - | - |
| Total | <u>(301,529.47)</u> | <u>791,829</u> | <u>490,300</u> | <u>(183,800)</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> |
| Deduct: Non-Taxable Income and Allowable Deductions | | | | | | | |
| Tax Depreciation | (474,116.08) | 1,261,016 | 786,900 | 174,300 | 961,200 | - | 961,200 |
| Rate Case Expenditures | - | - | - | 150,000 | 150,000 | - | 150,000 |
| Deferral of Current Purchased Gas Costs | (58,232.94) | 202,533 | 144,300 | (144,300) | - | - | - |
| GCR Prior Over / Under Recovery | - | 10,400 | 10,400 | (10,400) | - | - | - |
| Total | <u>(532,349)</u> | <u>1,473,949</u> | <u>941,600</u> | <u>169,600</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> |
| Federal NOL | - | - | - | - | - | - | - |
| Taxable Income / (Loss) | 171,635 | (1,116,035) | (944,400) | 132,000 | (812,400) | 701,200 | (111,200) |
| Prior Period State Tax Adjustments | 118,369 | (118,369) | - | - | - | - | - |
| Adjusted Taxable Income | <u>290,004</u> | <u>(1,234,404)</u> | <u>(944,400)</u> | <u>132,000</u> | <u>(812,400)</u> | <u>701,200</u> | <u>(111,200)</u> |
| x State Income Tax @ 9.99% | 9.90% | 9.99% | 9.99% | 9.99% | 9.99% | 9.99% | 9.99% |
| Current Tax Provision | 28,710 | (123,317) | (94,346) | 13,187 | (81,159) | 70,000 | (11,159) |
| Deferred Income Tax Dr.- Account 410 | (52,703) | 147,248 | 94,066 | 16,943 | 111,009 | - | 111,009 |
| Deferred Income Tax Cr.- Account 411 | 29,851 | (79,104) | (48,981) | 18,362 | (30,619) | - | (30,619) |
| Change (8a) | <u>5,859.29</u> | <u>(55,173)</u> | <u>(49,261)</u> | <u>48,491</u> | <u>(769)</u> | <u>70,000</u> | <u>69,231</u> |
| Rounded (8a) | \$ 5,900 | \$ (55,200) | \$ (49,300) | \$ 48,500 | \$ (800) | \$ 70,000 | \$ 69,200 |

Leatherstocking Gas Company, LLC
Change No. (8b)
Calculation of Gas Federal Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 8
Page 2 of 3

| | Per Books 12 Months Ended March 31, 2022 | Income Tax Normalizing Adjustments | 12 Months Ended March 31, 2022 (1) | Income Adjustments (2) | 12 Months Ended March 31, 2023 (3) = (1) + (2) | Proposed Rate Change (4) | As Adjusted For Additional Revenue (5) = (3) + (4) |
|--|--|--|---|------------------------------|---|-----------------------------------|---|
| Operating Income Before Income Taxes | (204,389) | (11) | \$ (204,400) | \$ 490,100 | \$ 285,700 | \$ 701,200 | \$ 986,900 |
| Less Interest Expense (incl amort of debt exp) | 333,148 | (44,448) | 288,700 | 4,700 | 293,400 | - | 293,400 |
| Other Income & Deductions (incl. Donations) | 7,959 | (7,959) | - | - | - | - | - |
| State Income Tax | 28,710 | (78,010) | (49,300) | 48,500 | (800) | 70,000 | 69,200 |
| Book Income Before FIT | <u>(574,206)</u> | <u>130,406</u> | <u>(443,800)</u> | <u>436,900</u> | <u>(6,900)</u> | <u>631,200</u> | <u>624,300</u> |
| Section I - Permanent Items: | | | | | | | |
| Goodwill | 61,208 | (61,208) | - | - | - | - | - |
| Total | <u>61,208</u> | <u>(61,208)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Pretax Income | (635,414) | 191,614 | (443,800) | 436,900 | (6,900) | 631,200 | 624,300 |
| Section II - Normalized Items: | | | | | | | |
| Add: Additional Taxable Income and Unallowable Deductions: | | | | | | | |
| Book Depreciation | 490,319 | (19) | 490,300 | (213,800) | 276,500 | - | 276,500 |
| Normalization of Rate Case Expenditures | - | - | - | 30,000 | 30,000 | - | 30,000 |
| Recovery of Deferred Purchased Gas Costs | - | - | - | - | - | - | - |
| Total | <u>490,319</u> | <u>(19)</u> | <u>490,300</u> | <u>(183,800)</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> |
| Deduct: Non-Taxable Income and Allowable Deductions | | | | | | | |
| Tax Depreciation | 786,879 | 21 | 786,900 | 174,300 | 961,200 | - | 961,200 |
| Rate Case Expenditures | - | - | - | 150,000 | 150,000 | - | 150,000 |
| Deferral of Current Purchased Gas Costs | 144,298 | 2 | 144,300 | (144,300) | - | - | - |
| GCR Prior Over / Under Recovery | 10,419 | (19) | 10,400 | (10,400) | - | - | - |
| Total | <u>941,596</u> | <u>4</u> | <u>941,600</u> | <u>169,600</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> |
| Federal NOL | - | - | - | - | - | - | - |
| Taxable Income | (1,086,691) | 191,591 | (895,100) | 83,500 | (811,600) | 631,200 | (180,400) |
| Prior Period Federal Tax Adjustments | 21,844 | (21,844) | - | - | - | - | - |
| Adjusted Taxable Income | <u>(1,064,847)</u> | <u>169,747</u> | <u>(895,100)</u> | <u>83,500</u> | <u>(811,600)</u> | <u>631,200</u> | <u>(180,400)</u> |
| x Federal Income Tax @ 21.0% | 21% | 21% | 21% | 21% | 21% | 21% | 21% |
| Current Tax Provision | (223,617.90) | 35,646.90 | (187,971) | 17,535 | (170,436) | 132,600 | (37,836) |
| Deferred Income Tax Dr.- Account 410 | 197,735.15 | 0.85 | 197,736 | 35,616 | 233,352 | - | 233,352 |
| Deferred Income Tax Cr.- Account 411 | (102,966.96) | 3.96 | (102,963) | 38,598 | (64,365) | - | (64,365) |
| Change Number (8b) | <u>(128,849.71)</u> | <u>35,651.71</u> | <u>(93,198)</u> | <u>91,749</u> | <u>(1,449)</u> | <u>132,600</u> | <u>131,151</u> |
| Rounded (8b) | <u>(128,800.00)</u> | <u>35,700.00</u> | <u>\$ (93,200)</u> | <u>\$ 91,700</u> | <u>\$ (1,400)</u> | <u>\$ 132,600</u> | <u>\$ 131,200</u> |

Leatherstocking Gas Company, LLC
Adjustment No. (10)
Calculation of Gas Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Schedule 10
Page 3 of 3

| | Per Books 12 Months Ended March 31, 2022 | Adjustments | 12 Months Ended March 31, 2023 (1) | Proposed Rate Change (2) | As Adjusted For Additional Revenue (3) = (1) + (2) |
|--------------------------------------|--|--------------------|---|-----------------------------------|---|
| Rate Base | \$ 10,691,700 | \$ - | \$ 10,691,700 | \$ 173,100 | \$ 10,864,800 |
| Interest Component of Capitalization | 3.12% | -0.42% | 2.70% | 2.70% | 2.70% |
| Interest Expense | <u>\$ 333,148</u> | <u>\$ (44,472)</u> | <u>\$ 288,676</u> | <u>\$ 4,674</u> | <u>\$ 293,350</u> |
| Rounded | <u>\$ 333,100</u> | <u>\$ (44,500)</u> | <u>\$ 288,700</u> | <u>\$ 4,700</u> | <u>\$ 293,400</u> |

This adjustment is used to calculate interest deduction for State and Federal Income Taxes

Leatherstocking Gas Company, LLC
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 & Rate Panel |
| (2) | Future Gas Sales by Service Classification | Accounting & Rate Panel |
| (3) | Historic Gas Revenue by Service Classification | Accounting & Rate Panel |
| (4) | Future Gas Revenue by Service Classification | Accounting & Rate Panel |
| (5) | Forecasted Delivery Volumes (CCF) | Accounting & Rate Panel |
| (6) | Historic and Forecast Sales & Revenues | Accounting & Rate Panel |

Leatherstocking Gas Company, LLC
Gas Sales & Deliveries (CCF)
For the Twelve Months Ended March 31, 2022

| | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <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>Total</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <u>Billed Sales & Deliveries</u> | | | | | | | | | | | | | |
| SC 1 - Residential | 22,970 | 14,982 | 4,129 | 4,235 | 2,876 | 8,737 | 13,080 | 32,521 | 37,259 | 63,180 | 52,294 | 39,067 | 295,330 |
| SC 2 - General Service | 22,678 | 18,472 | 5,452 | 6,755 | 4,311 | 5,802 | 14,189 | 35,756 | 41,297 | 72,596 | 61,189 | 42,160 | 330,657 |
| SC 3 - Small Commercial | 20,568 | 12,855 | 4,714 | 5,284 | 3,901 | 5,515 | 14,040 | 28,207 | 32,086 | 49,245 | 51,290 | 34,383 | 262,088 |
| SC 4 - Large Commercial | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation | <u>219,670</u> | <u>214,500</u> | <u>195,780</u> | <u>190,770</u> | <u>197,450</u> | <u>197,550</u> | <u>200,170</u> | <u>235,380</u> | <u>234,890</u> | <u>273,260</u> | <u>233,550</u> | <u>251,300</u> | <u>2,644,270</u> |
| Total | <u>285,886</u> | <u>260,809</u> | <u>210,075</u> | <u>207,044</u> | <u>208,538</u> | <u>217,604</u> | <u>241,479</u> | <u>331,864</u> | <u>345,532</u> | <u>458,281</u> | <u>398,323</u> | <u>366,910</u> | <u>3,532,345</u> |

Leatherstocking Gas Company, LLC
Gas Sales & Deliveries (CCF)
For the Twelve Months Ended March 31, 2023

| | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <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>Total</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| <u>Billed Sales & Deliveries</u> | | | | | | | | | | | | | |
| SC 1 - Residential | 23,644 | 15,422 | 4,250 | 4,359 | 2,960 | 8,993 | 13,464 | 33,476 | 38,353 | 65,035 | 53,829 | 40,214 | 304,000 |
| SC 2 - General Service | 24,005 | 19,573 | 5,779 | 7,169 | 4,569 | 6,140 | 15,026 | 37,829 | 43,753 | 76,941 | 64,776 | 44,661 | 350,220 |
| SC 3 - Small Commercial | 20,931 | 13,111 | 4,827 | 5,405 | 4,500 | 6,451 | 19,515 | 42,967 | 48,030 | 74,559 | 78,908 | 50,195 | 369,400 |
| SC 4 - Large Commercial | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation | <u>223,890</u> | <u>218,621</u> | <u>199,541</u> | <u>194,435</u> | <u>201,243</u> | <u>201,345</u> | <u>204,016</u> | <u>239,902</u> | <u>239,403</u> | <u>278,510</u> | <u>238,037</u> | <u>256,128</u> | <u>2,695,070</u> |
| Total | <u>292,471</u> | <u>266,727</u> | <u>214,397</u> | <u>211,368</u> | <u>213,273</u> | <u>222,930</u> | <u>252,020</u> | <u>354,174</u> | <u>369,539</u> | <u>495,044</u> | <u>435,550</u> | <u>391,198</u> | <u>3,718,690</u> |

Leatherstocking Gas Company, LLC

**Gas Revenues (\$)
For the Twelve Months Ended March 31, 2022**

| | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <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>Total</u> |
|------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| <u>Billed Revenue</u> | | | | | | | | | | | | | |
| SC 1 - Residential | \$ 34,632 | \$ 24,636 | \$ 11,209 | \$ 11,376 | \$ 9,586 | \$ 17,496 | \$ 17,192 | \$ 47,301 | \$ 54,651 | \$ 88,427 | \$ 73,918 | \$ 57,164 | \$ 447,589 |
| SC 2 - General Service | 30,570 | 24,379 | 8,806 | 5,729 | 7,776 | 8,412 | 20,081 | 49,129 | 56,425 | 97,916 | 79,451 | 57,907 | 446,581 |
| SC 3 - Small Commercial | 24,723 | 16,112 | 6,891 | 7,543 | 5,961 | 7,807 | 17,677 | 35,481 | 40,154 | 60,825 | 63,289 | 42,921 | 329,383 |
| SC 4 - Large Commercial | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation | 11,423 | 11,154 | 10,181 | 9,920 | 10,267 | 10,273 | 10,409 | 12,240 | 12,214 | 14,210 | 12,145 | 13,068 | 137,502 |
| Total | \$ 101,348 | \$ 76,281 | \$ 37,086 | \$ 34,569 | \$ 33,590 | \$ 43,988 | \$ 65,359 | \$ 144,150 | \$ 163,444 | \$ 261,378 | \$ 228,802 | \$ 171,060 | \$ 1,361,055 |

Leatherstocking Gas Company, LLC

**Gas Revenues (\$)
For the Twelve Months Ended March 31, 2023**

| | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <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>Total</u> |
|------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| <u>Rate Revenue</u> | | | | | | | | | | | | | |
| SC 1 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 6,400 | \$ 76,800 |
| SC 2 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 29,760 |
| SC 3 | 1,500 | 1,500 | 1,500 | 1,500 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 20,400 |
| SC 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation Customer | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | <u>10,380</u> | <u>10,380</u> | <u>10,380</u> | <u>10,380</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>10,680</u> | <u>126,960</u> |
| <u>Delivery Revenue</u> | | | | | | | | | | | | | |
| SC 1 | 15,369 | 10,024 | 2,763 | 2,834 | 1,924 | 5,846 | 8,752 | 21,759 | 24,929 | 42,273 | 34,989 | 26,139 | 197,600 |
| SC 2 | 15,603 | 12,723 | 3,756 | 4,660 | 2,970 | 3,991 | 9,767 | 24,589 | 28,439 | 50,011 | 42,104 | 29,030 | 227,643 |
| SC 3 | 11,512 | 7,211 | 2,655 | 2,973 | 2,475 | 3,548 | 10,733 | 23,632 | 26,417 | 41,008 | 43,400 | 27,607 | 203,170 |
| SC 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation Customer | <u>11,642</u> | <u>11,368</u> | <u>10,376</u> | <u>10,111</u> | <u>10,465</u> | <u>10,470</u> | <u>10,609</u> | <u>12,475</u> | <u>12,449</u> | <u>14,483</u> | <u>12,378</u> | <u>13,319</u> | <u>140,144</u> |
| Subtotal | <u>54,127</u> | <u>41,326</u> | <u>19,550</u> | <u>20,577</u> | <u>17,834</u> | <u>23,855</u> | <u>39,860</u> | <u>82,455</u> | <u>92,234</u> | <u>147,774</u> | <u>132,871</u> | <u>96,095</u> | <u>768,557</u> |
| <u>GCR Revenue</u> | | | | | | | | | | | | | |
| SC 1 | 8,386 | 5,470 | 1,508 | 4,108 | 2,790 | 8,476 | 12,689 | 31,549 | 36,145 | 61,291 | 50,731 | 37,899 | 261,043 |
| SC 2 | 8,514 | 6,942 | 2,050 | 6,756 | 4,306 | 5,787 | 14,161 | 35,651 | 41,234 | 72,512 | 61,047 | 42,090 | 301,052 |
| SC 3 | 7,424 | 4,650 | 1,712 | 5,094 | 4,241 | 6,080 | 18,392 | 40,494 | 45,266 | 70,268 | 74,366 | 47,306 | 325,292 |
| SC 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation Customer | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | <u>24,325</u> | <u>17,063</u> | <u>5,269</u> | <u>15,959</u> | <u>11,337</u> | <u>20,342</u> | <u>45,241</u> | <u>107,694</u> | <u>122,645</u> | <u>204,071</u> | <u>186,144</u> | <u>127,295</u> | <u>887,386</u> |
| <u>CIAC/CBOCF</u> | | | | | | | | | | | | | |
| SC 1 | 7,093 | 4,627 | 1,275 | 1,308 | 888 | 2,698 | 4,039 | 10,043 | 11,506 | 19,510 | 16,149 | 12,064 | 91,200 |
| SC 2 | 7,202 | 5,872 | 1,734 | 2,151 | 1,371 | 1,842 | 4,508 | 11,349 | 13,126 | 23,082 | 19,433 | 13,398 | 105,066 |
| SC 3 | 6,279 | 3,933 | 1,448 | 1,621 | 1,350 | 1,935 | 5,854 | 12,890 | 14,409 | 22,368 | 23,672 | 15,059 | 110,820 |
| SC 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation Customer | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | <u>20,574</u> | <u>14,432</u> | <u>4,457</u> | <u>5,080</u> | <u>3,609</u> | <u>6,475</u> | <u>14,401</u> | <u>34,282</u> | <u>39,041</u> | <u>64,960</u> | <u>59,254</u> | <u>40,521</u> | <u>307,086</u> |
| <u>Total Billed Revenue</u> | | | | | | | | | | | | | |
| SC 1 | 37,249 | 26,521 | 11,945 | 14,650 | 12,002 | 23,420 | 31,880 | 69,751 | 78,980 | 129,474 | 108,269 | 82,502 | 626,643 |
| SC 2 | 33,800 | 28,017 | 10,019 | 16,047 | 11,127 | 14,100 | 30,915 | 74,069 | 85,280 | 148,086 | 125,064 | 86,998 | 663,521 |
| SC 3 | 26,716 | 17,294 | 7,315 | 11,188 | 9,866 | 13,363 | 36,779 | 78,816 | 87,892 | 135,443 | 143,238 | 91,772 | 659,682 |
| SC 4 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Transportation Customer | <u>11,642</u> | <u>11,368</u> | <u>10,376</u> | <u>10,111</u> | <u>10,465</u> | <u>10,470</u> | <u>10,609</u> | <u>12,475</u> | <u>12,449</u> | <u>14,483</u> | <u>12,378</u> | <u>13,319</u> | <u>140,144</u> |
| Total | <u>\$ 109,406</u> | <u>\$ 83,200</u> | <u>\$ 39,656</u> | <u>\$ 51,995</u> | <u>\$ 43,459</u> | <u>\$ 61,352</u> | <u>\$ 110,183</u> | <u>\$ 235,111</u> | <u>\$ 264,600</u> | <u>\$ 427,485</u> | <u>\$ 388,949</u> | <u>\$ 274,591</u> | <u>\$ 2,089,989</u> |

Leatherstocking Gas Company, LLC
Gas Sales & Deliveries (CCF)
For the Twelve Months Ended March 31, 2023

| Column No. | | 1 | 2 | 3 | 4 | 6 | 7 |
|------------|---|------------------------------|--|--|--|-----------------------------------|---------------------------------------|
| Line No. | Description | SC 1 Residential Sales | SC 2 General Service & Non- Residential Heating Sales | SC 3 Small Commercial Sales < 25,000 MCF's | SC 4 Large Commercial Sales > 25,000 MCF's | Gas Transportation Customer | Total Billed Sales & Deliveries |
| 1 | Actual billed delivery volumes For the Twelve Months Ended March 31, 2022 | 295,330 | 330,657 | 262,088 | - | 2,644,270 | 3,532,345 |
| 2 | Forecast Change In Average Sales / Delivery Volumes | 15 | 5,445 | 4,612 | - | 50,800 | 60,872 |
| 3 | Subtotal | 295,345 | 336,102 | 266,700 | - | 2,695,070 | 3,593,217 |
| 4 | Sales / Deliveries to new Customers | 8,655 | 14,118 | 102,700 | - | - | 125,473 |
| 5 | Forecasted Sales / Delivery Volumes For the Twelve Months Ended March 31, 2023 | 304,000 | 350,220 | 369,400 | - | 2,695,070 | 3,718,690 |

Leatherstocking Gas Company, LLC
Actual Gas Sales, Deliveries, and Revenues
For the Twelve Months Ended March 31, 2022

| Column No. | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|--|--------------------------|-----------------------------------|----------------------|----------------------|--------------------------|-----------------------|------------------------------|--------------|-----------------------------|
| Line No. | Service Classification | Gas Delivery Volumes CCF | CIAC / CBOCF Delivery Volumes CCF | Gas Customers Number | Base Revenue (\$000) | Delivery Revenue (\$000) | Rider Revenue (\$000) | CIAC / CBOCF Revenue (\$000) | STAS (\$000) | Total Sales Revenue (\$000) |
| <u>Billed Sales & Delivery</u> | | | | | | | | | | |
| 1 | SC 1 - Residential | 295,330 | 289,683 | 311 | \$ 74,613 | \$ 189,178 | \$ 96,893 | \$ 86,905 | \$ - | \$ 447,589 |
| 2 | SC 2 - General Service & Non-Residential Heating | 330,657 | 299,958 | 119 | 28,512 | 218,083 | 109,998 | 89,988 | - | 446,581 |
| 3 | SC 3 - Small Commercial Sales < 25,000 MCF | 262,088 | 163,388 | 5 | 17,730 | 173,758 | 88,878 | 49,016 | - | 329,383 |
| 4 | SC4 - Large Commercial Sales > 25,000 MCF | - | - | - | - | - | - | - | - | - |
| 5 | Transportation Customer | 2,644,270 | - | 1 | - | 137,502 | - | - | - | 137,502 |
| Total Billed Delivery | | 3,532,345 | 753,029 | 436 | \$ 120,855 | \$ 718,521 | \$ 295,770 | \$ 225,909 | \$ - | \$ 1,361,055 |

Forecast Gas Sales, Deliveries, and Revenues
For the Twelve Months Ended March 31, 2023

| Column No. | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|--|--------------------------|-----------------------------------|----------------------|----------------------|--------------------------|-----------------------|------------------------------|--------------|-----------------------------|
| Line No. | Service Classification | Gas Delivery Volumes CCF | CIAC / CBOCF Delivery Volumes CCF | Gas Customers Number | Base Revenue (\$000) | Delivery Revenue (\$000) | Rider Revenue (\$000) | CIAC / CBOCF Revenue (\$000) | STAS (\$000) | Total Sales Revenue (\$000) |
| <u>Billed Sales & Delivery</u> | | | | | | | | | | |
| 1 | SC 1 - Residential | 304,000 | 304,000 | 320 | \$ 76,800 | \$ 197,600 | \$ 261,043 | \$ 91,200 | \$ - | \$ 626,643 |
| 2 | SC 2 - General Service & Non-Residential Heating | 350,220 | 350,220 | 124 | 29,760 | 227,643 | 301,052 | 105,066 | - | 663,521 |
| 3 | SC 3 - Small Commercial Sales < 25,000 MCF | 369,400 | 369,400 | 6 | 20,400 | 203,170 | 325,292 | 110,820 | - | 659,682 |
| 4 | SC4 - Large Commercial Sales > 25,000 MCF | - | - | - | - | - | - | - | - | - |
| 5 | Transportation Customer | 2,695,070 | - | 1 | - | 140,144 | - | - | - | 140,144 |
| Total Billed Delivery | | 3,718,690 | 1,023,620 | 451 | \$ 126,960 | \$ 768,557 | \$ 887,386 | \$ 307,086 | \$ - | \$ 2,089,989 |

Leatherstocking Gas Company, LLC
Index of Schedules
Gas Rate Design

Exhibit G-6

| <u>Schedule</u> | <u>Title of Schedule</u> | <u>Witness</u> |
|-----------------|---|-------------------------|
| (1) | Allocation of Rate Increase to Service Classes | Accounting & Rate Panel |
| (2) | Impact of Rate Change on Total Billings | Accounting & Rate Panel |
| (3) | Monthly Bill Comparison | Accounting & Rate Panel |
| (4) | Base Revenues at Present and Proposed Rates with GCR | Accounting & Rate Panel |
| (5) | Base Revenues at Present and Proposed Rates without GCR | Accounting & Rate Panel |

Leatherstocking Gas Company, LLC
Gas Rate Design
Test Year 12 Months Ended March 31, 2023

Exhibit G-6
Schedule 1

Allocation of Rate Increase to Service Classes (a)

| Line No. | Description | Base Service Charge (B) | Delivery / CIAC - CBOCF Revenue (C) | Current Base Revenues (D) | Uniform Percentage Increase on Delivery & CIAC / CBOCF Revenues (E) | Total Delivery Revenues (F) | Forecast GCR Rider Revenue (G) | Total Sales Revenue (H) | Delivery / Transportation Revenue Percent Increase (I) | Overall Increase (J) |
|--------------|--|----------------------------|--|------------------------------|--|--------------------------------|-----------------------------------|----------------------------|---|-------------------------|
| | | | | | col B + col C | | | | col D + col E | |
| 1 | Rate Schedule: | | | | | | | | | |
| 2 | SC 1 - Residential | \$76,800 | \$288,800 | \$365,600 | \$216,469 | \$582,069 | \$286,502 | \$868,571 | 59.21% | 33.20% |
| 3 | SC 2 - General Service & Non-Residential Heating | \$29,760 | \$332,709 | \$362,469 | \$249,381 | \$611,850 | \$330,061 | \$941,911 | 68.80% | 36.01% |
| 4 | SC 3 - Small Commercial Sales < 25,000 MCF Annually | \$20,400 | \$313,990 | \$334,390 | \$235,348 | \$569,738 | \$348,137 | \$917,875 | 70.38% | 34.48% |
| 5 | SC-4 - Large Commercial Sales => 25,000 MCF Annually | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | N/A | N/A |
| 9 | SC-5 - Small Transportation < 25,000 MCF Annually | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | N/A | N/A |
| 10 | SC-6 - Large Transportation => 25,000 MCF Annually | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | N/A | N/A |
| 11 | Contract Transportation Customer (b) | \$0 | \$140,144 | \$140,144 | \$0 | \$140,144 | \$0 | \$140,144 | N/A | N/A |
| 12 | Rounding Adjustment | \$0 | \$0 | \$0 | \$2 | \$2 | \$0 | \$2 | N/A | N/A |
| Total | | \$126,960 | \$1,075,643 | \$1,202,603 | \$701,200 | \$1,903,803 | \$964,700 | \$2,868,503 | 58.31% | 32.35% |

(a) Excludes sales tax

(b) Billed at a competitive energy rate

Leatherstocking Gas Company LLC
Impact of Proposed Rate Change on Total Billings (Including Sales Tax on SC 2 Customers *)
For the 12 Months Ending March 31, 2023

Exhibit G-6
Schedule 2

| Rate Code | Description | Annual Bills | CCF Sales / Transportation | Current Rates | Proposed Rates | Increase | |
|-----------|--|--------------|----------------------------|---------------|----------------|--------------|---------|
| | | | | | | Amount | Percent |
| SC- 1 | Residential Service | 3,840 | 304,000 | \$652,101.76 | \$868,570.76 | \$216,469.00 | 33.2% |
| | - Monthly | 320 | 25,333 | \$54,341.81 | \$72,380.90 | \$18,039.08 | 33.2% |
| | - Monthly Per Customer | | 79 | \$169.82 | \$226.19 | \$56.37 | 33.2% |
| SC-2 | General Services & Non-Residential Space Heating | 1,488 | 350,220 | \$716,291.83 | \$974,229.37 | \$257,937.54 | 36.0% |
| | - Monthly | 124 | 29,185 | \$59,690.99 | \$81,185.78 | \$21,494.80 | 36.0% |
| | - Monthly Per Customer | | 235 | \$481.38 | \$654.72 | \$173.35 | 36.0% |
| SC-3 | Commercial Service * | | | | | | |
| | 5,000 - 24,999 MCF Annually | 68 | 369,400 | \$682,527.34 | \$917,875.34 | \$235,348.00 | 34.5% |
| | - Monthly | 6 | 30,783 | \$56,877.28 | \$76,489.61 | \$19,612.33 | 34.5% |
| | - Monthly Per Customer | | 5,432 | \$10,037.17 | \$13,498.17 | \$3,461.00 | 34.5% |
| SC-4 | Commercial Service | | | | | | |
| | 25,000 MCF Minimum | - | - | - | - | - | - |
| | - Monthly | - | - | - | - | - | - |
| | - Monthly Per Customer | | - | - | - | - | - |
| SC-5 | Transportation Service | | | | | | |
| | 5,000 - 24,999 MCF Annually | - | - | - | - | - | - |
| | - Monthly | - | - | - | - | - | - |
| | - Monthly Per Customer | | - | - | - | - | - |
| SC-6 | Transportation Service | | | | | | |
| | 25,000 MCF Minimum | - | - | - | - | - | - |
| | - Monthly | - | - | - | - | - | - |
| | - Monthly Per Customer | | - | - | - | - | - |
| | Contract Transportation Customer ** | 12 | 2,695,070 | \$140,143.64 | \$140,143.64 | - | - |
| | - Monthly | 1 | 224,589 | \$11,678.64 | \$11,678.64 | - | - |

* Currently none of Leatherstocking's SC-3 customers are subject to sales tax, they are all either governmental or non-profit entities.

** Customer current billed under terms of a competitive energy rate

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

Exhibit G-6
Schedule 3

| Monthly Usage (CCF) | Total Monthly Bill @ | | Total Bill Change | Total Bill Percent Change | Delivery Only Monthly Bill @ | | Delivery Only Change | Delivery Percent Change |
|--|----------------------|----------------|-------------------|---------------------------|------------------------------|----------------|----------------------|-------------------------|
| | Present Rate | Proposed Rates | | | Present Rate | Proposed Rates | | |
| Service Classification No. 1 | | | | | | | | |
| 3 | \$25.68 | \$27.81 | \$2.14 | 8.3% | \$22.85 | \$24.99 | \$2.14 | 9.3% |
| 10 | \$38.92 | \$46.05 | \$7.12 | 18.3% | \$29.50 | \$36.62 | \$7.12 | 24.1% |
| 25 | \$67.31 | \$85.11 | \$17.80 | 26.4% | \$43.75 | \$61.55 | \$17.80 | 40.7% |
| 50 | \$114.62 | \$150.23 | \$35.60 | 31.1% | \$67.50 | \$103.10 | \$35.60 | 52.7% |
| 100 | \$209.24 | \$280.45 | \$71.21 | 34.0% | \$115.00 | \$186.21 | \$71.21 | 61.9% |
| 200 | \$398.49 | \$540.90 | \$142.41 | 35.7% | \$210.00 | \$352.41 | \$142.41 | 67.8% |
| 300 | \$587.73 | \$801.35 | \$213.62 | 36.3% | \$305.00 | \$518.62 | \$213.62 | 70.0% |
| 400 | \$776.98 | \$1,061.80 | \$284.83 | 36.7% | \$400.00 | \$684.83 | \$284.83 | 71.2% |
| Service Classification No. 2 (including sales tax) | | | | | | | | |
| 3 | \$26.56 | \$28.77 | \$2.21 | 8.3% | \$23.63 | \$25.84 | \$2.21 | 9.3% |
| 10 | \$40.26 | \$47.62 | \$7.37 | 18.3% | \$30.51 | \$37.88 | \$7.37 | 24.1% |
| 50 | \$118.55 | \$155.38 | \$36.83 | 31.1% | \$69.82 | \$106.64 | \$36.83 | 52.7% |
| 100 | \$216.42 | \$290.07 | \$73.65 | 34.0% | \$118.95 | \$192.60 | \$73.65 | 61.9% |
| 250 | \$510.03 | \$694.15 | \$184.13 | 36.1% | \$266.34 | \$450.46 | \$184.13 | 69.1% |
| 500 | \$999.37 | \$1,367.62 | \$368.25 | 36.8% | \$511.98 | \$880.23 | \$368.25 | 71.9% |
| 750 | \$1,488.72 | \$2,041.09 | \$552.38 | 37.1% | \$757.63 | \$1,310.01 | \$552.38 | 72.9% |
| 1,000 | \$1,978.06 | \$2,714.56 | \$736.50 | 37.2% | \$1,003.28 | \$1,739.78 | \$736.50 | 73.4% |
| 1,250 | \$2,467.40 | \$3,388.03 | \$920.63 | 37.3% | \$1,248.93 | \$2,169.56 | \$920.63 | 73.7% |
| 1,500 | \$2,956.74 | \$4,061.50 | \$1,104.75 | 37.4% | \$1,494.58 | \$2,599.33 | \$1,104.75 | 73.9% |
| Service Classification No. 3 (current customers exempt from sales tax) | | | | | | | | |
| 1,000 | \$2,092.44 | \$2,642.08 | \$549.64 | 26.3% | \$1,150.00 | \$1,699.64 | \$549.64 | 47.8% |
| 2,500 | \$4,781.10 | \$6,155.20 | \$1,374.10 | 28.7% | \$2,425.00 | \$3,799.10 | \$1,374.10 | 56.7% |
| 5,000 | \$9,262.20 | \$12,010.40 | \$2,748.20 | 29.7% | \$4,550.00 | \$7,298.20 | \$2,748.20 | 60.4% |
| 7,500 | \$13,743.30 | \$17,865.60 | \$4,122.30 | 30.0% | \$6,675.00 | \$10,797.30 | \$4,122.30 | 61.8% |
| 10,000 | \$18,224.40 | \$23,720.80 | \$5,496.40 | 30.2% | \$8,800.00 | \$14,296.40 | \$5,496.40 | 62.5% |
| 12,500 | \$22,705.50 | \$29,576.00 | \$6,870.50 | 30.3% | \$10,925.00 | \$17,795.50 | \$6,870.50 | 62.9% |
| 15,000 | \$27,186.60 | \$35,431.20 | \$8,244.60 | 30.3% | \$13,050.00 | \$21,294.60 | \$8,244.60 | 63.2% |

Leatherstocking Gas Company, LLC
Gas Rate Design - Billing Comparison without Gas Cost Recoveries
Test Year 12 Months Ended March 31, 2023

Base Revenues at Present and Proposed Rates with Gas Cost Recoveries

| Schedule & Cost Component | Quantity | Units | Present Rates | | | | Proposed Rates | | | | | Change | |
|---------------------------|------------------------------|------------------|------------------|----------|------------|---------------------|------------------|-----------|------------|-----------|---------------------|--------|-------|
| | | | Base Margin Rate | GCR Rate | Total Rate | Revenue | Base Margin Rate | GCR Rate | Total Rate | Revenue | | | |
| | | | Transportation | | | | Transportation | | | | | | |
| 81 | | | | | | | | | | | | | |
| 82 | | | | | | | | | | | | | |
| 83 | Transportation | | | | | | | | | | | | |
| 84 | | | | | | | | | | | | | |
| 85 | Customer Charge | 1 Customers | \$ - | | \$0.00 | \$ - | 1 Customers | \$ - | | \$0.00 | \$ - | | |
| 86 | | | | | | | | | | | | | |
| 87 | Delivery Charge All CCF | 2,695,070 CCF | \$ 0.0520 | \$ - | \$ 0.0520 | 140,144 | 2,695,070 CCF | \$ 0.0520 | \$ - | \$ 0.0520 | 140,144 | | |
| 88 | | | | | | | | | | | | | |
| 89 | CIAC / CBOCF Charge | - CCF | \$ - | | \$ - | - | - CCF | \$ - | | \$ - | - | | |
| 90 | | | | | | | | | | | | | |
| 91 | Total Revenues | | | | | \$ 140,144 | | | | | \$ 140,144 | | 0.0% |
| 92 | | | | | | | | | | | | | |
| 93 | | | | | | | | | | | | | |
| 94 | | | | | | | | | | | | | |
| 95 | | | | | | | | | | | | | |
| 96 | TOTAL SYSTEM REVENUES | <u>3,718,690</u> | CCF | | | <u>\$ 2,167,303</u> | <u>3,718,690</u> | CCF | | | <u>\$ 2,868,502</u> | | 32.4% |
| 97 | | | | | | | | | | | | | |
| 98 | | | | | | | | | | | | | |
| 99 | | | | | | | | | | | | | |
| 100 | | | | | | | | | | | | | |
| 101 | | | | | | | | | | | | | |
| 102 | | | | | | | | | | | | | |

Current Delivery Revenues with GCR
Rate Increase Target
Excess / (Shortfall)

\$ 2,167,303
701,200
\$ 2,868,503 Target
\$ (1)

D. Data Responses to 52 Pa. Code Section 53.52;

Leatherstocking Gas Company of Pennsylvania, LLC

Gas Rate Case Filing Docket No. R-2022-3032764

Data Responses to 52 Pa. Code Sections 53.52

(1) The specific reasons for each change.

Response: The proposed rates for gas service are necessary to provide sufficient operating revenues to meet operating expenses (including depreciation), taxes and fixed charges, and provide a reasonable rate of return on the Company's investment in gas property. The proposed rates will also enable Leatherstocking to maintain its creditworthiness at a level sufficient to raise capital necessary to finance its construction budget.

(2) The total number of customers served by the utility.

Response: Leatherstocking serves approximately 450 gas customers.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.

Response: All SC1, SC2, and SC3 customers will be impacted by the rate change. See Exhibit G-5, Schedule 6.

(4) The effect of the change on the utility's customers.

Response: See Exhibit G-6.

(5) The direct or indirect effect of the proposed change on the utility's revenue and expenses.

Response: See Exhibit G-4, Summary.

(6) The effect of the change on the service rendered by the utility.

Response: Service levels will not change, but Leatherstocking's ability to raise capital at a lower cost will improve.

(7) A list of factors considered by the utility in its determination to make the change.

Response: N/A

(8) Studies undertaken by the utility in order to draft its proposed change.

Response: N/A

Leatherstocking Gas Company of Pennsylvania, LLC

Gas Rate Case Filing Docket No. R-2022-3032764

Data Responses to 52 Pa. Code Sections 53.52

(10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.

Response: General rate increase will be allocated among customer classes as indicated in Exhibit G-6.

(11) Commission orders or rulings applicable to the filing.

Response: N/A

Part (b) Whenever a public utility files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing the following:

(1) The specific reasons for each increase or decrease.

Response: A delivery rate Increase is necessary to provide a reasonable rate of return to the Company's investors, as well as provide sufficient operating revenues to meet operating expenses (including depreciation), taxes and fixed charges.

(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing.

Response: Please refer to Exhibit G-1, Schedules 3 and 4.

(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

Response: Please refer to Exhibit G-5, Schedule 6.

(4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis.

Response: Please refer to Exhibit G-6.

Leatherstocking Gas Company of Pennsylvania, LLC

Gas Rate Case Filing Docket No. R-2022-3032764

Data Responses to 52 Pa. Code Sections 53.52

(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

Response: None.

(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

Response: N/A

Part (c) If a public utility files a tariff, revision or supplement which it is calculated will increase the bills of a customer or a group of customers by an amount, when projected to an annual basis, exceeding 3% of the operating revenues of the utility—subsection (b)(4) divided by the operating revenues of the utility for a 12-month period as defined in subsection (b)(2)—or which it is calculated will increase the bills of 5% or more of the number of customers served by the utility—subsection (b)(3) divided by subsection (a)(2)—it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by subsections (a) and (b), all of the following information:

(1) A statement showing the utility's calculation of the rate of return earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense plus depreciation as referred to in § 53.54(b)(2)(B).

Response: See Exhibit G-4 and G-3.

(2) A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).

Response: See Exhibit G-1, Schedule 1

(3) A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).

Response: See Exhibit G-1, Schedule 2

Leatherstocking Gas Company of Pennsylvania, LLC

Gas Rate Case Filing Docket No. R-2022-3032764

Data Responses to 52 Pa. Code Sections 53.52

- (4) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).

Response: See Exhibit G-1, Schedule 2

- (5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).

Response: See Exhibit G-1, Schedule 3

- (6) A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1)—(5).

Response: There were no significant changes.

(d) If a utility renders more than one type of public service, such as electric and gas, information required by § § 53.51—53.53 (relating to information furnished with the filing of rate changes), except subsection (c)(2), relates solely to the kind of service to which the tariff or tariff supplement is applicable. In subsection (c)(2), the book value of property used in furnishing each type of public service, as well as the depreciation reserve applicable to the property, shall be shown separately.

Response: Leatherstocking only provides gas service to customers.

E. Proofs of Notice;

Susquehanna County
Commonwealth of
Pennsylvania

Kelly M Russell, being duly sworn, says she is the designated agent of the of The Susquehanna County Independent, of general circulation, published in Susquehanna County, county aforesaid, and that the notice hereto attached is exactly as was printed in said paper once a day on the following dates:

22nd of June 2022

Kelly M Russell, Accounting

Kelly M Russell

Sworn and subscribed before me this day

22nd day of June 2022
Susan M. Rought, Notary Public

Commonwealth of Pennsylvania - Notary Seal
Susan M. Rought, Notary Public
Bradford County
My commission expires August 6, 2025
Commission number 1277916
Member, Pennsylvania Association of Notaries

PUBLIC NOTICE GAS RATES

Leatherstocking Gas Company LLC is filing a request with the Pennsylvania Public Utility Commission ("PUC") to increase your Gas rates as of September 1, 2022. The company has requested an overall rate increase of \$701,200 per year, if the company's entire request is approved, the total bill customer would increase as follows:

- Residential customers using 79 CCF would increase from \$169.82 to \$226.19 per month, or by 33.2%, including estimated gas costs.
- General service commercial and non-residential space heating customers using 235 CCF per month would increase from \$481.38 to \$654.72 per month, or by 36%, including estimated gas costs and sales tax.
- Commercial service customers using 5,432 CCF per month would increase from \$10,037.17 per month to \$13,498.17 per month, or by 34.5%, including estimated gas costs and sales tax.

The rate increases are required as the company has incurred and/or will realize increased operating expenses since its last rate change in 2013. These expenses include the financing of investments in new infrastructure, as well as operating costs that have increased over time due to inflation and/or other regulatory demands to meet customer service and reliability requirements.

Customers can contact the company at (570)278-5863 to get further information on the proposed increases, or to find out what action they may take.

WEEKLY GROUP NEWSPAPERS
OWEGO, SUSQUEHANNA INDEPENDENT & WEEKENDER
116 MAIN STREET
TOWANDA PA 18848
(570)265-2151ext

ORDER CONFIRMATION

Salesperson: ROUGHT SUE

Printed at 06/20/22 15:44 by sroug-tp

Acct #: 595055

Ad #: 82064554

Status: New WHOLD

LEATHERSTOCKING GAS COMPANY
ATTN TRACY ROYE
330 W. WILLIAM STREET
CORNING NY 14830

Start: 06/29/2022 Stop: 06/29/2022
Times Ord: 1 Times Run: ***
STD8 2.00 X 32.00 Words: 220
Total STD8 72.00
Class: X1010 LEGALS & PUBLIC NOTICES
Rate: CLL Cost: 128.84
Affidavits: 1

Contact: JULIE LEWIS
Phone: (607)725-7841
Fax#:
Email: jlewis@corninggas.com
Agency:

Ad Descrpt: PUBLIC NOTICE GAS RATES L
Given by: *
P.O. #:
Created: sroug 06/17/22 15:49
Last Changed: sroug 06/20/22 11:43

PUB ZONE EDT TP RUN DATES
WGS I CL 3 S 06/29

AUTHORIZATION

Under this agreement rates are subject to change with 30 days notice. In the event of a cancellation before schedule completion, I understand that the rate charged will be based upon the rate for the number of insertions used.

Name (print or type)

Name (signature)

(CONTINUED ON NEXT PAGE)

WEEKLY GROUP NEWSPAPERS
OWEGO, SUSQUEHANNA INDEPENDENT & WEEKENDER
116 MAIN STREET
TOWANDA PA 18848
(570)265-2151ext

ORDER CONFIRMATION (CONTINUED)

Salesperson: ROUGHT SUE

Printed at 06/20/22 15:44 by sroug-tp

Acct #: 595055

Ad #: 82064554

Status: New WHOLD WHOI

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- **Commercial service customers using 5,432 CCF per month would increase from \$10,037.17 per month to \$13,498.17 per month, or by 34.5%, including estimated gas costs and sales tax.**

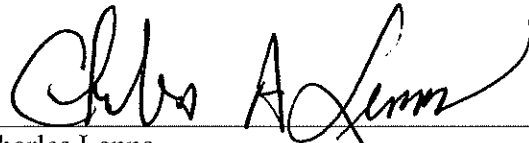
The rate increases are required as the company has incurred and/or will realize increased operating expenses since its last rate change in 2013. These expenses include the financing of investments in new infrastructure, as well as operating costs that have increased over time due to inflation and/or other regulatory demands to meet customer service and reliability requirements. Customers can contact the company at 570-278-5863 to get further information on the proposed increases, or to find out what action they may take.

F. Verification.

VERIFICATION

I, Charles Lenns, Vice President and Chief Financial Officer of Leatherstocking Gas Company LLC, hereby state that the facts set forth in the foregoing document are true and correct to the best of my knowledge, information, and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: July 1, 2022

A handwritten signature in black ink, appearing to read "Charles A. Lenns", written over a horizontal line.

Name: Charles Lenns
Title: Vice President and Chief Financial Officer
Leatherstocking Gas Company LLC

Leatherstocking Rebuttal Testimony

- A. Leatherstocking Statement No. 1-R - Rebuttal Testimony of Accounting and Rate Panel Charles Lenns and Richard A. Kane, including Appendices A and B and Exhibits G-2 Oct. 2022 Update through G-4 Oct. 2022 Update.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | |
|-----------------------------|-----------------------------|
| Pennsylvania Public Utility | : |
| Commission | : |
| | : |
| v. | : DOCKET NO. R-2022-3032764 |
| | : |
| Leatherstocking | : |
| Gas Company, LLC | : |

**Leatherstocking Gas Company
Statement No. 1-R
Rebuttal Testimony of
Accounting & Rate Panel
Charles Lenns and Richard A. Kane**

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

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LEATHERSTOCKING GAS COMPANY LLC
GAS RATE CASE DOCKET NO. R-2022-3032764
STATEMENT NO. 1-R
REBUTTAL TESTIMONY OF ACCOUNTING & RATE PANEL
CHARLES LENNS AND RICHARD A. KANE

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

3 A. Yes, we submitted direct testimony (Statement No. 1) that provided an overview
4 of Leatherstocking Gas Company, LLC (“LGC,” “Leatherstocking,” or “the
5 Company”); discussed the major costs driving the rate increase LGC is seeking,
6 and discussed the adjustments made to the Historic Test Year in order to calculate
7 the requested rate increase.

8

9

PURPOSE OF REBUTTAL TESTIMONY

10 **Q. What is the purpose of the Accounting & Rate Panel’s Rebuttal testimony in**
11 **this proceeding?**

12 A. The Rebuttal Testimony of the Accounting & Rate Panel will cover the following
13 topics:

- 14 ▪ Explain updates we are making to the Company’s Cost of Capital, Rate
15 Base, and Revenue Requirement Exhibits in order to reflect recent
16 increases in interest rates, current insurance costs, changes made to the
17 Pennsylvania state income tax rates, and to correct inadvertent
18 computational errors that came to light as part of the discovery process.
- 19 ▪ Adopt as part of the Company’s Update, in whole or in part, certain
20 adjustments proposed by the Bureau of Investigation and Enforcement
21 (“BI&E”) witnesses Wilson and Sakaya (BI&E Statements 1 and 3,
22 respectively), by the Office of Consumer Advocate (“OCA”) witness,

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 Jennifer Rogers (OCA Statement No. 1), and by the Office of Small
2 Business Advocate (“OSBA”) witness, Kevin Higgins (OSBA Statement
3 No. 1).

- 4 ▪ List the Cost of Service items that were not contested by the parties to this
5 proceeding in their direct testimony.
- 6 ▪ Address and rebut adjustments proposed by BI&E, OSBA and OCA
7 witnesses that the Company does not believe are appropriate.
- 8 ▪ Discuss the Return on Equity recommendations of BI&E witness
9 Spadaccio (BI&E Statement No. 2) and OSBA witness Higgins (OSBA
10 Statement No. 1).
- 11 ▪ Address the use of the Company’s “Global (Black Box) Adjustment” to
12 offset adjustments proposed by witnesses for BI&E, OCA, and OSBA that
13 may be recommended by Administrative Law Judge Watson and / or
14 adopted by the Commission in its final Order.
- 15 ▪ Finally, we will discuss the revenue allocation / rate design proposals
16 submitted by OSBA witness Higgins (Statement No. 1) and BI&E witness
17 Sakaya (BI&E Statement No. 3) that we are in agreement with.

18

19

REVENUE REQUIREMENT UPDATES

20 **Q. Is the Accounting & Rate Panel updating any of its Exhibits to this filing?**

21 A. Yes. The Accounting & Rate Panel is updating its Capital Structure Exhibit G-2,
22 Schedule 3; Rate Base Exhibit G-3, Summary and Schedules 1 and 3; and its
23 Revenue Requirement Exhibit G-4, Summary and Schedules 1, 2, 5, and 8. The

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 new Exhibits can be identified as “Exhibit G-2 Oct 2022 Update,” “Exhibit G-3
2 Oct 2022 Update,” and “Exhibit G-4 Oct 2022 Update.”

3

4 **LGC Capital Structure / Cost of Capital**

5 **Q. Please describe Exhibit G-2 Oct 2022 Update.**

6 A. Exhibit G-3 Oct 2022 Update consists of a three Schedules containing the Historic
7 and Future Test Year Capitalization, Historic and Future Test Year cost of long
8 term debt, and the Company’s Cost of Capital.

9 **Q. What Update or change is the Company reflecting in Exhibit G-2 Oct 2022
10 Update?**

11 A. We have updated Schedule 3, of Exhibit G-2 Oct 2022 Update to reflect the
12 current interest rate in effect for short-term debt of 5.5% as of September 30,
13 2022.

14 **Q. What interest rate did the Company’s initial filing include for short-term
15 debt?**

16 A. The Company’s filing reflected a short term debt interest rate of 4.0%. We
17 indicated in our direct testimony¹ that increases / decreases in short-term interest
18 rates were not forecasted by the Company and that we might update the rate at the
19 time of our rebuttal testimony if they continued to increase. Since that time, the
20 Federal Reserve Board has increased interest rates several times, which in turn
21 has increased the Company’s cost to borrow short-term debt.

¹ Statement No. 1, page 18, lines 5-9.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. What is the impact on the Company’s revenue requirement resulting from**
2 **the change in short-term interest rates?**

3 A. As shown on Exhibit G-2 Oct 2022 Update, the change in short-term interest rates
4 increased the overall Cost of Capital from 7.24% to 7.40%. As a stand-alone
5 adjustment, the interest rate increased the Company’s revenue requirement by
6 \$17,400.

7

8 **Gas Rate Base**

9 **Q. Please describe Exhibit G-3 Oct 2022 Update.**

10 A. Exhibit G-3 Oct 2022 Update consists of a two-page Summary and eleven
11 Schedules containing the adjustments to LGC’s historic and future test year gas
12 rate base.

13 The first four columns (a-d) of the first page of the Summary show the
14 information contained in the Company’s Exhibit G-3 as filed on July 1, 2022.
15 Columns (e) and (f) contain the adjustments to reflect updates the Company is
16 adopting. Column (g) adds the adjustments in Column (f) to the amounts
17 originally calculated by the Company for the Twelve Months Ended March 31,
18 2023 in Column (d). The second page of the Summary lists the adjustments the
19 Company is making and the supporting schedules show the calculation of the
20 adjustments.

21

22 **Allocated Plant**

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. Did the Company make an adjustment to the allocated net plant from**
2 **Corning Natural Gas shown on Exhibit G-3, Oct 2022 Update, Schedule 1,**
3 **Page 2a of 3?**

4 A. Yes. In responding to Data Request OSBA-I-4, we discovered that there were bad
5 cell references or links to the supporting workpaper in the Company's Rate Base
6 calculations. Instead of picking up the depreciation reserve balances, which had
7 negative amounts, the Schedule picked up the Net Plant balances, which had
8 positive balances, in the column labeled Depreciation Reserve on Schedule 1.
9 This resulted in the allocation of too much net plant to Leatherstocking from
10 Corning Natural Gas Company. The correction reduced Leatherstocking's Rate
11 Base by \$91,800 (i.e., \$143,900-\$52,100). The associated decrease in the
12 Company's revenue requirement resulting from this change would be \$8,500.

13 **Q. Did BI&E Staff reflect a similar adjustment in their filing?**

14 A. Yes. BI&E Staff witness Eryan A. Sakaya (Statement 3) noted that there was a
15 computational error in the Company's Schedule and reflected a correcting
16 adjustment in BI&E Statement No. 3, Schedule 2 of \$104,200 (i.e., \$143,900-
17 \$39,700). The BI&E adjustment will be updated in BI&E's Surrebuttal
18 Testimony based on the response to Leatherstocking-I&E-I-2 contained in
19 Appendix B, wherein BI&E witness Sakaya agrees that the correct net plant
20 balance should have been \$52,100. I estimate that the impact of the update on
21 BI&E's revenue requirement calculation would be approximately \$1,000.

22

23 **Cash Working Capital**

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. Did the Company make changes to the Cash Working Capital calculation as**
2 **part of this update?**

3 A. Yes, we updated the Cash Working Capital calculation to reflect the impact of
4 the adjustments to Operation and Maintenance Expense for higher purchased gas
5 costs and lower insurance expenses that we will discuss in the next section of our
6 testimony. The adjustments are shown on Exhibit G-3 Oct 2022 Update,
7 Schedule 3, page 2 of 2. The adjustments decrease rate base by \$500 and the
8 revenue requirement by \$100.

9

10 GAS COST OF SERVICE UPDATE

11 **Q. Please describe Exhibit G-4 Oct 2022 Update.**

12 A. Exhibit G-4 Oct 2022 Update consists of a three-page Summary and eight
13 Schedules containing the adjustments to LGC's historic and future test year
14 revenue requirement calculations. The first four columns (1-4) of the summary are
15 based on the Company's Exhibit G-4 as filed on July 1, 2022. Columns (5) and
16 (6) contain the adjustments to reflect updates the Company is adopting. Column
17 (7) adds the adjustments in Column (6) to the amounts originally calculated by the
18 Company for the Twelve Months Ended March 31, 2023 in Column (4). Column
19 (8) contains the calculated rate increase. Column (9) adds total operating
20 revenues and expenses in Column (7) to the calculated rate increase to determine
21 total revenues and expenses for the future Test Year ended March 31, 2023. The
22 second page of the Summary shows the calculation of the Company's Updated
23 Revenue Requirement. The third page of the Summary lists all of the adjustments

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 Leatherstocking has made to its revenue requirement calculations. The
2 supporting Schedules show the calculation of the adjustments.

3

4 Sales Revenues – Purchased Gas Costs

5 **Q. Please explain the purpose of your Adjustment No. (9) and (10) to Sales**
6 **Revenues and Purchased Gas Costs.**

7 A. Adjustment Nos. (9) and (10) are required to match the sales revenues and
8 purchased gas costs shown in Exhibit G-4, Schedule 1 with the correct amounts
9 shown on Exhibit G-6, Schedule 2. The Company updated its Gas Cost Rate
10 (GCR) rate just prior to filing this base rate case. The GCR rate change was
11 reflected in Exhibit G-6, Schedule 2, but not carried over to Exhibit G-4, Schedule
12 1. The inconsistency was noted by BI&E witness Sakaya².

13 **Q. Did this change have any impact on the Company’s revenue requirement**
14 **calculation?**

15 A. No. Since the increase in revenues match the increase in expense, there was no
16 impact on the Company’s revenue requirement.

17

18 Injuries and Damages (Insurance) Expense

19 **Q. What update is the Company making to Injuries and Damages (i.e.,**
20 **insurance) expense?**

21 A. OSBA witness Kevin Higgins³ proposed an adjustment to insurance expense to
22 reflect the impact of applying the current “F” common expense factor used to

² I&E Statement 3, pages 10 – 14.

³ OSBA Statement No. 1, page 8.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 allocate insurance costs between affiliates in the Historic Test Year Ending March
2 31, 2022. His proposed adjustment used the “F” common expense factor that is
3 currently in effect for the Future Test Year Ending March 31, 2023⁴. For the
4 update, we applied the current “F” common expense factor to the cost of
5 insurance policies currently in place for the Company⁵. The total insurance costs
6 allocated to LGC for the Future Test Year will be \$76,476, as compared to the
7 level in the Historic Test Year of \$80,713, resulting in a decrease of \$4,237 or
8 \$4,200 rounded. The adjustment is shown on Schedule 5 of Exhibit G-4 Oct 2022
9 Update.

10 **Q. Is the Company’s adjustment the same as what Mr. Higgins is proposing?**

11 A. No. Mr. Higgins’s adjustment applied the current “F” factor to the Historic Test
12 Year insurance costs; as a result his adjustment was larger.

13

14 **Income Taxes**

15 **Q. Was there a change made to the Pennsylvania State Income Tax Rates**
16 **subsequent to the Company’s filing?**

17 A. Yes, Governor Wolf signed into law on July 8, 2022 new tax legislation, known
18 as Act 53 of 2022, that included reductions in the Pennsylvania Corporate Income
19 Tax rate from 9.99% to 4.99%, beginning in 2023. The rate reduction will occur
20 gradually from 2023 through 2031. In 2023, the rate will go down to 8.99%, and

⁴ Footnote 9 on page 8 of Mr. Higgins testimony indicated that gross plant used in the allocation was overstated. This was not the case, the Company reduced its gross plant and depreciation reserve balance in 2021 after it purchased Mirabito’s 50% share of Leatherstocking Gas. The allocation of common expenses between affiliates for the March 2021 – February 2022 period was based on prior year-end 2020 plant, revenue, and payroll.

⁵ Please refer to Appendix A, Schedule 1

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 it will decrease 0.5% each year thereafter, until 2031 when it will lock in at
2 4.99%.

3 **Q. Did the Company reflect the change in Pennsylvania state income tax rates in**
4 **its update?**

5 A. Yes, we reflected a prorated 2023 state income tax rate of 9.74% (i.e., 9.99% x
6 9/12 + 8.99% x 3/12) in Exhibit G-4, Oct 2022 Update, Schedule 8, Page 1 of 3 at
7 the bottom of the Schedule in Columns 4, 5, 6, and 7. The updated state tax rate
8 was also reflected at the bottom of page 2 of the Summary Schedule.

9 **Q. What is the impact of the lower state income tax rate on the Company's**
10 **revenue requirement?**

11 A. The lower state income tax rate lowered the revenue requirement by \$1,800.

12 **Q. Did other Parties to this proceeding also reflect the decrease in the State**
13 **Income Tax Rate as part of their direct Case?**

14 A. Yes. I&E witness Wilson also prorated the statutory state tax rate over the future
15 test period ending March 31, 2023, by calculating nine months at the current rate
16 of 9.99% and 3 months at the 2023 rate of 8.99% to develop the same effective
17 tax rate of 9.74%⁶. OCA witness Jennifer Rogers reflected the full decrease in the
18 state tax rate to 8.99%⁷ without prorating it, as shown on her Schedule JLR-1,
19 Page 2 of 2.

20 **Q. How will future savings from the lower state income tax rates be passed back**
21 **to customers?**

⁶ I&E Statement No. 1, Page 11.

⁷ OCA Statement No. 1, Page 9.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. Pennsylvania utilities have a State Tax Adjustment Surcharge (“STAS”) that
2 captures any tax rate changes between rate cases. The STAS Tariff will reflect
3 the future reductions in the state tax rates going forward.

4 Updated Revenue Requirement

5 **Q. Please summarize the impact of the Update Adjustments described above?**

6 A. The table below shows the impact of each of the update adjustments on the
7 Company’s revenue requirement:
8

| Adjustment Description | Adjustment Impact | Deficiency |
|---------------------------------------|-------------------|-------------------|
| Leatherstocking Requested Increase | | \$ 701,200 |
| Higher Short-term Debt Interest Rates | \$ 17,400 | |
| Correction of Allocated CNG Plant | (8,500) | |
| Cash Working Capital (O&M Updates) | (100) | |
| Higher Sales Revenues / GCR Costs | - | |
| Lower Insurance Expense | (4,200) | |
| Lower State Income Tax Rate | (1,800) | |
| Total Update Adjustments | | 2,800 |
| Updated Revenue Requirement | | <u>\$ 704,000</u> |

9
10 **Q. Is the Company seeking to increase its requested rate relief by \$2,800 to**
11 **\$704,000?**

12 A. No. The Company’s request for a rate increase of \$701,200 has not changed. The
13 foregoing discussion was solely for the purpose of updating the Company’s
14 revenue requirement for known changes.
15

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

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

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

4 A. Yes. Below is a list of items that we believe are not being contested or for which
5 no changes or adjustment have been recommended based on our understanding of
6 the direct testimony submitted by witnesses for BI&E, OCA, and OSBA. As of
7 the time this Rebuttal Testimony is being submitted, the Parties have either
8 indicated that they were accepting the Company’s filing relative to these items or
9 else have not commented on them.

10

11

Uncontested Revenue Requirement Items

12 ■ Leatherstocking Capital Structure as shown below:

| | <u>Ratio</u> ⁸ |
|--------------------|---------------------------|
| 13 Long-Term Debt | 43.917% |
| 14 Short-Term Debt | 10.656% |
| 15 Common Equity | <u>45.427%</u> |
| 16 Total | <u>100.000%</u> |

- 17
- 18 ■ The Company’s weighted embedded cost of Long-Term Debt of 5.18%;
- 19 ■ Rolling the Construction Build-Out CIAC Fee (“CBOCF”) Surcharge Into Base
- 20 Rates;
- 21 ■ Future Test Year Sales and Revenue Forecast;

⁸ BI&E witness Anthony Spadaccio (I&E Statement No. 2, pages 4-6) indicated that there was a small rounding error in the Company’s Capital Structure of 0.01%. The Company’s Exhibit G-2, Schedule 1 only showed the Capital Structure out to four decimal places, the Schedule was not rounded. He made a rounding adjustment to short-term debt, ref. I&E Statement No. 2, Page 5.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

- 1 ▪ Future Test Year Purchased Natural Gas Costs;
- 2 ▪ Gas distribution O&M expenses, rate case costs; and
- 3 ▪ Leatherstocking Book Depreciation Rates.

REVENUE REQUIREMENT - REBUTTAL

RATE BASE:

Construction-Work-In-Progress (“CWIP”)

- 7 **Q. Please discuss the Rate Base adjustment to eliminate the Construction-Work-**
8 **In-Progress balance proposed by BI&E witness Esyan Sakaya and OCA**
9 **witness Jennifer Rogers that the Company is contesting.**
- 10 A. Both BI&E witness Esyan Sakaya⁹ and OCA witness Jennifer Rogers¹⁰
11 recommended eliminating the Company’s requested Construction Work in
12 Progress balance of \$607,300 from rate base.
- 13 **Q. What was BI&E witness Sakaya’s reason for removing the CWIP balance?**
- 14 A. On page 8, lines 4 – 9, of his testimony (I&E Statement No. 3) witness Sakaya
15 argued that the Company filing used CWIP amounts for the month of March 2021
16 and therefore the FTY CWIP claim is improperly based upon historic budgeted
17 amounts of ongoing projects and should be denied.
- 18 **Q. Did the Company use the March 31, 2021 CWIP balance to calculate the**
19 **balance at March 31, 2023?**
- 20 A. No. As shown on Exhibit G-3, Schedule 1, Page 3 of 3, the Company used a
21 twelve-month average of the actual month CWIP balances for the period covering
22 April 2021 through March 2022 to develop it requested CWIP balance.

⁹ I&E Statement No. 3, Pages 7-8.

¹⁰ OCA Statement No. 1, Page 6.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. Why is a twelve-month average balance more appropriate than a balance at**
2 **a point in time?**

3 A. Generally gas mains and other large projects take several months to complete.
4 Using an average balance more accurately reflects the cost to finance projects
5 during the entire construction period, rather than at a point in time.

6 **Q. Did the Company provide BI&E with the estimated CWIP balance at March**
7 **31, 2023 based on projects in its capital budget?**

8 A. Yes. Please refer to the Company's response to I&E-2-D contained in Appendix
9 B. In the response the Company stated that it anticipates that the actual CWIP
10 balance at March 31, 2023 will be much higher than \$607,300. The Company's
11 budgeted CWIP balance at March 31, 2023 is \$939,200, more than \$300,000
12 higher than the average CWIP balance requested in this case.

13 **Q. What was OCA witness Rogers's reason for removing the CWIP balance**
14 **from rate base?**

15 A. On page 6, lines 10 - 12 of her testimony (OCA Statement No. 1) she states that
16 under traditional rate making only plant that is used and useful is allowed in rate
17 base.

18 **Q. Do you agree with this statement?**

19 A. No, regulations in each state vary regarding the inclusion of non-interest bearing
20 CWIP in Rate Base, in New York and New Jersey for example it is normal
21 practice to include non-interest bearing CWIP projects in Rate Base. The
22 Pennsylvania Commission also has a Policy Statement Concerning Ratemaking
23 Treatment of Construction Work in Progress, 52 Pa. Code § 69.371, which states
24 that the Commission will consider including CWIP projects in rate base if the

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 projects are nonrevenue producing, nonexpense reducing, or are reasonably
2 certain to be completed within the first 6 months that new base rates will be in
3 effect.

4 All utilities have ongoing construction projects that they need to finance. Most
5 calculate a carrying charge on long term projects (i.e., Allowance for Funds Used
6 During Construction or AFUDC) and therefore do not include those projects in
7 rate base until completed. The capitalized carrying charges on those projects are
8 also included in rate base when they are transferred to plant in service.

9 Leatherstocking does not accrue AFUDC and needs to finance its average
10 construction balance.

11 The following reasons support why Leatherstocking believes it is appropriate to
12 include its non-interest bearing CWIP balance in rate base;

13 1) The construction projects shown in the Company's response to I&E-2-D
14 will be completed during the first three to six months that rates are in
15 effect;

16 2) The Company did not include in its filing a request for Post Test Year
17 plant additions, but reflected the non-interest bearing CWIP balance
18 instead; and

19 3) The FERC formula for calculating an AFUDC rate requires that the lowest
20 cost of financing be used first in the formula (e.g. normally short-term
21 debt). As a result, the Cost of Capital used in this base rate case filing
22 would have been higher, since the lowest cost of financing is assigned to
23 construction projects. Leatherstocking's Capital Structure was not
24 reduced to eliminate financing that support construction projects.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 Rate changes that would go into effect on April 1, 2023 should provide the
2 Company with an opportunity to recover the average carrying cost of plant to be
3 added during the first six months that new rates are in effect.

4

5 **Plant and Accumulated Depreciation**

6 **Q. Did OCA witness Jennifer Rogers¹¹ make adjustments to reduce the**
7 **Company's March 31, 2023 Plant in Service and Depreciation Reserve**
8 **balances, as well as Depreciation expense?**

9 A. Yes. Witness Rogers reduced the Company's Plant-In-Service balance by
10 \$471,790 and the depreciation reserve and associated expense by \$9,894 each.
11 She based her adjustments on her belief that that the Company Exhibit G-3,
12 Schedule 11 had included plant additions that would not go into service until after
13 March 31, 2023.

14 **Q. Does Exhibit G-3, Schedule 11 include any projects that would go into service**
15 **after March 31, 2023?**

16 A. No. The Company's Exhibit G-3, Schedule 11 is clearly marked in the column
17 heading that it only includes Plant additions to be placed in service between April
18 1, 2022 and March 31, 2023. Our direct testimony¹² also states that the Company
19 only included projects in the Future Test Year that were to be completed by
20 March 31, 2023 on Exhibit G-3, Schedule 11.

21 **Q. What is the source of the data used in Exhibit G-3, Schedule 11?**

¹¹ OCA Statement No. 1, Page 5.

¹² Statement 1, Page 21, lines 9-11.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. Columns 1, 2, and 3 of Exhibit G-3, Schedule 10 show the In-Service dates and
2 spending for the Twelve Months Ending September 30, 2022. Projects in this
3 column were carried over to Exhibit G-3, Schedule 11. We would note that the
4 Wyalusing Project represents approximately 90% of the new plant additions
5 completed in August of this year.

6 **Q. Did the Company send a data request to OCA witness Rogers to find out the**
7 **basis for her proposed adjustment?**

8 A. Yes, the response is included in Appendix B of this Rebuttal Testimony. The
9 adjustment proposed by OCA witness Rogers was based on the Company's
10 response to I&E Data request I&E-RB-6-D, which shows budgeted capital
11 spending for the twelve months ended September 30, 2023¹³. Her response and
12 the Company's response to I&E-RB-6D are included in Appendix B. The
13 Company's Exhibit G-3, Schedule 11 only picked up plant additions through
14 March 31, 2023, the majority of which was completed in August of 2022. OCA
15 witness Rogers' adjustment is based on a misinterpretation of data she reviewed
16 and should be eliminated.

17

18 Average vs. Year-End Rate Base

19 **Q. Did OSBA witness Kevin Higgins propose an adjustment to reduce the**
20 **Company's rate base?**

¹³ Capital expenditures for the twelve months ended September 30, 2022 and 2023 are also shown in Company Exhibit G-3, Schedule 10.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. Yes, Mr. Higgins’ testimony¹⁴ discusses the use of an average rate base for the
2 Test Year Ending March 31, 2023, rather than the balance at March 31, 2023. His
3 adjustment reflected half of the change in rate base between March 31, 2022 and
4 March 31, 2023.

5 **Q. Do you agree that this adjustment is proper?**

6 A. No. New base rates are scheduled to go into effect April 1, 2023 and the entirety
7 of the Rate Base as of March 31, 2023, would be in effect to provide service for
8 customers starting from the first day of the rate change.
9 Moreover, we have been informed by legal counsel that the average rate base
10 concept has previously been rejected by the Commission, which was upheld by
11 the Commonwealth Court. *Pa. Pub. Util. Commission v. UGI Utilities, Inc. –*
12 *Electric Div.*, Docket Nos. R-2017-2640058, *et al.*, 2018 WL 5620905, at *13
13 (Opinion and Order entered Oct. 25, 2018), *aff’d*, *McCloskey v. Pa. Pub Util.*
14 *Commission*, 225 A.3d 192, 208 (Pa. Commonwealth 2020).

15 **Q. Mr. Higgins supported his recommended adjustment to use an Average Test**
16 **Rate Base balance stating that the investment is not in place to serve**
17 **customers for the entirety of the period and test year revenues were not**
18 **annualized¹⁵, do you agree?**

19 A. No. As indicated previously new rates will not go into effect until April 1, 2023,
20 so the Rate Base balance at March 31, 2023 will be in place for the entire first
21 year that new rates are in effect. With regards to his second observation
22 concerning the annualization of sales revenues, we disagree that an adjustment is

¹⁴ OSBA Statement No. 1, Page 10, lines 7-11.

¹⁵ OSBA Statement No. 1, page 10.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 appropriate. The Company reflected significant sales and revenue growth for the
2 Future Test Year and did not request any increases for O&M expenses. For
3 example, the Company did not seek the annualization of a wage increase granted
4 in the 2021/2022 time period or new increases for 2022/2023; nor did LGC
5 request any inflationary increases for operating expenses at a time when inflation
6 is currently at double digit levels. Mr. Higgins' recommended adjustment to
7 reflect the average rate base for the Future Test Year should be rejected.

8

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

10 **Q. Please discuss the Working Capital adjustments proposed by OCA witness**
11 **Jennifer Rogers in her direct testimony (pages 6-7)?**

12 A. OCA witness Jennifer Rogers reflected her proposed O&M adjustments in the
13 Cash Working Capital calculation. We disagree with her O&M adjustments, but
14 not the mechanics used to reflect them in the working capital calculation. To the
15 extent that her recommended adjustments and/or any other adjustments to O&M
16 expenses are adopted, they should be reflected in the Cash Working Capital
17 calculation. We will discuss witness Rogers O&M adjustments in the next
18 section of our testimony.

19

20 **COST OF SERVICE ADJUSTMENTS:**

21 **Other O&M Expense**

22 **Q. What elements of O&M expense for the Future Test Year (i.e., the Twelve**
23 **Months Ending March 31, 2023) did the Parties to this proceeding address in**
24 **their testimony?**

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. BI&E, OSBA, and OCA witnesses all addressed the Company’s Injuries and
2 Damages (i.e., insurance) costs. BI&E and OSBA witnesses both discussed
3 Leatherstocking’s customer records and collection expenses. The OSBA witness
4 took issue with the Company’s Sales Promotion expense and the OCA witness
5 proposed adjustments to lower Outside Professional Services expense.

6 **Q. Did BI&E witness Christine Wilson propose any specific adjustments to the
7 Company’s customer records or insurance costs?**

8 A. Witness Wilson¹⁶ withheld recommending reductions to the O&M expenses for
9 insurance or customer expenses at this time, contingent on Leatherstocking not
10 reducing its Global (Black Box) O&M adjustment¹⁷ and the Company reporting
11 on steps taken to improve operating efficiencies as part of its next base rate case
12 filing¹⁸. She reserved the right to propose adjustments for these items in her
13 Surrebuttal Testimony.

14

15 **Injuries and Damages (Insurance) Expense**

16 **Q. In the Update Section of your Testimony you made reference to the
17 adjustment proposed by OSBA witness Higgins to the Company’s Injuries
18 and Damages expenses. Was his adjustment the same as the one included in
19 the Company’s Update?**

20 A. No. OSBA witness Kevin Higgins (OSBA Statement No. 1), proposed an
21 adjustment of \$22,045. His adjustment applied the Company’s Common Expense

¹⁶ I&E Statement No. 1, Pages 4-9.

¹⁷ I&E Statement No. 1, Page p, lines 9-12.

¹⁸ I&E Statement No. 1, Page 6, lines 9 – 10 and Page 8 lines 2 – 6.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 Allocation “F” factor in effect for the March 2022 through February 2023 time
2 period¹⁹ to the Historic Test Year costs. While updating the allocation factor to
3 reflect the most current data is appropriate, it only represents a portion of the
4 update that should be reflected, as discussed above, we took his adjustment one
5 step further and reflected current insurance costs for the Future Test Year. As a
6 result, Mr. Higgins Adjustment should be reduced by \$17,808 (i.e., \$22,045 –
7 4,237) in order to reflect the amount included in the Company’s Update, which is
8 \$4,237 (i.e., \$4,200 rounded).

9 **Q. What adjustments did OCA witness Jennifer Rogers propose for Injuries**
10 **and Damages?**

11 A. OCA witness Jennifer Rogers proposed two adjustments (OCA Statement No 1,
12 pages 7-8). First, she proposed eliminating a prior period expense adjustment
13 from the Historic Test Year and then she took a two-year average of the cost for
14 insurance for the Twelve Months Ended March 31, 2021 and March 31, 2022.

15 **Q. Does the Company agree with the approach taken by OCA witness Jennifer**
16 **Rogers?**

17 A. To the extent that OCA witness Rogers focused on the Historic Test Year level of
18 insurance expense, the Company does not have an issue with the first part of her
19 adjustment to eliminate prior period costs of \$6,707, instead of reflecting the
20 Company’s Update Adjustment of \$4,237. While either approach for establishing
21 an allowance for insurance is reasonable, using the most recent available data that

¹⁹ Footnote 9 on page 8 of Mr. Higgins testimony indicated that gross plant used in the allocation was overstated. This was not the case, the Company reduced its gross plant and depreciation reserve balance in 2021 when it purchased Mirabito’s 50% share of Leatherstocking Gas. The allocation of common expense is based prior year end plant, revenue, and payroll.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 reflects current market conditions for insurance is preferable. Our issue is that the
2 costs for the Twelve Months Ending March 31, 2021 are not representative of cost
3 for the Historic Test Year or the Future Test Year²⁰. Customer rates should
4 reflect the actual costs of providing service to customers as long as they are
5 reasonable and prudently incurred. Insurance is a major expenditure for the
6 Company and it works with brokers and several different insurance companies to
7 try to negotiate the lowest possible premiums. We therefore recommend that the
8 Company's Update Adjustment for Insurance of \$4,237 be adopted rather than the
9 adjustments proposed by OCA witness Rogers.

10

11 **Customer Records and Collection Expenses**

12 **Q. Please explain the adjustments proposed by OSBA witness Higgins to the**
13 **Company's Records and Collection expenses?**

14 A. OSBA witness Kevin Higgins²¹ proposed capping the Company's customer
15 records expense at \$75 per customer, per year, for a total of \$33,750 (i.e., 450
16 customers x \$75). He based his recommendation on information shown in his
17 Exhibit KCH-3 which is a comparison of Customer Records and Collection
18 expenses for utilities that are either combination electric / gas companies and/or
19 have more than 500,000 customers, with the exception of Valley Energy.

20 **Q. Does the Accounting & Rate Panel agree with OSBA witness Kevin Higgins'**
21 **proposed adjustment to Customer Records and Collection expense?**

²⁰ \$14,819 (i.e., \$21,526 – 6,707) represents the amount of OCA witness Rogers's adjustment for insurance attributable to using a two year average of insurance costs. .

²¹ OSBA Statement No. 1, Page 10, lines 1-4.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. No we do not. Mr. Higgins' adjustment focuses only on amounts recorded in the
2 Company Account established for Customer Records and Collection expenses
3 (i.e., FERC Account 903) and gave no weight to other Customer Accounting and
4 Service costs (i.e., FERC Accounts 902 - 912). Rather than looking at Customer
5 Accounting and Service expenses in total he carved out one account, in order to
6 support his adjustment. As indicated in the Company's response to the I&E-RE-
7 5 (see Appendix B), the Company charges the total payroll for one full time
8 Leatherstocking employee to FERC Account 903 – Customer Records and
9 Collection Expense, along with an allocation of customer service costs from
10 Corning Natural Gas Company.

11 In addition to handling customer accounting and service functions, the
12 Leatherstocking employee also performs other administrative functions.

13 Because Leatherstocking only has 450 customers, the costs charged to FERC
14 Account 903 will be much larger on a per customer basis than companies with
15 more than 500,000 customers, as well as companies that provide both electricity
16 and natural gas to the same customers, since they enjoy the economy of scale and
17 can spread wages for employees and fixed costs over a much larger customer
18 base. Mr. Higgins' recommended funding for Customer Records and Collection
19 Expense would only cover 64% of the cost of the full time Company employee
20 and no other additional costs, or just the converse. It would cover all other costs,
21 but not the wages of the sole Company Customer Service employee.

22 Leatherstocking only has the equivalent of 3.25 full time employees; two that
23 handle gas service and repairs, one is a full time Customer Service Representative
24 who also covers the office and one that handles sales promotion and

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 administrative functions, and allocates approximately 75% of her salary to the
2 other affiliates. Mr. Higgins' proposed adjustment to reduce Leatherstocking
3 Customer Records and Collection expenses by \$56,046 (i.e., \$89,796 - \$33,750),
4 should be rejected.

5

6 **Sales Promotion Expense**

7 **Q. Please explain the adjustments proposed by OSBA witness Higgins to the**
8 **Company's Sales Promotion expenses?**

9 A. OSBA witness Higgins²² recommended eliminating all sales promotion expenses
10 of \$34,084 from the Company's revenue requirement.

11 **Q. What is the basis for Mr. Higgins adjustment?**

12 A. Mr. Higgins contends that only shareholders benefit from these expenses between
13 rate cases²³. He ignores that the Company included sales growth of more than 5%
14 in the Future Test Year (Exhibit G-5, Schedule 5), and the associated increase in
15 customer charges and delivery revenues of \$56,140 (Exhibit G-5, Schedule 6).
16 LGC is also a growing utility offering natural gas to underserved areas that
17 previously had no access to natural gas and had to rely on propane or other more
18 expensive and/or less clean sources of fuel. Increasing the number of
19 Leatherstocking's customers allows the Company to spread fixed costs across a
20 larger base and should delay future base rate case filings.

21 **Q. Is the recovery of sales promotion expenses allowed in customer rates?**

²² OSBA Statement No. 1, Page 7.

²³ OSB Statement No. 1, page 7.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. Yes. 66 Pa.C.S. § 1316 allows for recovery of non-political advertising expense
2 that promotes the wise development and use of domestic sources of coal, oil or
3 natural gas, provides a direct benefit to ratepayers, and promotes economic
4 development. Leatherstocking purchases natural gas that comes from Marcellus
5 Shale, supporting local jobs and the local economy while providing a less
6 expensive, cleaner source of fuel to residents and businesses. Since the Company
7 started in 2010, it has grown to approximately 450 customers, sells over 1 million
8 CCF to firm customers and delivers approximately 2.7 million CCF to a
9 transportation customer annually.

10 **Q. What is the make-up of the costs that the Company charges to FERC**
11 **Account 917?**

12 A. Payroll cost of one Leatherstocking employee accounts for \$22,531 or roughly
13 66% of the total costs of \$34,084. Donations amounted to \$3,300 and media
14 advertising accounted for the remaining balance. If the Company eliminated all
15 of its sales promotion activities the payroll of the LGC employee would be
16 reassigned to perform other functions and the wages would still remain as part of
17 the Company's cost of service.

18 **Q Did the Company eliminate the cost of donations charged to Account 917**
19 **from its Cost of Service?**

20 A. Yes, as shown on Exhibit G-4, Schedule 5, the Company eliminated \$3,300 of
21 donations charged to account 917 in error from its revenue requirement
22 calculation as part of its initial filing. The donations should have been charged
23 "below the line" to FERC Account 426. They were never included in the
24 Company's revenue requirement calculations.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. Does Mr. Higgins adjustment double count the donation costs eliminated by**
2 **the Company?**

3 A. Yes. If adopted, Mr. Higgins adjustment of \$34,084 should be reduced by \$3,300
4 to \$30,784 to take into account costs already eliminated by the Company.

5 However, the Accounting and Rate Panel believes that Mr. Higgins' adjustment to
6 eliminate all sales promotion expenses is inappropriate and should not be adopted
7 by the Commission.

8

9 **Outside Service Expense**

10 **Q. Did OCA witness Jennifer Rogers propose an adjustment to reduce the**
11 **Company's historic Test Year level of Outside Service expense?**

12 A. Yes. OCA witness Rogers recommends an adjustment to reduce Outside Service
13 expense²⁴ in order to normalize the cost based on the historic three-year level of
14 actual expenses for this category.

15 **Q. What types of costs are included in this category of expense?**

16 A. FERC Account 923 – Outside Services includes primarily outside legal,
17 accounting, and consulting services.

18 **Q. Has the Company's outside service expenses varied up and down or has it**
19 **been increasing each year?**

20 A. The Company's outside service expenses has been increasing each year as
21 Leatherstocking has grown and added new customers. As shown on OCA
22 Statement 1, Schedule JLR-10 for The Twelve Months Ended March 31, 2020

²⁴ OCA Statement No. 1, Pages 8-9

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 outside service expense was \$42,050, for The Twelve Months Ended March 31,
2 2021 it was \$72,273, and for The Twelve Months Ended March 31, 2022 it was
3 \$85,191. The level of costs incurred during the twelve months ended March 31,
4 2020 is not representative of current levels of spending for the last two fiscal
5 years. We expect that the level of costs experienced in the Historic Test Year
6 Ended March 31, 2022 will continue. Financial audits performed by Independent
7 Public Accountants are required for new financings and in order to maintain
8 existing debt covenants. The Company does not have a staff of in-house attorneys
9 and must, therefore, utilize outside legal counsel and other technical consultants
10 to assist in different matters as they arise.

11 **Q. What is the recommendation of the Accounting & Rate Panel as a result of**
12 **the foregoing discussion?**

13 A. We believe Jennifer Rogers' adjustment to Outside Service expense should be
14 eliminated in total.

15

16 RETURN ON EQUITY

17 **Q. What Return on Equity (“ROE”) did BI&E witness Anthony Spadaccio**
18 **(I&E Statement No. 2) and OSBA witness Kevin Higgins (OSBA Statement**
19 **No. 1) recommend for Leatherstocking in this case?**

20 A. Mr. Spadaccio recommended a Return on Equity for Leatherstocking Gas of
21 9.69%²⁵ and Mr. Higgins recommended a Return on Equity for the Company of
22 9.50%²⁶.

²⁵ I&E Statement No. 2, page 6

²⁶ OSBA Statement No.1, page 6

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **Q. How was the recommended Return on Equity recommendations of BI&E**
2 **witness Anthony Spadaccio developed?**

3 A. Mr. Spadaccio relied on a Discounted Cash Flow (“DCF”) Model to calculate his
4 recommended Return on Equity for the Company.

5 **Q. Did BI&E witness Anthony Spadaccio perform any calculations using a**
6 **Capital Asset Pricing Model (“CAPM”)?**

7 A. Yes, Mr. Spadaccio calculated a Return on Equity using a Capital Asset Pricing
8 Model as well.

9 **Q. What Return on Equity did BI&E witness Anthony Spadaccio calculate**
10 **using his CAPM?**

11 A. Mr. Spadaccio calculated a ROE of 13.10%²⁷.

12 **Q. Did BI&E witness Anthony Spadaccio factor in the results of his CAPM**
13 **calculations into the ROE he is recommending for Leatherstocking?**

14 A. No. Mr. Spadaccio indicated that he used his CAPM results solely for the
15 purpose of presenting it to the Commission as a comparison to his DCF results²⁸.

16 **Q. Did Mr. Spadaccio submit testimony in the Pike County Light and Power -**
17 **Gas Division Rate Case at Docket No. R-2020-3022134 (“Pike”)?**

18 A. Yes. Mr. Spadaccio recommended a Return on Equity of 10.05% in that case
19 using the same DCF formula and a similar Proxy Group that included one
20 additional company (i.e., South Jersey Industries). The primary difference in his
21 DCF calculations for Pike and LGC is the “Spot Dividend Yield” of 3.04% used

²⁷ I&E Statement No. 2, page 26

²⁸ I&E Statement No. 2, page 18

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 in his current calculation as compared to 3.83% used in his prior²⁹ calculation.

2 The result of Mr. Spadaccio’s CAPM was the same in the Pike Gas Case as in the
3 Leatherstocking Case (i.e., 13.10%).

4 **Q. What is the relationship of Pike County Light and Power Company to
5 Leatherstocking Gas?**

6 A. Pike is a wholly owned subsidiary of Corning Energy Corporation (formerly
7 known as Corning Natural Gas Corporation³⁰), as is Leatherstocking.

8 **Q. How does Pike’s Capitalization compare to Leatherstocking?**

9 A. In the Pike rate case at Docket No. R-2020-3022134, Pike had an Equity Ratio of
10 48.32% as compared to Leatherstocking’s Equity ratio of 45.43%. We would
11 note that Mr. Spadaccio’s testimony³¹ stated that his Proxy Group had an average
12 equity ratio of 46.74%.

13 **Q. Does a higher equity ratio provide more or less risk for issuers of debt?**

14 A. Normally a higher equity ratio provides less risk for issuers of debt, because more
15 funds have been invested by shareholders and interest coverage ratios should be
16 higher. The lower level of investor risk is a factor that can result in a lower return
17 on equity granted by state regulators.

18 **Q. Does the size of a company also impact risk for investors?**

19 A. Yes. Compared to other gas utilities in Pennsylvania, Leatherstocking’s small
20 size carries with it increased risk of material operating losses relative to other
21 natural gas utilities. Such risk would suggest a higher ROE in the range of

²⁹ Please refer to Appendix C for a comparison of DCF and CAPM data used in Docket No. R-2020-3022134 and the current case at Docket No. R-2022-3032764.

³⁰ Corning Natural Gas Holding Company changed its name to Corning Energy Corporation effective August 15, 2022.

³¹ I&E Statement 2, Page 11, line 2.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 reasonableness is warranted. We have also been advised by counsel that the
2 Commission has previously agreed that a smaller size utility is riskier, which
3 weighs in favor of awarding an ROE at the higher end of the range of
4 reasonableness. *See Pa. Public Utility Commission v. Valley Energy, Inc.*,
5 Docket Nos. R-2019-3008209, 2020 WL 2487408, at *67 (Opinion and Order
6 entered Apr. 27, 2020) (“we find it intuitive that, because smaller firms are
7 riskier, investors will generally demand greater returns to compensate for greater
8 assumed risk. Further, because the record evidence demonstrates that Valley is
9 significantly smaller in size when compared to the NGDCs in its proxy group, we
10 find that this weighs in favor of awarding the Company a size adjustment.”).

11 **Q. Are you aware of any recent Commission Orders that discuss the use of the**
12 **CAPM in determining the ROE for a company?**

13 A. Yes, in a recent Commission Order, the Commission stated that it would consider
14 both the DCF and CAPM methodologies when making its ROE determination. It
15 reasoned that “evidence based on other methods suggests that the DCF-only
16 results may understate the utility's ROE, we will consider those other methods, to
17 some degree, in determining the appropriate range of reasonableness for our
18 equity return determination.” *Pa. Public Utility Commission v. Aqua Pa., Inc.*,
19 Docket Nos. R-2021-3027385, 2022 WL 1732770, at *89, 104 (Opinion and
20 Order entered May 16, 2022).

21 **Q. Based on the Commission Order in the Aqua Rate Case and current**
22 **economic conditions do you believe it is appropriate include the results of the**
23 **CAPM in the calculation of the ROE for Leatherstocking?**

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 A. Yes. I&E’s analysis includes both a DCF producing a 9.69% ROE and a CAPM
2 producing a 13.10% ROE, which according to the previous Aqua decision,
3 produces a range of reasonableness between 9.69% and 13.10%.
4 Leatherstocking’s requested ROE of 10.00% is on the low end of that range, is
5 consistent with the Distribution System Improvement Charge (“DSIC”) quarterly
6 earnings report, and ensures continued investment in LGC’s activities during a
7 period of high inflation and increasing interest rates.

8 **Q. Mr. Spadaccio indicated in his testimony³² that the use of the ROE**
9 **authorized for DSIC’s is not appropriate for base rate case filings, do you**
10 **agree?**

11 A. No, we do not for several reasons:

- 12 • First, the ROE used in DSIC filings is based the DCF formula that gives equal
13 weighting to the current and 52-week average DCF;
- 14 • Second, Mr. Spadaccio argues that the DSIC ROE is an incentive for
15 companies to invest in improving or replacing deteriorating infrastructure,
16 while reducing regulatory lag. The regulatory lag is exactly the reason that
17 companies like Leatherstocking should receive a higher ROE. LGC does not
18 have a DSIC. In order for it to recover its capital investments the Company
19 needs to file a base rate case;
- 20 • Third, Mr. Spadaccio indicated in his testimony that the DSIC is unique
21 because the projects recovered through the DSIC are preapproved as part of
22 Long-Term Infrastructure Improvement Plans (“LTIIP”). We disagree

³² I&E Statement No. 2, page 28.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 because in a rate case capital budgets and plant additions are subject to the
2 same standards of review before they are allowed in rate base; and

3 • Fourth, the filing of LTIP Plans and Tariff changes necessary to implement a
4 DSIC are time consuming and costly for small utilities like Leatherstocking
5 that have limited resources.

6 **Q. Did OSBA witness Kevin Higgins make a recommendation regarding the**
7 **ROE Leatherstocking should be granted?**

8 A. Yes. Mr. Higgins³³ indicated that an ROE in the vicinity of 9.5% would be more
9 appropriate for Leatherstocking rather than the requested 10.0%. His
10 recommendation was based on a comparison of utilities contained in his Exhibit
11 KCH-1 that showed a range of state approved ROE's for the last fiscal year that
12 went from 9.20% up to 10.00% and had a Median ROE of 9.50%³⁴.

13 **Q. Do have concerns with utilities used in Mr. Higgins Exhibit?**

14 A. Yes, we have several:

15 • First, the analysis includes combination gas and electric utilities, as well as
16 gas only utilities. Electric utilities are viewed as less risky long term
17 investments and generally awarded a lower ROE than gas companies;
18 • Second, the companies included in the comparison were much larger than
19 Leatherstocking, which allows them to absorb unforeseen costs better than
20 small companies;

³³ OSBA Statement No. 1, page 7.

³⁴ The average ROE based on the data included on the Exhibit should be 9.53%.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

- 1 • Third, the average equity ratio for the companies included in the study was
2 50.72%. Only one company out of thirty-nine companies included in the
3 study, DTE Gas Company, had a lower equity ratio than Leatherstocking and
4 it was awarded a 9.90% ROE by the Michigan Commission;
- 5 • Fourth, the summary included utilities that operate in states that provide a
6 number of true-up mechanisms, in addition to fuel clauses, that greatly reduce
7 earnings volatility and, as result, are normally awarded lower ROE's. The
8 true-up mechanisms would include items such as Weather Normalization
9 Adjustment Clauses, Revenue Decoupling Mechanisms (e.g., Revenue Per
10 Customers), Capital Spending true-ups, Storm Reserves, and reconciliations
11 for property taxes, pension and other post retirement costs, etc.; and
- 12 • Fifth, the summary included utilities that operate in States that allow them to
13 project revenues, expenses, and rate base for fully forecasted "Rate Years,"
14 which reach twelve months beyond what would be the Future Test Year in
15 Pennsylvania. The Rate Years cover the first full year that new rates are in
16 effect, providing those companies with a better opportunity to earn their
17 allowed ROE.

18 **Q. Based on the forgoing does the Accounting & Rate Panel have any**
19 **observations?**

20 A. Yes. We believe that some weighting of the CAPM should have been factored
21 into the recommended ROE's of Mr. Spadaccio. In other rate cases we have
22 participated in we have seen Cost of Capital expert weight their recommended
23 ROE's using some combination of DCF and CAPM to calculate their

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 recommended Return on Equity. Giving some weight to the CAPM in Mr.
2 Spadaccio’s recommended return would have a significant impact on his
3 calculated ROE, as would factoring in the relative risk of Leatherstocking’s small
4 size and the 45.43% equity ratio.
5 Mr. Higgins’ reliance on a survey of gas and combination companies should be
6 adjusted as well to reflect the relative risk factors that impact Leatherstocking as
7 discussed above (e.g., size, equity ratio, the absence of true-up mechanism for
8 weather, etc.).
9 We would note that the Company chose not to use an expert Cost of Capital
10 witness in this proceeding in order to avoid the expense to its customers and will
11 rely on the ROE ultimately deemed appropriate by the Commission. Based on the
12 foregoing, the Accounting & Rate Panel believes that the ROE proposed by the
13 Company of 10.00% is the minimum that should be authorized in this case.

14

15

GLOBAL ADJUSTMENT

16 **Q. What is the purpose of the Global (Black Box) Adjustment that lowers O&M**
17 **expenses by \$100,000?**

18 A. The Company reduced its operation and maintenance expense for the Future Test
19 Year by \$100,000 in recognition that the overall increase requested in this rate
20 filing is significant and would have been more than \$800,000 absent this
21 adjustment.

22 There is no anticipation that the Company will be able to make up or absorb the
23 short-fall that will result from this adjustment. The adjustment was equivalent to

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 cutting the Future Test Year level of O&M expense by 14% (i.e., \$100,000 /
2 \$715,100)³⁵.

3 If adopted, the additional reductions to O&M expenses proposed by OSBA
4 witness Higgins of \$112,175³⁶ would result in an overall decrease to O&M
5 expense of approximately 30% (i.e., \$212,175 / \$715,100). When combined with
6 the additional reduction proposed by OCA witness Rogers of \$18,695 for outside
7 services³⁷ the resulting overall decrease to O&M expense in the Future Test Year
8 would be approximately 35% (i.e., \$230,870 / \$715,100).

9 **Q. The Accounting and Rate Panel indicated in its direct testimony³⁸ that the**
10 **Global (Black Box) Adjustment is a placeholder and intended to offset**
11 **adjustments to LGC’s rate request that may be proposed by the BI&E Staff**
12 **and/or other Intervenors in this Case and the Company may reduce and/or**
13 **eliminate this adjustment at the time of rebuttal testimony depending on the**
14 **positions adopted by parties to this Case. Is this still the Company’s**
15 **proposal?**

16 A. We believe that we have addressed reasons why the adjustments proposed by the
17 Parties should not be adopted by the Commission in this case. To the extent that
18 the Commission may adopt any or all of the Parties adjustments to the revenue
19 requirement for O&M, Rate Base, and/or the Cost of Capital we reserve the right
20 to offset those adjustments with the amounts set aside in the Global (Black Box)
21 Adjustment. We believe that rate relief in the amount of \$701,200 is the

³⁵ See Exhibit G-4, Oct 2022 Update, Summary Page 1 of 3.

³⁶ See Page 4 of OSBA Statement No. 1, Advertising \$34,084 + Insurance \$22,045 + Customer Expense \$56,046 = \$112,175.

³⁷ See OCA Statement No. 1 pages 8 – 9.

³⁸ Statement No. 1, pages 31-32

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 minimum the Company requires in order to continue to provide safe and reliable
2 service to customers.

3 Leatherstocking is entitled to a fair and reasonable return on its investment,
4 including expenses necessary to provide safe, adequate, reliable, and reasonable
5 service. *See Cohen v. Pa. Public Utility Commission*, 468 A.2d 1143, 1145 (Pa.
6 Commonwealth 1983) (“The guiding principle, that the PUC must allow just and
7 reasonable rates, means that a public utility is entitled to recover necessary
8 operating expenses while earning a fair return on the investment in plant used and
9 useful in providing the service.”) (citations omitted).

10 The Commission continues to rely on traditional ratemaking methodologies to
11 make informed decisions consistent with the setting of just and reasonable rates
12 and the constitutional standards of *Bluefield* and *Hope Natural Gas. Pa. Public*
13 *Utility Commission v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2020-3018835,
14 *et al.*, 2021 WL 757073, at *35 (Opinion and Order entered Feb. 19, 2021).

15 Reducing the Company’s revenue requirement by certain adjustments, on top of
16 the Global (Black Box) Adjustment, could be viewed as improper and a violation
17 of traditional ratemaking principles.

18

19 REVENUE ALLOCATION / RATE DESIGN

20 **Q. BI&E witness Eryan Sakaya³⁹ and OSBA witness Kevin Higgins⁴⁰ both**
21 **recommended that each rate class other than the Company’s contract**

³⁹ I&E Statement No. 3, page 18.

⁴⁰ OSBA Statement No. 1, pages 12-13.

ACCOUNTING & RATE PANEL –REBUTTAL TESTIMONY

1 **transportation customer receive the same overall percent increase. Do you**
2 **agree with their proposals?**

3 A. Yes. Since the Company did not submit a Cost of Service study, there is no
4 support for proposing different percentage increase for each rate class. Our
5 Exhibit G-6 attempted to maintain the current customer charge and just increase
6 the delivery rates by the same overall percentage for each rate class. As a result,
7 rate classes that had higher customer usage were allocated a greater percentage of
8 the overall increase.

9 Mr. Higgins’s Exhibit KCH-4 increased both the customer charge and the
10 delivery rates by different percentages in order to achieve the same overall
11 percentage increase in revenues for each rate class. We believe OSBA witness
12 Higgins’ methodology provides the most equitable allocation of the base rate
13 increase to be granted.

14

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

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

APPENDIX A

CORNING NATURAL GAS CORPORATION
INSURANCE PREMIUMS
APRIL 1, 2022- MARCH 31, 2023

Appendix A
Schedule 1

| DESCRIPTION | Annual Amt | CORNING | PIKE | | LGC | PIKE | | | LGC | TOTAL |
|--------------------------------|------------------------|---------|---------|--------|----------------------|----------------------|---------------------|---------------------|------------------------|-------|
| | | | CORNING | PIKE | | CORNING | Electric (85%) | Gas (15%) | | |
| Captive Plans: | | | | | | | | | | |
| Workers Compensation Insurance | \$ 128,711.00 | 89.530% | 8.780% | 1.690% | \$ 115,234.96 | \$ 9,605.70 | \$ 1,695.12 | \$ 2,175.22 | \$ 128,711.00 | |
| General Liability | 102,128.00 | 71.683% | 21.675% | 6.643% | 73,208.20 | 18,815.45 | 3,320.37 | 6,783.97 | 102,128.00 | |
| Auto | 25,529.00 | 71.683% | 21.675% | 6.643% | 18,299.90 | 4,703.31 | 830.00 | 1,695.79 | 25,529.00 | |
| Captive Fees & Taxes | 43,507.00 | 71.683% | 21.675% | 6.643% | 31,187.03 | 8,015.47 | 1,414.49 | 2,890.00 | 43,507.00 | |
| Subtotal | <u>299,875.00</u> | | | | <u>237,930.09</u> | <u>41,139.94</u> | <u>7,259.99</u> | <u>13,544.99</u> | <u>299,875.00</u> | |
| Non-Captive Plans: | | | | | | | | | | |
| Property/Crime/EDP | 79,018.74 | 71.683% | 21.675% | 6.643% | 56,642.84 | 14,557.94 | 2,569.05 | 5,248.91 | 79,018.74 | |
| Equipment Breakdown | 6,091.00 | 71.683% | 21.675% | 6.643% | 4,366.20 | 1,122.17 | 198.03 | 404.60 | 6,091.00 | |
| Directors/Officers | 39,042.00 | 71.683% | 21.675% | 6.643% | 27,986.39 | 7,192.87 | 1,269.33 | 2,593.41 | 39,042.00 | |
| EPL/Fiduciary | 18,069.00 | 71.683% | 21.675% | 6.643% | 12,952.36 | 3,328.92 | 587.46 | 1,200.25 | 18,069.00 | |
| Cyber Liability | 85,990.00 | 71.683% | 21.675% | 6.643% | 61,640.03 | 15,842.28 | 2,795.70 | 5,711.99 | 85,990.00 | |
| Umbrella - Lead | 230,000.00 | 71.683% | 21.675% | 6.643% | 164,870.41 | 42,373.83 | 7,477.73 | 15,278.02 | 230,000.00 | |
| Umbrella - Excess First Layer | 135,000.00 | 71.683% | 21.675% | 6.643% | 96,771.77 | 24,871.59 | 4,389.10 | 8,967.54 | 135,000.00 | |
| Umbrella - Excess Second Layer | 160,000.00 | 71.683% | 21.675% | 6.643% | 114,692.46 | 29,477.45 | 5,201.90 | 10,628.19 | 160,000.00 | |
| Umbrella - Excess Third Layer | 38,000.00 | 71.683% | 21.675% | 6.643% | 27,239.46 | 7,000.89 | 1,235.45 | 2,524.20 | 38,000.00 | |
| Umbrella - Excess Forth Layer | 144,900.00 | 71.683% | 21.675% | 6.643% | 103,868.36 | 26,695.51 | 4,710.97 | 9,625.15 | 144,900.00 | |
| Crime Employee Theft | 2,991.00 | 71.683% | 21.675% | 6.643% | 2,144.03 | 551.04 | 97.24 | 198.68 | 2,991.00 | |
| Disability Insurance | 4,450.55 | 89.530% | 8.780% | 1.690% | 3,984.58 | 332.14 | 58.61 | 75.21 | 4,450.55 | |
| Subtotal | <u>943,552.29</u> | | | | <u>677,158.90</u> | <u>173,346.65</u> | <u>30,590.58</u> | <u>62,456.16</u> | <u>943,552.29</u> | |
| Term Life Insurance | <u>\$ 7,148.00</u> | 71.683% | 21.675% | 6.643% | <u>5,123.89</u> | <u>1,316.90</u> | <u>232.39</u> | <u>474.81</u> | <u>7,148.00</u> | |
| Total LGC Insurance Expense | <u>\$ 1,250,575.29</u> | | | | <u>\$ 920,212.87</u> | <u>\$ 215,803.49</u> | <u>\$ 38,082.97</u> | <u>\$ 76,475.97</u> | <u>\$ 1,250,575.29</u> | |

1.69% represents the ratio of Corning Payroll Charged to LGC / Total Corning Company Payroll

6.643% represents LGC proportional share of a three part formula that combines year end plant, annual revenues, and payroll of each affiliate to develop the factor.

F

| | Gross Plant, Revenues and Payroll | | | | |
|-------------------|-----------------------------------|-------------------|-------------------|-------------------|----------------|
| | CNG | Pike Electric | Pike Gas | Leatherstocking | Total |
| Plant at Year End | 111,037,764.87 | 26,270,280.77 | 4,127,456.94 | 11,608,127.40 | |
| Revenues CY | 24,989,306.51 | 9,242,495.00 | 1,930,171.34 | 1,232,447.26 | |
| Payroll Expense | <u>4,458,116.99</u> | <u>771,665.96</u> | <u>136,176.35</u> | <u>177,746.53</u> | |
| | 140,485,188.37 | 36,284,441.73 | 6,193,804.62 | 13,018,321.19 | 195,981,755.91 |
| Allocation Factor | 71.683% | 18.514% | 3.160% | 6.643% | 100.00% |

APPENDIX B

INTERROGATORY RESPONSES

List of Interrogatory Responses:

- OSBA-I-4
- LEATHERSTOCKING-I&E-I-2
- I&E-RB-2-D
- I&E-RB-6-D
- LEATHERSTOCKING-OCA-I-1
- I&E-RE-5

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT'S
DATA REQUESTS, SET I, NOS. 1-5**

OSBA-I-4: Reference Company Exhibit G-3, Schedule, page 2.

Why is the Net Plant calculated as the positive sum of Original Cost and Depreciation Reserve? Shouldn't the Depreciation Reserve (when expressed as a positive number) be subtracted from the Original Cost to obtain Net Plant?

RESPONSE: The Company agrees that Exhibit G-3, Schedule 1, Page 2 of 3 should subtract the Depreciation Reserve balance from the Plant in Service balance in order to calculate the Net Plant balance. In reviewing Schedule 1, Page 2 of 3, it was discovered that there were bad cell references or links to the supporting workpaper. Instead of picking up the depreciation reserve balances, which were negative amounts, the Schedule picked up the Net Plant balances, which had positive balances, in the column labeled Depreciation Reserve.

Attachment "OSBA-1-4 Interco Plant" contains the original and corrected calculations along with the workpaper that contained the source data. As a result of this correction, Leatherstocking's Rate Base will be reduced by \$91,800 (i.e., \$52,100 - \$143,900). The associated decrease in the Company's revenue requirement resulting from this change would be \$8,400.

The Company will reflect the necessary adjustments to Exhibit G-3 Rate Base and Exhibit G-4 Revenue Requirement and submit them as part of its Update / Rebuttal Testimony.

PROVIDED BY: Charles A. Lennox, Richard A. Kane (Accounting & Rate Panel)

DATE: August 29, 2022

OSBA-1-4 Interco Plant

| Leatherstocking Gas Company, LLC | | | | | Exhibit G-3 |
|--|------------------------------|-----------------------|---------------------|-----------------|--------------------|
| Statement in Support of Change No. (1b) | | | | | Schedule 1 |
| To Gas Plant in Service | | | | | Page 2 of 3 |
| For the Twelve Months Ended March 31, 2023 | | | | | |
| Corrected | | | | | |
| <u>Intercompany Plant Allocated from Corning Gas (Net)</u> | Balance at December 31, 2021 | | | % Allocated To | |
| | Original | Depreciation | Net | Leatherstocking | Leatherstocking |
| | Cost | Reserve | Plant | Gas | \$ Allocation |
| <u>Shared Corning Facilities</u> | | | | | |
| Land Williams Street | \$ 155,733 | \$ - | \$ 155,733 | | |
| Land Riverside | 233,732 | - | 233,732 | | |
| West William Street Office | 2,045,075 | (931,830) | 1,113,245 | | |
| Operations Facility | 3,028,020 | (1,301,541) | 1,726,478 | | |
| Total | <u>\$ 5,462,560</u> | <u>\$ (2,233,372)</u> | <u>\$ 3,229,188</u> | x 0.72% | = \$ 23,372 |
| <u>Shared Corning Office Furniture & Equipment</u> | | | | | |
| Office Furniture & Equipment - Furniture | \$ 342,255 | \$ (359,736) | \$ (17,482) | | |
| Office Furniture & Equipment - Machines | 299,814 | (142,772) | 157,042 | | |
| Office Furniture & Equipment - Computers | 2,566,048 | (943,309) | 1,622,739 | | |
| Total | <u>\$ 3,208,117</u> | <u>\$ (1,445,818)</u> | <u>\$ 1,762,300</u> | x 1.63% | = 28,725 |
| (Change No. 1b) | | | | | <u>\$ 52,097</u> |
| Rounded | | | | | <u>\$ 52,100</u> |
| Net Correction to Rate Base | | | | | <u>\$ (91,800)</u> |

OSBA-1-4 Interco Plant

| Leatherstocking Gas Company, LLC | | | | | Exhibit G-3 | |
|---|------------------------------|-------------------------|--------------|------------------------|----------------------------------|-------------------|
| Statement in Support of Change No. (1b) | | | | | Schedule 1 | |
| To Gas Plant in Service | | | | | Page 2 of 3 | |
| For the Twelve Months Ended March 31, 2023 | | | | | | |
| As Filed | | | | | | |
| <u>Intercompany Plant Allocated from Coming Gas (Net)</u> | Balance at December 31, 2021 | | | % Allocated To | | |
| | Original Cost | Depreciation Reserve | Net Plant | Leatherstocking Gas | Leatherstocking \$ Allocation | |
| <u>Shared Coming Facilities</u> | | | | | | |
| Land Williams Street | \$ 155,733 | \$ 155,733 | \$ 311,465 | | | |
| Land Riverside | 233,732 | 233,732 | 467,464 | | | |
| West William Street Office | 2,045,075 | 1,113,245 | 3,158,321 | | | |
| Operations Facility | 3,028,020 | 1,726,478 | 4,754,498 | | | |
| Total | \$ 5,462,560 | \$ 3,229,188 | \$ 8,691,748 | x 0.72% | = | \$ 62,908 |
| <u>Shared Coming Office Furniture & Equipment</u> | | | | | | |
| Office Furniture & Equipment - Furniture | \$ 342,255 | \$ (17,482) | \$ 324,773 | | | |
| Office Furniture & Equipment - Machines | 299,814 | 157,042 | 456,856 | | | |
| Office Furniture & Equipment - Computers | 2,566,048 | 1,622,739 | 4,188,788 | | | |
| Total | \$ 3,208,117 | \$ 1,762,300 | \$ 4,970,417 | x 1.63% | = | 81,018 |
| (Change No. 1b) | | | | | | \$ 143,926 |
| Rounded | | | | | | \$ 143,900 |

OSBA-1-4 Interco Plant

| | | <u>At December 31, 2021</u> | | |
|---|----------------------------|-----------------------------|-------------------------|--------------|
| | | Original Cost | Depreciation Reserve | Net Plant |
| Test Year | | | | |
| Land Williams Street | | 155,733 | - | 155,733 |
| Land Riverside | | 233,732 | - | 233,732 |
| West William Street Office | | 2,045,075 | (931,830) | 1,113,245 |
| Operations Facility | | 3,028,020 | (1,301,541) | 1,726,478 |
| | | 5,462,560 | (2,233,372) | 3,229,188 |
| Net Plant Allocated to Subsidiary / Third Party Operations | | | | |
| 10 391010 | Off Furn & Equip-Furniture | 342,254.86 | (359,736.37) | (17,482) |
| 10 391020 | Off Furn & Equip-Machines | 299,814.02 | (142,772.29) | 157,042 |
| 10 391030 | Off Furn & Equip-Computer | 2,566,048.23 | (943,308.93) | 1,622,739 |
| | | 3,208,117.11 | (1,445,817.59) | 1,762,299.52 |

**Pennsylvania Public Utility Commission v.
Leatherstocking Gas Company, LLC
Docket No. R-2022-3032764**

**Responses of the Bureau of Investigation and Enforcement to the
Interrogatories of Leatherstocking Gas Company – Set I
Witness: Eryan Sakaya**

Leatherstocking-I&E-I-2

The direct testimony of Eryan A. Sakaya (BI&E Statement 3) pages 8 – 10 discusses the correction to the net General Plant balance allocated from Corning Natural Gas Company. The correction subtracted the Depreciation Reserve Balance shown Company Exhibit G-3, Schedule 1, Page 2 of 3 to calculate the net plant balance of \$39,700.

- a. Please refer Leatherstocking’s response and the attachment to OSBA-I-4. In the response the Company indicated that Exhibit G-3, Schedule 1, Page 2 of 3 had bad cell references to the supporting workpaper and correct net plant balance should have been \$52,100. Based on this additional information, do you agree the adjustment to General Plant allocated from Corning Natural Gas should be adjusted to \$52,100? If not, why not?

Response

- a. **Yes, I&E will make the necessary correction in Surrebuttal testimony.**

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT'S
DATA REQUESTS, SET RB-1-D TO RB-8-D**

I&E-RB-2-D Reference Leatherstocking Exhibit G-3, Summary page 1 showing \$607,300 of CWIP as of March 31, 2023. Provide the following information.

A. A breakdown of the \$607,300 by plant account.

B. The expected in service date of each project.

RESPONSE: A. Please refer to Exhibit G-3, Schedule 1, Page 3, the CWIP balance of \$607,300 represents the average monthly balance during the historic test year ending March 31, 2022. The attached Excel File entitled "LGC CWIP Balance at March 31, 2022 and 2023" contains a breakdown of the actual and forecast CWIP Balance by plant account based on the Company's historic spending at March 31, 2022 and its 2023 capital budget. The Company anticipates that the actual CWIP balance will be much higher than \$607,300 at March 31, 2023, due to the timing of Wyalusing gas expansion projects, which should be completed and in-service during the future test year ending March 31, 2023.

B. Please refer to the Excel file included with Part A above for the expected in service dates of each project. This information is also contained in Exhibit G-3, Schedule 10.

PROVIDED BY: Charles A. Lennox, Richard A. Kane (Accounting & Rate Panel)

DATE: August 1, 2022

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT'S
DATA REQUESTS, SET RB-1-D TO RB-8-D**

I&E-RB-6-D Reference Leatherstocking Exhibit G-3, Schedule 11 showing \$80,000 of gas services for the year ending March 31, 2023. Provide the following information.

- A. The number of new services installed each month.
- B. The number of replacement service installed each month.
- C. The value of services installed each month that supports the \$80,000.

RESPONSE:

- A. Please refer to the attached Excel file entitled "LGC Capital Budget 4.22 – 3.23" for the number of new services installations by month.
- B. The Company anticipates that all of the services installed would be serve new load.
- C. Please refer to the attachment included in Part A to this response.

PROVIDED BY: Charles A. Lenns, Richard A. Kane (Accounting & Rate Panel)

DATE: August 1, 2022

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
Docket No. R-2022-3032764
Office of Consumer Advocate's Counsel Response to
Leatherstocking Gas Company LLC

Leatherstocking Gas Company
Docket No. R-2022-3032764
Gas Data Request – OCA Witness Jennifer L. Rogers

1. The direct testimony Jennifer L Rogers (OCA Statement 1) page 5 recommends a net adjustment to eliminate plant not completed and in-service by March 31, 2023, of \$461,896, based on Exhibit G-3, Schedule 11 shown below.

| Leatherstocking Gas Company, LLC | | Exhibit G-3 |
|---|-----------|--|
| Gas Plant Additions | | Schedule11 |
| For the Twelve Months Ended March 31, 2023 | | |
| \$000's | | |
| | | |
| <u>Gas Distribution Plant</u> | | April 1, 2022 - March 31, 2023 Plant Additions |
| <u>Customer Attachments in Existing Operating Franchises</u> | | |
| Gas Services | \$80,000 | |
| Gas Mains | - | |
| Total | 80,000 | |
| <u>Wyalusing (a)</u> | | |
| Gas Services | 315,370 | |
| Gas Main | 1,100,000 | |
| State Grant (50% reimbursement) | (707,685) | |
| Gate Station | - | |
| State Grant (50% reimbursement) | - | |
| Total (a) | 707,685 | |
| <u>General Plant</u> | | |
| Tools and Equipment | 600 | |
| Office Furniture | 1,200 | |
| IT Technology | 6,800 | |
| Total | 8,600 | |
| Total Capital Budget | | \$796,285 |
| (a) Project spending through March 31, 2022 for Wyalusing = | | \$571,354 |

- a. Please explain how the net adjustment of \$461,896 to plant was calculated.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
Docket No. R-2022-3032764
Office of Consumer Advocate's Counsel Response to
Leatherstocking Gas Company LLC
Interrogatories And RFPD Set 1 to OCA

- b. Please explain why you believe the column entitled "April 1, 2022 – March 31, 2023 Plant Additions" includes plant additions through September 30, 2023?

RESPONSE:

- a. To reach the net adjustment to the rate base of \$461,896, per Schedule JLR-8, I first summed any Services and Mains additions which were dated as occurring in months after March 2023 in the excel file "LGC Capital Budget 4.22 - 3.23" provided by the Company in response to I&E-RB-6-D. I then removed 50% of the value, to represent the 50% state grant reimbursement that the Company removed from its claimed value per Exhibit G-3, Schedule 11. This totals the \$471,790 shown on Line 9 of Schedule JLR-8. To account for the corresponding reduction in depreciation resulting from this adjustment, the 2.1% composite depreciation rate for distribution presented by the Company in Exhibit G-4, Schedule 6, Page 1 was multiplied by the \$471,790, equaling \$9,894. This \$9,894 was subtracted from \$471,790 to reach the net adjustment value of \$461,896.
- b. Referencing the excel file "LGC Capital Budget 4.22 - 3.23" provided by the Company in response to I&E-RB-6-D, where these values are sourced from, Columns E through J are labeled in row 5 as occurring April 2023 through September 2023

Response Prepared by: Jennifer L. Rogers

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO BUREAU OF INVESTIGATION AND ENFORCEMENT'S
DATA REQUESTS, SET RE5 TO RE7**

- I&E-RE-5** Reference the attachment accompanying the responses to I&E-RE-1 and I&E-RE-2 entitled "LGC Gas Operation & Maintenance Expenses," concerning Customer Accounts Expense – Records/Collection:
- A. Identify any one-time costs included in the future test year (FTY) ending March 31, 2023 and indicate the period over which such costs are normalized in the rate filing.
 - B. Identify any items claimed *in full* in the FTY that benefit more than one fiscal year with a description and dollar amount and identify the number of related years for such benefit.
 - C. Explain in detail any attempts to control the increase in costs associated with records/collection caused by the purchase of Mirabito Regulated Industries' shares by Corning Natural Gas Holdings.
 - D. Explain in detail whether any increase in this cost is related to the hiring on additional personnel.

RESPONSE:

- A. The Company's Records and Collection expenses includes direct payroll cost for a Leatherstocking Customer Service Representative and charges for Corning Customer Accounting and Service personnel who charge Leatherstocking for time actually spent working on customer related tasks. For the twelve months ending March 31, 2022, direct payroll charges for the Leatherstocking employee was \$52,920. Payroll charges for Corning personnel totaled \$36,875.
- B. The Company's Records and Collection expense does not have any out of period costs or expenses in the Historic or Future Test Years.
- C. Corning Natural Gas Company ("CNG") took over the responsibility for customer billing and service from Mirabito Regulated Industries starting in 2020. It was necessary to hire a full time Customer Accounting and Service Representative to handle the workload picked up from Mirabito. Prior to that time Mirabito handled this function and did not charge Leatherstocking for costs incurred by them.

The Leatherstocking Customer Accounting and Service Representative should be able to handle future growth in workload for this function for the next several years, thereby controlling the overall level of costs for this function.

- D. The increase in cost is primarily due the hiring of a full-time Customer Service Representative at Leatherstocking in 2021 to handle customer records, billing, and service responsibilities.

PROVIDED BY: Charles A. Lenns, Richard A. Kane (Accounting & Rate Panel)

DATE: September 6, 2022

Leatherstocking Gas Company LLC
Index of Schedules
Capitalization and Rate of Return

Exhibit G-2
Oct 2022 Update

| <u>Schedule</u> | <u>Title of Schedule</u> | <u>Witness</u> |
|-----------------|---|-------------------------|
| (1) | Capitalization of Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |
| (2) | Long Term Debt Schedule Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |
| (3) | Cost of Money for Leatherstocking Company of Pennsylvania | Accounting & Rate Panel |

Leatherstocking Gas Company LLC
 Capitalization

| | <u>As of March 31, 2022 (Actual)</u> | | | <u>As of March 31, 2023 (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> | \$ 5,757,676 | 47.32% | | \$ 5,058,988 | 43.917% |
| <u>Short Term Debt</u> | 1,176,874 | 9.67% | (a) | 1,227,505 | 10.656% |
| <u>Proprietary Capital</u> | | | | | |
| Common Stock | - | | | - | |
| Paid In Capital | 7,043,121 | | | 7,043,121 | |
| Retained Earnings | (892,119) | | | (892,119) | |
| Goodwill | (918,121) | | | (918,121) | |
| Total Proprietary Capital: | <u>5,232,881</u> | <u>43.01%</u> | | <u>5,232,881</u> | <u>45.427%</u> |
| | | | | | |
| Total Capitalization | <u>\$ 12,167,431</u> | <u>100.00%</u> | | <u>\$ 11,519,374</u> | <u>100.000%</u> |

- (a) The estimated Short Term Debt Balance at March 31 , 2023 represents the daily average balance between April 1, 2021 - March 31, 2022, The actual short term debt balance at March 31, 2022 was \$1,176,874.

Leatherstocking Gas Company, LLC

Long Term Debt
 At March 31, 2022 (Actual)

| <u>Leatherstocking Gas Company of Pennsylvania</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> |
|--|-----------------------------|-----------------------|--------------------------|----------------------------------|-------------------------------|---|----------------------------|---|---------------------------|---|--|
| Waye Bank Demand Loans | | | | | | | | | | | |
| Loan 1 - 5.30% (b) | 224550 | 7/26/18 | 6/26/23 | \$ 82,447 | \$ 22,461 | \$ 62 | \$ 22,399 | | 5.54% | | \$ 1,240 |
| Loan 2 - 4.75% | 224640 | 3/11/19 | 3/11/29 | 6,000,000 | 4,483,386 | 22,484 | 4,460,902 | | 4.84% | | 216,069.32 |
| Loan 3 - 4.75% | 224650 | 8/11/19 | 2/11/29 | 615,000 | 472,799 | 1,647 | 471,151 | | 4.81% | | 22,682.45 |
| Loan 4 - 4.75% | 224680 | 12/13/21 | 12/13/31 | 800,000 | 779,030 | 17,093 | 761,937 | | 5.09% | | 38,772.18 |
| Letter of Credit (c) | | | | - | - | 4,931 | - | | - | | 11,148.04 |
| Reacquisition of Debt (d) | | | | - | - | 4,246 | - | | - | | 5,703.10 |
| Total | | | | <u>\$ 7,497,447</u> | <u>\$ 5,757,676</u> | <u>\$ 50,463</u> | <u>\$ 5,716,390</u> | | <u>5.17%</u> | | <u>\$ 295,616</u> |

Notes:

- (a) The effective annual cost of debt represents the annualized interest expense (March 31st debt balance x coupon interest rate) plus the annual amortization of debt issuance costs
 (b) Equipment (truck) loan
 (c) Letter of Credit costs includes all annual servicing costs. Letter Credit allows the Company to borrow up to \$1.5 million.
 (d) Debt refinanced in 2019

Leatherstocking Gas Company of Pennsylvania, LLC

Long Term Debt
 At March 31, 2023 (Forecast)

| Leatherstocking Gas Company of Pennsylvania | Company Accounts | Issue Date | Maturity Date | Original Issue Amount | Amount Outstanding | Unamortized Expense of Issue | Net Proceeds | x | Cost of Debt % | = | Effective Annual Cost (a) |
|--|---------------------|---------------|------------------|--------------------------|-----------------------|------------------------------------|---------------------|---|-------------------|---|---------------------------------|
| Waye Bank Demand Loans | | | | | | | | | | | |
| Loan 1 - 5.30% (b) | 224550 | 7/26/18 | 6/26/23 | \$ 82,447 | \$ 4,372 | \$ 12 | \$ 4,360 | | 6.46% | | \$ 282 |
| Loan 2 - 4.75% | 224640 | 3/11/19 | 3/11/29 | 6,000,000 | 3,927,046 | 19,376 | 3,907,670 | | 4.85% | | 189,643 |
| Loan 3 - 4.75% | 224650 | 8/11/19 | 2/11/29 | 615,000 | 413,507 | 1,422 | 412,084 | | 4.82% | | 19,866 |
| Loan 4 - 4.75% | 224680 | 12/13/21 | 12/13/31 | 800,000 | 714,063 | 15,325 | 698,738 | | 5.11% | | 35,686 |
| Letter of Credit (c) | | | | | | 4,006 | | | | | 11,148 |
| Reacquisition of Debt (d) | | | | | | 736 | | | | | 3,510 |
| Total | | | | \$ 7,497,447 | \$ 5,058,988 | \$ 40,878 | \$ 5,022,853 | | 5.18% | | \$ 260,135 |

Notes:

- (a) The effective annual cost of debt represents the annualized interest expense (March 31st debt balance x coupon interest rate) plus the annual amortization of debt issuance costs
- (b) Equipment (truck) loan
- (c) Letter of Credit costs includes all annual servicing costs. Letter Credit allows the Company to borrow up to \$1.5 million.
- (d) Debt refinanced in 2019

Leatherstocking Gas Company, LLC
 Consolidated Cost of Money

Forecast at March 31, 2023

| <u>As Filed</u> | <u>Percent of Capital</u> | <u>Cost of Component</u> | <u>Weighted Cost</u> |
|----------------------|-----------------------------------|----------------------------------|--------------------------|
| Long Term Debt | 43.92% | 5.18% | 2.27% |
| Short Term Debt | 10.66% | 4.00% (a) | 0.43% |
| Common Stock Equity | 45.43% | 10.00% (b) | 4.54% |
| Total Capitalization | <u>100.00%</u> | | <u>7.24%</u> |

| <u>October 2022 Update</u> | | | |
|----------------------------|-----------------|------------|--------------|
| Long Term Debt | 43.917% | 5.18% | 2.27% |
| Short Term Debt | 10.656% | 5.50% (a) | 0.59% |
| Common Stock Equity | 45.427% | 10.00% (b) | 4.54% |
| Total Capitalization | <u>100.000%</u> | | <u>7.40%</u> |

- (a) Based on short-term rate currently in effect
 (b) Based on the ROE authorized for gas distribution companies for DSIC purposes of 10.15% at December 1, 2021. To mitigate the rate increase, the Leatherstocking is requesting 10.0%.

Leatherstocking Gas Company, LLC
Index of Schedules
Gas Rate Base

Exhibit G-3
Oct. 2022 Update

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

Leatherstocking Gas Company, LLC
Gas Rate Base
At March 31, 2022 And 2023

Exhibit G-3
Oct. 2022 Update
Summary
Page 1 of 2

| Description | Actual Per Books at 3/31/2022 (a) | Difference Between Historical and Future Years | | As Filed Future Year at 3/31/2023 (d)=(a)+(c) | October 2022 Update | | Future Year at 3/31/2023 (g)=(e)+(f) | Schedule No. |
|--|--|---|-------------------|--|---------------------|--------------------|--|-----------------|
| | | Reference (b) | Amount (c) | | Reference (e) | Amount (f) | | |
| Utility Plant: | | | | | | | | |
| Gas Plant in Service | \$ 11,484,800 | (1a) | \$ 763,100 | \$ 12,247,900 | | \$ - | \$ 12,247,900 | 1 |
| General Plant allocated from Corning Gas (Net) | - | (1b) | 143,900 | 143,900 | (10) | (91,800) | 52,100 | 1 |
| CWIP not taking interest | 632,100 | (1c) | (24,800) | 607,300 | | - | 607,300 | 1 |
| Total Utility Plant | 12,116,900 | | 882,200 | 12,999,100 | | (91,800) | 12,907,300 | |
| Utility Plant Reserves: | | | | | | | | |
| Accumulated Provision For Depreciation | | | | | | | | |
| Gas Plant in Service | 505,800 | (2a) | 246,500 | 752,300 | | - | 752,300 | 2 |
| Accelerated Depreciation | 406,700 | (2b) | 344,000 | 750,700 | | - | 750,700 | 2 |
| Total Utility Plant Reserves | 912,500 | | 590,500 | 1,503,000 | | - | 1,503,000 | |
| Net Plant | 11,204,400 | | 291,700 | 11,496,100 | | (91,800) | 11,404,300 | |
| Additions to Net Plant | | | | | | | | |
| Working Capital Requirements: | | | | | | | | |
| Cash Working Capital | 93,200 | (3) | (17,400) | 75,800 | (11) | (500) | 75,300 | 3 |
| Materials and Supplies | 12,800 | (4) | 5,200 | 18,000 | | - | 18,000 | 4 |
| Prepayments | 5,700 | (5) | 100 | 5,800 | | - | 5,800 | 5 |
| Regulatory Assets (Net of Tax) | - | (6) | - | - | | - | - | 6 |
| Total Additions | 111,700 | | (12,100) | 99,600 | | (500) | 99,100 | |
| Deductions to Net Plant: | | | | | | | | |
| Regulatory Liabilities (Net of Tax) | - | (7) | - | - | | - | - | 7 |
| Customer Deposits | - | (8) | - | - | | - | - | 8 |
| Accumulated Deferred Income Taxes | 624,400 | (9) | 106,500 | 730,900 | | - | 730,900 | 9 |
| Total Deductions | 624,400 | | 106,500 | 730,900 | | - | 730,900 | |
| Gas Rate Base | \$ 10,691,700 | | \$ 173,100 | \$ 10,864,800 | | \$ (92,300) | \$ 10,772,500 | |

Leatherstocking Gas Company, LLC
Changes in Gas Rate Base
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Summary
Page 2 of 2

| Adjustment Number | Description | Amount |
|------------------------------------|--|------------|
| (1a) | Changes in Gas Plant in Service - Additions & Retirements | \$ 763,100 |
| (1b) | Allocation of CNG Jointly Used General Plant | 143,900 |
| (1c) | Changes to Construction Work in Progress | (24,800) |
| (2a) | Changes to Gas Depreciation Reserve - at existing Depreciation Rates | 246,500 |
| (2b) | Changes to Accelerated Depreciation ("CBOCF") Reserve | 344,000 |
| (3) | Changes in Working Capital Requirements (O&M) | (17,400) |
| (4) | Change in Material and Supplies | 5,200 |
| (5) | Change in Working Capital Prepayments | 100 |
| (6) | Changes to Rate Base for Deferred Debits | - |
| (7) | Changes to Rate Base for Deferred Credits | - |
| (8) | Change in Customer Deposits | - |
| (9) | Changes in Deferred Income Taxes | 106,500 |
| <u>October 2022 Updates</u> | | |
| (10) | Allocation of CNG Jointly Used General Plant (Oct. Update) | (91,800) |
| (11) | Changes in Working Capital Requirements (O&M) (Oct Update) | (500) |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1a)
To Gas Distribution Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 1
Page 1 of 3

| <u>Gas Plant in Service</u> | <u>Intangible</u> | <u>Distribution</u> | <u>General</u> | <u>Total</u> | <u>Rounded</u> |
|---|-------------------|---------------------|-------------------|----------------------|----------------------|
| Balance at March 31, 2022 | \$ 289,335 | \$11,029,521 | \$ 165,987 | \$ 11,484,844 | \$ 11,484,800 |
| Additions - April 1, 2022 through March 31, 2023 * | - | 787,685 | 8,600 | 796,285 | |
| Retirements - April 1, 2022 through March 31, 2023 ** | - | - | (33,197) | (33,197) | |
| Net Additions (Change No. 1a) | - | 787,685 | (24,597) | 763,088 | 763,100 |
| Ending Balance at March 31, 2023 | \$ 289,335 | \$11,817,206 | \$ 141,390 | \$ 12,247,932 | \$ 12,247,900 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1b)
To Gas Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
As Filed
Schedule 1
Page 2 of 3

| <u>Intercompany Plant Allocated from Corning Gas (Net)</u> | Balance at December 31, 2021 | | | % Allocated To | Leatherstocking | Leatherstocking |
|--|------------------------------|-------------------------|--------------|----------------|-----------------|-------------------|
| | Original Cost | Depreciation Reserve | Net Plant | Gas | Gas | \$ Allocation |
| <u>Shared Corning Facilities</u> | | | | | | |
| Land Williams Street | \$ 155,733 | \$ 155,733 | \$ 311,465 | | | |
| Land Riverside | 233,732 | 233,732 | 467,464 | | | |
| West William Street Office | 2,045,075 | 1,113,245 | 3,158,321 | | | |
| Operations Facility | 3,028,020 | 1,726,478 | 4,754,498 | | | |
| Total | \$ 5,462,560 | \$ 3,229,188 | \$ 8,691,748 | x 0.72% | = | \$ 62,908 |
| <u>Shared Corning Office Furniture & Equipment</u> | | | | | | |
| Office Furniture & Equipment - Furniture | \$ 342,255 | \$ (17,482) | \$ 324,773 | | | |
| Office Furniture & Equipment - Machines | 299,814 | 157,042 | 456,856 | | | |
| Office Furniture & Equipment - Computers | 2,566,048 | 1,622,739 | 4,188,788 | | | |
| Total | \$ 3,208,117 | \$ 1,762,300 | \$ 4,970,417 | x 1.63% | = | 81,018 |
| (Change No. 1b) | | | | | | \$ 143,926 |
| Rounded | | | | | | \$ 143,900 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1b)
To Gas Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 1
Page 2a of 3

| <u>Intercompany Plant Allocated from Corning Gas (Net)</u> | Balance at December 31, 2021 | | | % Allocated To Leatherstocking Gas | Leatherstocking \$ Allocation |
|--|------------------------------|-------------------------|--------------|--|----------------------------------|
| | Original Cost | Depreciation Reserve | Net Plant | | |
| <u>Shared Corning Facilities</u> | | | | | |
| Land Williams Street | \$ 155,733 | \$ - | \$ 155,733 | | |
| Land Riverside | 233,732 | - | 233,732 | | |
| West William Street Office | 2,045,075 | (931,830) | 1,113,245 | | |
| Operations Facility | 3,028,020 | (1,301,541) | 1,726,478 | | |
| Total | \$ 5,462,560 | \$ (2,233,372) | \$ 3,229,188 | x 0.72% | = \$ 23,372 |
| <u>Shared Corning Office Furniture & Equipment</u> | | | | | |
| Office Furniture & Equipment - Furniture | \$ 342,255 | \$ (359,736) | \$ (17,482) | | |
| Office Furniture & Equipment - Machines | 299,814 | (142,772) | 157,042 | | |
| Office Furniture & Equipment - Computers | 2,566,048 | (943,309) | 1,622,739 | | |
| Total | \$ 3,208,117 | \$ (1,445,818) | \$ 1,762,300 | x 1.63% | = 28,725 |
| Total Allocated Intercompany Plant | | | | | \$ 52,097 |
| Rounded | | | | | \$ 52,100 |
| Change No.1b As Filed | | | | | 143,900 |
| Change No. 10 | | | | | \$ (91,800) |

Leatherstocking Gas Company, LLC
Statement in Support of Change (1c)
To Gas Plant in Service
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 1
Page 3 of 3

| | Monthly CWIP Balance | Interest Bearing CWIP | Non-Interest Bearing CWIP | (\$000) NIB-CWIP |
|---------------------------|-------------------------|-----------------------------|---------------------------------|---------------------|
| March-21 | \$ 533,189 | \$ - | \$ 533,189 | \$ 533 |
| April-21 | 553,861 | - | 553,861 | 554 |
| May-21 | 668,598 | - | 668,598 | 669 |
| June-21 | 712,277 | - | 712,277 | 712 |
| July-21 | 747,096 | - | 747,096 | 747 |
| August-21 | 915,694 | - | 915,694 | 916 |
| September-21 | 794,133 | - | 794,133 | 794 |
| October-21 | 332,136 | - | 332,136 | 332 |
| November-21 | 401,060 | - | 401,060 | 401 |
| December-21 | 404,961 | - | 404,961 | 405 |
| January-22 | 520,164 | - | 520,164 | 520 |
| February-22 | 605,856 | - | 605,856 | 606 |
| March-22 | <u>632,089</u> | <u>-</u> | <u>632,089</u> | <u>632</u> |
| 12 Month Total | <u>\$ 7,287,926</u> | <u>\$ -</u> | <u>\$ 7,287,926</u> | <u>\$ 7,288</u> |
| 12 Month Average | \$ 607,327 | \$ - | \$ 607,327 | \$ 607.3 |
| Balance at March 31, 2022 | <u>632,089</u> | <u>-</u> | <u>632,089</u> | <u>632.1</u> |
| Change (1c) | <u>\$ (24,762)</u> | <u>\$ -</u> | <u>\$ (24,762)</u> | <u>\$ (24.8)</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2a)
To Gas Depreciation Reserve
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 2
Page 1 of 2

| Accumulated Provision for Depreciation of Gas Plant | Intangible | Distribution | General | Total | Rounded |
|---|-------------------------|--------------------------|-------------------------|--------------------------|--------------------------|
| Balance at March 31, 2022 | \$ 88,671 | \$ 356,719 | \$ 60,379 | \$ 505,769 | \$ 505,800 |
| Additions - April 1, 2022 thru March 31, 2023 | \$ 9,000 | \$ 239,500 | \$ 31,200 | \$ 279,700 | |
| Retirements - April 1, 2022 thru March 31, 2023 | - | - | (33,197) | (33,197) | |
| Net Additions (Change No. 2a) | 9,000 | 239,500 | (1,997) | 246,503 | 246,500 |
| Ending Balance at March 31, 2023 | <u>\$ 97,671</u> | <u>\$ 596,219</u> | <u>\$ 58,382</u> | <u>\$ 752,272</u> | <u>\$ 752,300</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2b)
To Accelerated Plant Depreciation Reserve
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 2
Page 2 of 2

| <u>Accumulated Provision for Accelerated Depreciation</u> | <u>Total</u> | <u>Rounded</u> |
|---|--------------------------|--------------------------|
| Balance as of March 31, 2022 - Per Books | <u>\$ 406,670</u> | <u>\$ 406,700</u> |
| Additional recoveries through March 31, 2022 (a) | 36,934 | 36,900 |
| Forecast recoveries April 2022 - March 2023 (b) | <u>307,086</u> | <u>307,100</u> |
| Net Additions (Change No. 2b) | <u>344,020</u> | <u>344,000</u> |
| Ending Balance at March 31, 2023 | <u><u>\$ 750,690</u></u> | <u><u>\$ 750,700</u></u> |

- (a) Correction of the accelerated depreciation balance to reflect CBOCF depreciation recoveries from Elk Lake Customers, not properly classified in the billing system.
- (b) See Exhibit G-4, Schedule 8, Page 3 of 3 for computation of Adjustment (2b)

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
For the Twelve Months Ended March 31, 2022

Exhibit G-3
Oct. 2022 Update
Schedule 3
Page 1 of 2

| Description | As Filed | Oct 2022 Update | | |
|---------------------------------------|---|---------------------------------------|-------------------------------------|---|
| | 12 Months Ended March 31, 2022 (1) | Increase In Purchased Gas Costs | Decrease In Insurance Expense | 12 Months Ended March 31, 2022 (1) |
| Gas Operation and Maintenance Expense | \$ 1,054,055 | \$ 77,300 | \$ (4,200) | \$ 1,127,155 |
| Less: Purchased Gas Expense | 447,769 | 77,300 | - | 525,069 |
| Deferred Purchased Gas Expense | (151,999) | | | (151,999) |
| O&M Amortizations - Insurance | 7,566 | | | 7,566 |
| - PaPUC Assessments | 5,035 | | | 5,035 |
| Total | <u>\$ 745,684</u> | | | <u>\$ 741,484</u> |
| Cash Working Capital = 1/8 of Total | <u>\$ 93,211</u> | | | <u>\$ 92,686</u> |
| Rounded | <u>\$ 93,200</u> | | | \$ 92,700 |
| As Filed | | | | <u>93,200</u> |
| Adjustment No. 11 | | | | <u>\$ (500)</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 3
Page 2 of 2

| Description | 12 Months Ended March 31, 2023 (1) | Oct 2022 Update | | 12 Months Ended March 31, 2022 (1) |
|---|---|---------------------------------------|-------------------------------------|---|
| | | Increase In Purchased Gas Costs | Decrease In Insurance Expense | |
| Gas Operation and Maintenance Expense | \$ 1,506,700 | \$ 77,300 | \$ (4,200) | \$ 1,579,800 |
| Less: Purchased Gas Expense | 887,400 | 77,300 | - | 964,700 |
| O&M Amortizations - Insurance | 7,566 | | | 7,566 |
| - PaPUC Assessments | 5,035 | | | 5,035 |
| Total | \$ 606,699 | | | \$ 602,499 |
| Cash Working Capital = 1/8 of Total | \$ 75,837 | | | \$ 75,312 |
| Cash Working Capital - 12 Months Ended 3/31/2022 -- 3/31/2023 | 93,211 | | | 75,837 |
| Net Change | \$ (17,373) | | | \$ (525) |
| Change Nos. 3 & 11 (Rounded) | \$ (17,400) | | | \$ (500) |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (4)
Materials and Supplies
For the Twelve Months Ended March 31, 2023

| Month | | Materials & Supplies Inventory Acct 150020 (1) | Gas Rounded (2) |
|---------------------------------------|----------|--|-----------------------|
| April 30, 2021 | Actual | - | |
| May 31, 2021 | Actual | - | |
| June 30, 2021 | Actual | - | |
| July 31, 2021 | Actual | - | |
| August 31, 2021 | Actual | - | |
| September 30, 2021 | Actual | - | |
| October 31, 2021 | Actual | 21,662 | |
| November 30, 2021 | Actual | 21,662 | |
| December 31, 2021 | Actual | 21,662 | |
| January 31, 2022 | Actual | 28,913 | |
| February 28, 2022 | Actual | 28,873 | |
| March 31, 2022 | Actual | 31,076 | |
| April 30, 2022 | Forecast | 31,076 | |
| May 31, 2022 | Forecast | <u>31,076</u> | |
| April 1, 2021 - March 31, 2022 Total | | <u>\$ 153,847</u> | |
| March 31, 2022 - Twelve Month Average | | <u>\$ 12,821</u> | |
| Rounded | | | <u>\$ 12,800</u> |
| June 1 2021 - May 31, 2022 Total | | <u>\$ 216,000</u> | |
| May 31, 2022 - Twelve Month Average | | <u>\$ 18,000</u> | |
| Rounded | | | <u>\$ 18,000</u> |
| Net Changes (Change No. 4) | | | <u>5,200</u> |
| Twelve Month Average March 31, 2023 | | | <u>\$ 18,000</u> |

Exhibit G-3
Oct. 2022 Update
Schedule 4

Leatherstocking Gas Company, LLC
Statement in Support of Change (5)
Gas Working Capital Prepayments

Exhibit G-3
Oct. 2022 Update
Schedule 5

| Month | | PaPUC Assessment Acct. 165200 | Property Insurance Acct. 05 165030 | Total |
|-------------------------------------|----------|-------------------------------------|--|------------------|
| April 30, 2021 | Actual | \$ 1,062 | \$ - | \$ 1,062 |
| May 31, 2021 | Actual | 708 | 6,520 | 7,227 |
| June 30, 2021 | Actual | 354 | 5,927 | 6,281 |
| July 31, 2021 | Actual | - | 5,334 | 5,334 |
| August 31, 2021 | Actual | 4,977 | 4,742 | 9,718 |
| September 30, 2021 | Actual | 4,524 | 4,149 | 8,673 |
| October 31, 2021 | Actual | 4,072 | 3,556 | 7,628 |
| November 30, 2021 | Actual | 3,619 | 2,963 | 6,583 |
| December 31, 2021 | Actual | 3,167 | 2,371 | 5,538 |
| January 31, 2022 | Actual | 2,714 | 1,778 | 4,493 |
| February 28, 2022 | Actual | 2,262 | 1,185 | 3,447 |
| March 31, 2022 | Actual | 1,810 | 593 | 2,402 |
| April 30, 2022 | Forecast | 1,357 | - | 1,357 |
| May 31, 2022 | Forecast | 905 | 7,000 | 7,905 |
| April 1, 2021 - March 31, 2022 | Total | <u>\$ 29,268</u> | <u>\$ 39,118</u> | <u>\$ 68,386</u> |
| Twelve Month Average | | <u>\$ 2,439</u> | <u>\$ 3,260</u> | <u>\$ 5,699</u> |
| Rounded | | | | <u>\$ 5,700</u> |
| June 1 2021 - May 31, 2022 | Total | <u>\$ 29,761</u> | <u>\$ 39,598</u> | <u>\$ 69,359</u> |
| Twelve Month Average | | <u>\$ 2,480</u> | <u>\$ 3,300</u> | <u>\$ 5,780</u> |
| Rounded | | | | <u>\$ 5,800</u> |
| Net Changes (Change No. 5) | | | | <u>100</u> |
| Twelve Month Average March 31, 2023 | | | | <u>\$ 5,800</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change (6)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 6

| Deferred Debit Items | Regulatory Assets 182XXX | After Tax (b) | Rounded |
|---|--------------------------------|---------------|-----------------|
| Deferred Debit Balance as of March 31, 2022 | \$ - | \$ - | \$ - |
| Deferred Charges 4/1/2022 - 3/31/2023 (a) | - | - | - |
| Less: Amortization of Deferred Charges 4/1/22 - 3/31/23 | - | - | - |
| Deferred Debit Balance as of March 31, 2023 | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Change | | | <u>\$ -</u> |

(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 (1-28.8921%) | <u>71.1079%</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change (7)
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 7

| Deferred Credit Items | Regulatory Liabilities 254XXXX | After Tax * | Rounded |
|---|--------------------------------------|-------------|-----------------|
| Deferred Credit Balance as of March 31, 2022 | \$ - | \$ - | \$ - |
| Deferred Credits 4/1/2022 - 3/31/2023 | - | - | - |
| Less: Amortization of Deferred Credits 4/1/22 - 3/31/23 | - | - | - |
| Negative Deferred Credit Balance as of March 31, 2023 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</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 (1-28.8921%) | <u>71.1079%</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (8)
Customer Deposits
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 8

| Month | | Customer Deposits Acct 235000 (1) | Adjustment No. (8) (2) |
|---------------------------------------|----------|--|------------------------------|
| April 30, 2021 | Actual | \$ - | |
| May 31, 2021 | Actual | - | |
| June 30, 2021 | Actual | - | |
| July 31, 2021 | Actual | - | |
| August 31, 2021 | Actual | - | |
| September 30, 2021 | Actual | - | |
| October 31, 2021 | Actual | - | |
| November 30, 2021 | Actual | - | |
| December 31, 2021 | Actual | - | |
| January 31, 2022 | Actual | - | |
| February 28, 2022 | Actual | - | |
| March 31, 2022 | Actual | - | |
| April 30, 2022 | Forecast | - | |
| May 31, 2022 | Forecast | - | |
| April 1, 2021 - March 31, 2022 | | Total | |
| | | <u>\$ -</u> | |
| March 31, 2022 - Twelve Month Average | | <u>\$ -</u> | |
| | Rounded | | <u>\$ -</u> |
| June 1 2021 - May 31, 2022 | | Total | |
| | | <u>\$ -</u> | |
| May 31, 2022 - Twelve Month Average | | <u>\$ -</u> | |
| | Rounded | | <u>\$ -</u> |
| Net Changes (Change No. 8) | | | <u>-</u> |
| March 31, 2023 - Twelve Month Average | | | <u>\$ -</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (9)
To Accumulated Deferred Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-3
Oct. 2022 Update
Schedule 9

| <u>Accumulated Deferred Income Taxes</u> | Balance Accounts 283000 |
|--|----------------------------|
| Balance at March 31, 2022 | \$ 624,400 |
| <u>Additions - April 1, 2022 thru March 31, 2023</u> | |
| Tax Depreciation - Normalized | 961,236 |
| Less: Book Depreciation | 592,612 |
| Net Schedule M Tax Deduction | 368,624 |
| x Effective SIT / FIT Tax Rate | 28.8921% |
| Net Additions (Change No. 7) | \$ 106,500 |
| Ending Balance at June 30, 2021 | \$ 730,900 |

Leatherstocking Gas Company, LLC
Gas Capital Budgets
For the Twelve Months Ended September 30, 2022 and 2023

Exhibit G-3
Oct. 2022 Update
Schedule 10

| | Close Out to Plant In Service | Fiscal Year Ended September 30, 2022 | Close Out to Plant In Service | Fiscal Year Ended September 30, 2023 | Total |
|--|-------------------------------------|---|-------------------------------------|---|----------------------------------|
| <u>Gas Distribution Plant</u> | | | | | |
| <u>Customer Attachments in Existing Operating Franchises</u> | | | | | |
| Gas Services | Quarterly | \$80,000 | Quarterly | \$80,000 | \$160,000 |
| Gas Mains | 3/31/2022 | <u>145,000</u> | Quarterly | <u>-</u> | <u>145,000</u> |
| Total | | 225,000 | | 80,000 | 305,000 |
| <u>Wyalusing</u> | | | | | |
| Gas Services | 8/31/2022 | 315,370 | 9/30/2023 | 315,370 | 630,740 |
| Gas Main | 8/31/2022 | 1,100,000 | 9/30/2023 | 1,100,000 | 2,200,000 |
| State Grant (50% reimbursement) | 8/31/2022 | (707,685) | 9/30/2023 | (707,685) | (1,415,370) |
| Gate Station | - | - | 9/30/2023 | 750,000 | 750,000 |
| State Grant (50% reimbursement) | - | - | 9/30/2023 | (375,000) | (375,000) |
| Total | | <u>707,685</u> | | <u>1,082,685</u> | <u>1,790,370</u> |
| <u>General Plant</u> | | | | | |
| Tools and Equipment | Quarterly | - | Quarterly | 1,200 | 1,200 |
| Office Furniture | Quarterly | - | Quarterly | 2,400 | 2,400 |
| IT Technology | Quarterly | 6,600 | Quarterly | 7,000 | 13,600 |
| Total | | <u>6,600</u> | | <u>10,600</u> | <u>17,200</u> |
| Total Capital Budget | | <u><u>\$939,285</u></u> | | <u><u>\$1,173,285</u></u> | <u><u>\$2,112,570</u></u> |

Leatherstocking Gas Company, LLC
Gas Plant Additions
For the Twelve Months Ended March 31, 2023
\$000's

Exhibit G-3
Oct. 2022 Update
Schedule 11

| <u>Gas Distribution Plant</u> | <u>April 1, 2022 - March 31, 2023 Plant Additions</u> |
|---|---|
| <u>Customer Attachments in Existing Operating Franchises</u> | |
| Gas Services | \$80,000 |
| Gas Mains | - |
| Total | 80,000 |
| <u>Wyalusing (a)</u> | |
| Gas Services | 315,370 |
| Gas Main | 1,100,000 |
| State Grant (50% reimbursement) | (707,685) |
| Gate Station | - |
| State Grant (50% reimbursement) | - |
| Total (a) | 707,685 |
| <u>General Plant</u> | |
| Tools and Equipment | 600 |
| Office Furniture | 1,200 |
| IT Technology | 6,800 |
| Total | 8,600 |
| Total Capital Budget | \$796,285 |
| (a) Project spending through March 31, 2022 for Wyalusing = | \$571,354 |

Leatherstocking Gas Company, LLC
Index of Schedules
Gas Cost of Service

Exhibit G-4
Oct 2022 Update

| <u>Schedule</u> | <u>Title of Schedule</u> | <u>Witness</u> |
|-----------------|---|-------------------------|
| Summary | Gas Cost of Service | Accounting & Rate Panel |
| (1) | Changes in billed revenue to reflect forecast sales | Accounting & Rate Panel |
| (2) | Change to cost of purchased gas cost to match forecast recoveries | Accounting & Rate Panel |
| (3) | Changes in Operation and Maintenance Expenses to reflect amortization of rate case costs | Accounting & Rate Panel |
| (4) | Changes in Operation and Maintenance Expenses to reflect Global "Black Box" Adjustment | Accounting & Rate Panel |
| (5) | Changes in Operation and Maintenance Expenses to reflect Elimination of non-recurring charges and Association Dues | Accounting & Rate Panel |
| (6) | Changes in Depreciation Expenses - Plant additions at existing rates and depreciation recovered under CBOCF surcharge | Accounting & Rate Panel |
| (7) | Changes in Taxes Other than income for Payroll and Property Taxes | Accounting & Rate Panel |
| (8) | Calculation of Income Tax Expense | Accounting & Rate Panel |

Leatherstocking Gas Company, LLC
Gas Cost of Service
For the Twelve Months Ended March 31, 2022
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Summary
Page 1 of 3

| | 12 mos. Ended March 31, 2022 (1) | Difference Between | | 12 mos. Ended March 31, 2023 (4)=(1+3) | Future Year | | | Proposed Rate Change (8) | As Adjusted for Add'l Revenue (9)=(7+8) |
|--|--|-----------------------------|-------------------|--|---------------------|--------------------|----------------------------|--------------------------------|---|
| | | Historical and Future Years | | | October 2022 Update | | | | |
| | | Reference (2) | Amount (3) | | Reference (5) | Amount (6) | June 30, 2021 (7)=(4+6) | | |
| Operating Revenues: | | | | | | | | | |
| Sales of Gas - Base Rate Revenue | \$ 1,361,100 | (1a) | 728,900 | \$ 2,090,000 | (9) | 77,300 | \$ 2,167,300 | \$ 704,000 | \$ 2,794,000 |
| Other Operating Revenues | - | (1b) | - | - | | - | - | - | - |
| Total Operating Revenues | <u>1,361,100</u> | | <u>728,900</u> | <u>2,090,000</u> | | <u>77,300</u> | <u>2,167,300</u> | <u>704,000</u> | <u>2,794,000</u> |
| Operating Expenses: | | | | | | | | | |
| Purchased Gas Expense | 295,800 | (2) | 591,600 | 887,400 | (10) | 77,300 | 964,700 | - | 887,400 |
| Other Operation and Maintenance Expense | 758,300 | (3) | 30,000 | 619,300 | (11) | (4,200) | 615,100 | - | 619,300 |
| | | (4) | (100,000) | | | | | | |
| | | (5) | (69,000) | | | | | | |
| Depreciation & Amortization Expense | 490,300 | (6a) | 12,100 | 276,500 | | | 276,500 | - | 276,500 |
| | | (6b) | (225,900) | | | | | | |
| Taxes other than Income | 21,100 | (7) | - | 21,100 | | | 21,100 | - | 21,100 |
| Total Operating Expenses | <u>1,565,500</u> | | <u>238,800</u> | <u>1,804,300</u> | | <u>73,100</u> | <u>1,877,400</u> | <u>-</u> | <u>1,804,300</u> |
| Operating Income Before Income Taxes: | (204,400) | | 490,100 | 285,700 | | 4,200 | 289,900 | 704,000 | 993,900 |
| State Income Tax | (49,300) | (8a) | 48,500 | (800) | (12a) | (1,000) | (1,800) | 68,600 | 66,800 |
| Federal Income Tax | (93,200) | (8b) | 91,700 | (1,500) | (12b) | (2,000) | (3,500) | 133,400 | 129,900 |
| Operating Income after Taxes | <u>\$ (61,900)</u> | | <u>\$ 349,900</u> | <u>\$ 288,000</u> | | <u>\$ 7,200</u> | <u>\$ 295,200</u> | <u>\$ 502,000</u> | <u>\$ 797,200</u> |
| Rate Base | <u>\$ 10,691,700</u> | | <u>\$ 173,100</u> | <u>\$ 10,864,800</u> | (13) | <u>\$ (92,300)</u> | <u>\$ 10,772,500</u> | <u>\$ -</u> | <u>\$ 10,772,500</u> |
| Rate of Return | <u>-0.58%</u> | | | <u>2.65%</u> | | | <u>2.74%</u> | | <u>7.40%</u> |

Leatherstocking Gas Company, LLC
 Calculation of Gas Revenue Requirement
 For the Twelve Months Ended March 31, 2023

Exhibit G-4
 Oct 2022 Update
 Summary
 Page 2 of 3

| | Amount |
|---|----------------|
| Gas Rate Base at March 31, 2023 | \$ 10,772,500 |
| x Rate of Return at March 31, 2023 | 7.40% |
| Total Return Required | 797,165 |
| Total Earned Return (Per Exhibit G-4, Summary, Page 1 of 3) | 295,200 |
| Addition Return Required | 501,965 |
| Multiplied by Retention Factor* | 1.40242 |
| Total Revenue Requirement | \$ 703,965 |
| Rounded | \$ 704,000 |

| | | |
|--------------------------------|----------|------------|
| * <u>Retention Factor:</u> | | |
| Additional Revenue | 100.0000 | \$ 704,000 |
| Less: State Income Tax @ 9.74% | 9.7400 | 68,600 |
| | 90.2600 | 635,400 |
| Less: Federal Income Tax @ 21% | 18.9546 | 133,400 |
| Retention Factor | 71.305 | \$ 502,000 |
| | 1.0000 | |
| | 0.71305 | |
| | 1.40242 | |

Leatherstocking Gas Company, LLC
Changes in Gas Cost of Service
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Summary
Page 3 of 3

| Adjustment Number | Description | Amount |
|-----------------------------|---|------------|
| (1a) | Changes In billed revenue to reflect forecast sales | \$ 728,900 |
| (1b) | Change in Other Operating Revenues - :Late Payment Charges | - |
| (2) | Change to cost of purchased gas cost to match forecast recoveries | 591,600 |
| (3) | Change in Operation and Maintenance Expenses to reflect normalization of rate case costs | 30,000 |
| (4) | Change in Operation and Maintenance Expense - Global - Black Box Rate Increase Mitigation Adjustment | (100,000) |
| (5) | Change in Operation and Maintenance Expense - To eliminate non-recurring O&M Expenses | (69,000) |
| (6a) | Change in Depreciation Expense -- New Plant Additions | 12,100 |
| (6b) | Change in Depreciation Expense - Accelerated Depreciation | (225,900) |
| (7) | Change in Taxes Other than income to reflect Changes in Payroll Tax, Realty, and Gross Earnings Tax | - |
| | Change to income taxes resulting from Adjustments 1 - 7 above and for interest synchronization adjustment for rate base | |
| (8a) | - State Income Tax Adjustments | 48,500 |
| (8b) | - Federal Income Tax Adjustments | 91,700 |
| October 2022 Updates | | |
| (9) | Update for Higher Sales Revenues | 77,300 |
| (10) | Update for Higher Gas Costs | 77,300 |
| (11) | Update for Lower Insurance Costs | (4,200) |
| | Change to income taxes resulting from Change to State Income Tax Rate, Adjustments 9 - 11 above and for interest synchronization for Rate Base | |
| (12a) | - State Income Tax Adjustments | (1,000) |
| (12b) | - Federal Income Tax Adjustments | (2,000) |
| (13) | Rate Base Updates - Allocated Plant & Cash Working Capital | (92,300) |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1a)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 1
Page 1 of 2

| Changes In billed revenue to reflect forecast sales and revenues at current rates. | As Filed | | October 2022 Update | | Adjustment (9) |
|--|--------------|--------------|---------------------|--------------|----------------|
| | | Rounded | | Rounded | |
| Billed Revenues - Twelve Months Ended March 31, 2023 | | | | | |
| Base Revenue | \$ 126,960 | | \$ 126,960 | | |
| Delivery Revenue | 768,557 | | 768,557 | | |
| Rider Revenue (GCR) | 887,386 | | 964,700 | | |
| CIAC / CBOCF Revenues | 307,086 | | 307,086 | | |
| Total Revenues Future Test Year Revenues (a) | \$ 2,089,989 | \$ 2,090,000 | \$ 2,167,303 | \$ 2,167,300 | \$ 77,300 |
| Billed Revenues - Twelve Months Ended March 31, 2022 | | | | | |
| Base Revenue | \$ 120,855 | | \$ 120,855 | | |
| Delivery Revenue | 718,521 | | 718,521 | | |
| Rider Revenue (GCR) | 295,770 | | 295,770 | | |
| CIAC / CBOCF Revenues | 225,909 | | 225,909 | | |
| Total Revenues Historic Test Year Revenues (b) | \$ 1,361,055 | \$ 1,361,100 | \$ 1,361,055 | \$ 1,361,100 | - |
| Net increase in Revenues (a) - (b) | \$ 728,934 | \$ 728,900 | \$ 806,248 | \$ 806,200 | \$ 77,300 |
| <u>Sales Volumes (CCF)</u> | | | | | |
| | | Customers | CCF's | Customers | CCF's |
| Forecast - 12 Months Ended March 31, 2023 | | 451 | 3,718,690 | 451 | 3,718,690 |
| Actual - 12 Months Ended March 31, 2022 | | 436 | 3,532,345 | 436 | 3,532,345 |
| Net increase in Sales | | 15 | 186,345 | 15 | 186,345 |
| % Increase in Sales volumes | | 3.4% | 5.3% | 3.4% | 5.3% |

(a) See Exhibit G-5, Schedule 4 & 6

(b) See Exhibit G-5, Schedule 6

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (1b)
To Adjust For Other Operating Revenues
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 1
Page 2 of 2

| Other Operating Revenues | Twelve Months Ended | | Net Change |
|------------------------------------|---------------------|----------------|-------------|
| | March 31, 2022 | March 31, 2023 | |
| Late Payment Charge Revenues | 23 | \$ 4 | \$ (19) |
| Total Other Revenues | 23 | 4 | (19) |
| Change in Other Operating Revenues | | | \$ (19) |
| Rounded (Change 1b) | | | \$ - |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (2)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 2

| Change to cost of purchase gas to match cost of gas in revenues - Adjustment 1 | Twelve Months Ended | | Net Change |
|---|---------------------|----------------|-------------------|
| | March 31, 2022 | March 31, 2023 | |
| Purchased Gas Expense * | \$ 295,770 | \$ 887,386 * | \$ 591,617 |
| Net increase in Gas Costs | | | \$ 591,617 |
| Rounded - Change No. 2 As Filed | | | \$ 591,600 |
| October 2022 Update | | | |
| Purchased Gas Expense * | \$ 295,770 | \$ 964,700 * | \$ 668,931 |
| Net increase in Gas Costs | | | \$ 77,314 |
| Rounded - Change No. 10 | | | \$ 77,300 |

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

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (3)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 3

Normalization of Estimated Outside Rate Case Expense

| | |
|---|------------------|
| Estimated Rate Case Legal Fees & Expenses (a) | \$ 150,000 |
| / Normalization Period - Years | <u>5</u> |
| Annual Rate Case Expense | <u>\$ 30,000</u> |
| Change No. (3) Rounded | <u>\$ 30,000</u> |

(a) Based on reaching a Settlement Agreement before litigation. If rate filing goes to litigation, the estimated amount would be significantly higher.

| | |
|--|------------------|
| Estimated Fees - Legal | \$75,000 |
| - Outside Rate Consultant | \$70,000 |
| Printing of Newspaper and Customer Notices | <u>\$5,000</u> |
| Total | <u>\$150,000</u> |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (4)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 4

Global (Black Box) Adjustment

(a) Reductions to O&M Expense to mitigate rate Increase \$ (100,000)

Adjustment No. (4) Rounded \$ (100,000)

(a) The Company may update and revise this adjustment at the time of rebuttal testimony.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (5)
To Gas Operation and Maintenance Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 5

| | |
|--|------------------------|
| <u>Non-recurring Customer Expenses</u> | |
| To eliminate payments made to the Wyalusing School for Oil (a) | \$ (61,471) |
| To eliminate donations charged to FERC Account 917 | (3,300) |
| To eliminate payments to Northeast Gas Association | <u>(4,239)</u> |
| Change (5) | <u>\$ (69,010)</u> |
| Rounded Total | <u>\$ (69,000)</u> |
| <u>Injuries & Damages (Insurance) Expense</u> | |
| - Twelve Months Ended March 31, 2023 | \$ 76,476 |
| - Twelve Months Ended March 31, 2022 | 80,713 |
| Decrease In Insurance Expense | <u>\$ (4,237)</u> |
| Rounded Adjustment (11) | <u>\$ (4,200)</u> |

(a) Due to construction delays the Company was unable to provide gas service to the Wyalusing School this past winter. As a result the Company made payments to the school to reimburse them for the difference between the cost of oil and the cost of natural gas.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (6a)
To Depreciation Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 6
Page 1 of 3

| | Amount | | | | Adjustment |
|--|----------------|-------------------|-----------------|-------------------|------------------|
| | Plant | | | | |
| | Intangible | Distribution | General | Total | |
| <u>Gas Plant in Service</u> | | | | | |
| Plant In Service Balance at Balance at March 31, 2022 | \$ 289,335 | \$ 11,027,319 | \$ 168,189 | \$ 11,484,844 | |
| Less: Non-Depreciable Plant Per Exhibit G-4, Page 2 of 2 | - | - | - | - | |
| Depreciable Plant balance at March 31, 2022 | <u>289,335</u> | <u>11,027,319</u> | <u>168,189</u> | <u>11,484,844</u> | |
| <u>Additions - April 1, 2022 - March 31, 2023</u> | | | | | |
| Distribution / General Additions Plant | - | 787,685 | 8,600 | 796,285 | |
| Total Additions | <u>-</u> | <u>787,685</u> | <u>8,600</u> | <u>796,285</u> | |
| <u>Retirements - April 1, 2022 - March 31, 2023</u> | | | | | |
| Distribution / General Plant | - | - | (33,197) | (33,197) | |
| Total Retirements | <u>-</u> | <u>-</u> | <u>(33,197)</u> | <u>(33,197)</u> | |
| <u>Gas Depreciable Plant at March 31, 2023</u> | 289,335 | 11,815,004 | 143,592 | 12,247,932 | |
| x Current Composite Book Depreciation Rate | 3.13% | 2.10% | 20.00% | 2.33% | |
| <u>Calculated Accruals to Depreciation Reserves</u> | | | | | |
| For The Twelve Months Ended March 31, 2023 | <u>9,044</u> | <u>247,764</u> | <u>28,718</u> | <u>285,526</u> | |
| Less: For the Twelve Months Ended March 31, 2022 | 9,044 | 210,980 | 53,430 | 273,454 | |
| Increase In Depreciation Expense | <u>-</u> | <u>36,784</u> | <u>(24,712)</u> | | <u>\$ 12,072</u> |
| Rounded Change (6a) | | | | | <u>\$ 12,100</u> |

* General Plant depreciation accruals included out of period adjustments for transportation equipment and small tools

| | Plant | | | |
|--|-----------------|-------------------|------------------|-------------------|
| | Intangible | Distribution | General | Total |
| <u>Depreciation Reserve Calculation</u> | | | | |
| Plant at March 31, 2022 | \$ 289,335 | \$ 11,027,319 | \$ 168,189 | \$ 11,484,844 |
| Plus 50% of Additions / Retirements April 1, 2022 - March 31, 2023 | - | 393,843 | (12,299) | 381,544 |
| Depreciable Plant | \$ 289,335 | \$ 11,421,162 | \$ 155,891 | \$ 11,866,388 |
| x Composite Depreciation Rate | 3.13% | 2.10% | 20.00% | 2.36% |
| = Depreciation Accrual April 1, 2022 - March 31, 2023 | <u>\$ 9,044</u> | <u>\$ 239,505</u> | <u>\$ 31,178</u> | <u>\$ 279,727</u> |
| Rounded | <u>\$ 9,000</u> | <u>\$ 239,500</u> | <u>\$ 31,200</u> | <u>\$ 279,700</u> |

Leatherstocking Gas Company, LLC
 Statement in Support of Change No. (6a)
 To Depreciation Expense
 Calculation of Electric Composite Book Depreciation Rate
 For the Twelve Months Ended March 31, 2022

| Gas - Intangible (a) | March 31, 2022 Plant Balance | Average Service Life | Annual Rate | Cost of Removal / Salvage Adjustment | Annual Accrual with Salvage | Composite Depreciation Rates | |
|---|---|---------------------------------|--------------------|---|--|-------------------------------------|----------------|
| | | | | | | Annual | Monthly |
| G- 301200 - Organization Costs | 280,572.67 | - | - | - | 9,019.68 | 3.21% | 0.268% |
| G- 302200 - Franchise / Consents | 8,762.71 | - | - | - | 24.34 | 0.28% | 0.023% |
| Gas Intangible Plant Total | 289,335.38 | - | - | - | 9,044.02 | 3.13% | 0.260% |
| Gas - Distribution | | | | | | | |
| G- 374200 - Land Rights / Easements | 38,354.54 | - | - | - | - | - | - |
| G 375200 - Structures & Improvements | 48,859.19 | 5 | 20.00% | - | 9,771.84 | 20.00% | 1.667% |
| G- 376200 - Distribution Mains | 6,303,571.59 | 60 | 1.67% | - | 105,269.65 | 1.67% | 0.139% |
| G- 378100 - Measuring & Regulator Equipment | 2,362,375.52 | 40 | 2.50% | - | 59,059.39 | 2.50% | 0.208% |
| G- 380200 - Services | 1,719,658.62 | 40 | 2.50% | - | 42,991.47 | 2.50% | 0.208% |
| G- 381200 - Meters | 82,117.72 | 35 | 2.86% | - | 2,348.57 | 2.86% | 0.238% |
| G- 382200 - Meter Installations | 470,923.41 | 40 | 2.50% | - | 11,773.09 | 2.50% | 0.208% |
| G -383200 - House Regulators | 1,458.62 | 45 | 2.22% | - | 32.38 | 2.22% | 0.185% |
| Gas Distribution Plant Total | 11,027,319.21 | - | - | - | 231,246.37 | 2.10% | 0.175% |
| Gas - General Plant | | | | | | | |
| G- 391010 - Office Furniture and Equipment | 2,201.91 | 5 | 20.00% | - | 440.38 | 20.00% | 1.667% |
| G- 391030 - Computer Equipment | 42,117.23 | 5 | 20.00% | - | 8,423.45 | 20.00% | 1.667% |
| G- 392000 - Transportation Equipment | 90,365.03 | 5 | 20.00% | - | 18,073.01 | 20.00% | 1.667% |
| G- 394000 - Tools & Equipment | 33,504.84 | 5 | 20.00% | - | 6,700.97 | 20.00% | 1.667% |
| Depreciable Gas- General Plant Total | 168,189.01 | - | - | - | 33,637.80 | 20.00% | 1.667% |
| Depreciable Gas Distribution Total | 11,484,843.60 | - | - | - | 273,928.19 | 2.39% | 0.199% |

(a) Amortization of Intangible Plant is charged below the line to PAPUC Account 425 - Miscellaneous Amortization.

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (6b)
To Depreciation Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 6
Page 3 of 3

| Accelerated Depreciation Accruals | | Total |
|---|-----------------|--------------|
| Gas Sales Subject to CIAC / CBOCF Surcharge April 1, 2022 - March 31, 2023 | 1,023,620 CCF's | |
| x CIAC / CBOCF Surcharge Rate PER CCF effective April 1, 2023 | \$ - | |
| Accelerated Depreciation Accruals April 1, 2023 - March 31, 2024 | | - |
| Accelerated Depreciation Accruals April 1, 2021 - March 31, 2022 | | (225,909) |
| Adjustment (6b) to eliminate CBOCF depreciation accruals | | \$ (225,909) |
| Adjustment (8b) Rounded | | \$ (225,900) |
| <hr style="border: 0.5px solid black;"/> | | |
| Accelerated Depreciation Reserve | | |
| Balance at March 31, 2022 | | \$ 406,670 |
| Gas Sales Subject to CIAC / CBOCF Surcharge April 1, 2022 - March 31, 2023 | 1,023,620 CCF's | |
| x CIAC / CBOCF Surcharge Rate PER CCF | \$ 0.30 | |
| Change in Accelerated Reserve April 1, 2022 - March 31, 2023 | | 307,086 |
| Ending Balance at March 31, 2023 | | \$ 713,756 |

Leatherstocking Gas Company, LLC
Statement in Support of Change No. (7)
To Other Tax Expense
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 7

| <u>Changes in Taxes Other</u> | Actual March 31, 2022 (1) | Future Year March 31, 2023 (2) | Changes (3) |
|---------------------------------|---------------------------------|--------------------------------------|----------------|
| Payroll Taxes (FICA / Medicare) | \$ 20,114 | \$ 20,114 | \$ - |
| Property Taxes | 956 | 956 | - |
| State and Local Taxes | - | - | - |
| | <u>\$ 21,070</u> | <u>\$ 21,070</u> | <u>\$ -</u> |
| Rounded | | | <u>\$ -</u> |

Leatherstocking Gas Company, LLC
Change No. (8a)
Calculation of Gas State Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 8
Page 1 of 3

| | Per Books (a) 12 Months Ended March 31, 2022 | Income Tax Normalizing Adjustments | 12 Months Ended March 31, 2022 (1) | Income Adjustments (2) | 12 Months Ended March 31, 2023 (3) = (1) + (2) | October 2022 Update | | Proposed Rate Change (6) | As Adjusted For Additional Revenue (7) = (5) + (+6) |
|---|--|--|---|------------------------------|---|------------------------------|---|-----------------------------------|--|
| | | | | | | Income Adjustments (4) | 12 Months Ended March 31, 2023 (5) = (3) + (4) | | |
| Operating Income Before Income Taxes | 120,885.64 | (325,285.64) | \$ (204,400) | \$ 490,100 | \$ 285,700 | \$ 4,200 | \$ 289,900 | \$ 704,000 | \$ 993,900 |
| Less Interest Expense (incl amort of debt exp) | 83,971.15 | 204,729 | 288,700 | 4,700 | 293,400 | 14,800 | 308,200 | - | 308,200 |
| Other Income & Deductions (incl. Donations) | 4.16 | (4) | - | - | - | - | - | - | - |
| Book Income Before FIT | <u>36,910.33</u> | <u>(530,010)</u> | <u>(493,100)</u> | <u>485,400</u> | <u>(7,700)</u> | <u>(10,600)</u> | <u>(18,300)</u> | <u>704,000</u> | <u>685,700</u> |
| Section I - Permanent Items: | | | | | | | | | |
| PPP Loan Forgiveness | 65,491 | (65,491) | - | - | - | - | - | - | - |
| Amortization of Goodwill | 30,604 | (30,604) | - | - | - | - | - | - | - |
| Total | <u>96,095</u> | <u>(96,095)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Pretax Income | (59,185) | (433,915) | (493,100) | 485,400 | (7,700) | (10,600) | (18,300) | 704,000 | 685,700 |
| Section II - Normalized Items: | | | | | | | | | |
| Add: Additional Taxable Income and Unallowable Deductions: | | | | | | | | | |
| Book Depreciation | (264,761.57) | 755,062 | 490,300 | (213,800) | 276,500 | - | 276,500 | - | 276,500 |
| Normalization of Rate Case Expenditures | - | - | - | 30,000 | 30,000 | - | 30,000 | - | 30,000 |
| Recovery of Deferred Purchased Gas Costs | (36,767.90) | 36,768 | - | - | - | - | - | - | - |
| Total | <u>(301,529.47)</u> | <u>791,829</u> | <u>490,300</u> | <u>(183,800)</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> |
| Deduct: Non-Taxable Income and Allowable Deductions | | | | | | | | | |
| Tax Depreciation | (474,116.08) | 1,261,016 | 786,900 | 174,300 | 961,200 | - | 961,200 | - | 961,200 |
| Rate Case Expenditures | - | - | - | 150,000 | 150,000 | - | 150,000 | - | 150,000 |
| Deferral of Current Purchased Gas Costs | (58,232.94) | 202,533 | 144,300 | (144,300) | - | - | - | - | - |
| GCR Prior Over / Under Recovery | - | 10,400 | 10,400 | (10,400) | - | - | - | - | - |
| Total | <u>(532,349)</u> | <u>1,473,949</u> | <u>941,600</u> | <u>169,600</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> |
| Federal NOL | - | - | - | - | - | - | - | - | - |
| Taxable Income / (Loss) | 171,635 | (1,116,035) | (944,400) | 132,000 | (812,400) | (10,600) | (823,000) | 704,000 | (119,000) |
| Prior Period State Tax Adjustments | 118,369 | (118,369) | - | - | - | - | - | - | - |
| Adjusted Taxable Income | <u>290,004</u> | <u>(1,234,404)</u> | <u>(944,400)</u> | <u>132,000</u> | <u>(812,400)</u> | <u>(10,600)</u> | <u>(823,000)</u> | <u>704,000</u> | <u>(119,000)</u> |
| x State Income Tax @ 9.99% / 8.99% | <u>9.90%</u> | <u>9.99%</u> | <u>9.99%</u> | <u>9.99%</u> | <u>9.99%</u> | <u>9.74%</u> | <u>9.74%</u> | <u>9.74%</u> | <u>9.74%</u> |
| Current Tax Provision | 28,710 | (123,317) | (94,346) | 13,187 | (81,159) | (1,032) | (80,160) | 68,570 | (11,591) |
| Deferred Income Tax Dr.- Account 410 | (52,703) | 147,248 | 94,066 | 16,943 | 111,009 | - | 108,231 | - | 108,231 |
| Deferred Income Tax Cr.- Account 411 | 29,851 | (79,104) | (48,981) | 18,362 | (30,619) | - | (29,853) | - | (29,853) |
| Change (8a) | <u>5,859.29</u> | <u>(55,173)</u> | <u>(49,261)</u> | <u>48,491</u> | <u>(769)</u> | <u>(1,032)</u> | <u>(1,782)</u> | <u>68,570</u> | <u>66,787</u> |
| Rounded (8a) | <u>\$ 5,900</u> | <u>\$ (55,200)</u> | <u>\$ (49,300)</u> | <u>\$ 48,500</u> | <u>\$ (800)</u> | <u>\$ (1,000)</u> | <u>\$ (1,800)</u> | <u>\$ 68,600</u> | <u>\$ 66,800</u> |

Leatherstocking Gas Company, LLC
Change No. (8b)
Calculation of Gas Federal Income Taxes
For the Twelve Months Ended March 31, 2023

Exhibit G-4
Oct 2022 Update
Schedule 8
Page 2 of 3

| | Per Books 12 Months Ended March 31, 2022 | Income Tax Normalizing Adjustments | October 2022 Update | | | | | | |
|---|--|--|---|------------------------------|---|------------------------------|---|-----------------------------------|--|
| | | | 12 Months Ended March 31, 2022 (1) | Income Adjustments (2) | 12 Months Ended March 31, 2023 (3) = (1) + (2) | Income Adjustments (4) | 12 Months Ended March 31, 2023 (5) = (3) + (4) | Proposed Rate Change (6) | As Adjusted For Additional Revenue (7) = (5) + (+6) |
| Operating Income Before Income Taxes | (204,389) | (11) | \$ (204,400) | \$ 490,100 | \$ 285,700 | \$ 4,200 | \$ 289,900 | \$ 704,000 | \$ 993,900 |
| Less Interest Expense (incl amort of debt exp) | 333,148 | (44,448) | 288,700 | 4,700 | 293,400 | 14,800 | 308,200 | - | 308,200 |
| Other Income & Deductions (incl. Donations) | 7,959 | (7,959) | - | - | - | - | - | - | - |
| State Income Tax | 28,710 | (78,010) | (49,300) | 48,500 | (800) | (1,000) | (1,800) | 68,600 | 66,800 |
| Book Income Before FIT | <u>(574,206)</u> | <u>130,406</u> | <u>(443,800)</u> | <u>436,900</u> | <u>(6,900)</u> | <u>(9,600)</u> | <u>(16,500)</u> | <u>635,400</u> | <u>618,900</u> |
| Section I - Permanent Items: | | | | | | | | | |
| Goodwill | 61,208 | (61,208) | - | - | - | - | - | - | - |
| Total | <u>61,208</u> | <u>(61,208)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Pretax Income | (635,414) | 191,614 | (443,800) | 436,900 | (6,900) | (9,600) | (16,500) | 635,400 | 618,900 |
| Section II - Normalized Items: | | | | | | | | | |
| Add: Additional Taxable Income and Unallowable Deductions: | | | | | | | | | |
| Book Depreciation | 490,319 | (19) | 490,300 | (213,800) | 276,500 | - | 276,500 | - | 276,500 |
| Normalization of Rate Case Expenditures | - | - | - | 30,000 | 30,000 | - | 30,000 | - | 30,000 |
| Recovery of Deferred Purchased Gas Costs | - | - | - | - | - | - | - | - | - |
| Total | <u>490,319</u> | <u>(19)</u> | <u>490,300</u> | <u>(183,800)</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> | <u>-</u> | <u>306,500</u> |
| Deduct: Non-Taxable Income and Allowable Deductions | | | | | | | | | |
| Tax Depreciation | 786,879 | 21 | 786,900 | 174,300 | 961,200 | - | 961,200 | - | 961,200 |
| Rate Case Expenditures | - | - | - | 150,000 | 150,000 | - | 150,000 | - | 150,000 |
| Deferral of Current Purchased Gas Costs | 144,298 | 2 | 144,300 | (144,300) | - | - | - | - | - |
| GCR Prior Over / Under Recovery | 10,419 | (19) | 10,400 | (10,400) | - | - | - | - | - |
| Total | <u>941,596</u> | <u>4</u> | <u>941,600</u> | <u>169,600</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> | <u>-</u> | <u>1,111,200</u> |
| Federal NOL | - | - | - | - | - | - | - | - | - |
| Taxable Income | (1,086,691) | 191,591 | (895,100) | 83,500 | (811,600) | (9,600) | (821,200) | 635,400 | (185,800) |
| Prior Period Federal Tax Adjustments | 21,844 | (21,844) | - | - | - | - | - | - | - |
| Adjusted Taxable Income | <u>(1,064,847)</u> | <u>169,747</u> | <u>(895,100)</u> | <u>83,500</u> | <u>(811,600)</u> | <u>(9,600)</u> | <u>(821,200)</u> | <u>635,400</u> | <u>(185,800)</u> |
| x Federal Income Tax @ 21.0% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% |
| Current Tax Provision | (223,617.90) | 35,646.90 | (187,971) | 17,535 | (170,436) | (2,016) | (172,452) | 133,400 | (39,052) |
| Deferred Income Tax Dr.- Account 410 | 197,735.15 | 0.85 | 197,736 | 35,616 | 233,352 | - | 233,352 | - | 233,352 |
| Deferred Income Tax Cr.- Account 411 | (102,966.96) | 3.96 | (102,963) | 38,598 | (64,365) | - | (64,365) | - | (64,365) |
| Change Number (8b) | <u>(128,849.71)</u> | <u>35,651.71</u> | <u>(93,198)</u> | <u>91,749</u> | <u>(1,449)</u> | <u>(2,016)</u> | <u>(3,465)</u> | <u>133,400</u> | <u>129,935</u> |
| Rounded (8b) | <u>(128,800.00)</u> | <u>35,700.00</u> | <u>\$ (93,200)</u> | <u>\$ 91,700</u> | <u>\$ (1,400)</u> | <u>\$ (2,000)</u> | <u>\$ (3,500)</u> | <u>\$ 133,400</u> | <u>\$ 129,900</u> |

Leatherstocking Gas Company, LLC
 Adjustment Nos. (10) & (12)
 Calculation of Gas Income Taxes
 For the Twelve Months Ended March 31, 2023

Exhibit G-4
 Oct 2022 Update
 Schedule 8
 Page 3 of 3

| | Per Books 12 Months Ended March 31, 2022 | Adjustments | 12 Months Ended March 31, 2023 (1) | Proposed Rate Change (2) | As Adjusted For Additional Revenue (3) = (1) + (2) | October 2022 Update | | |
|--------------------------------------|--|--------------------|---|-----------------------------------|---|---------------------|-----------------------------------|---|
| | | | | | | Adjustments | Proposed Rate Change (2) | As Adjusted For Additional Revenue (3) = (1) + (2) |
| Rate Base | \$ 10,691,700 | \$ - | \$ 10,691,700 | \$ 173,100 | \$ 10,864,800 | - | \$ (92,300) | \$ 10,772,500 |
| Interest Component of Capitalization | 3.12% | -0.42% | 2.70% | 2.70% | 2.70% | 0.16% | 2.86% | 2.86% |
| Interest Expense | <u>\$ 333,148</u> | <u>\$ (44,472)</u> | <u>\$ 288,676</u> | <u>\$ 4,674</u> | <u>\$ 293,350</u> | <u>\$ 17,384</u> | <u>\$ (2,640)</u> | <u>\$ 308,094</u> |
| Rounded | <u>\$ 333,100</u> | <u>\$ (44,500)</u> | <u>\$ 288,700</u> | <u>\$ 4,700</u> | <u>\$ 293,400</u> | <u>\$ 17,400</u> | <u>\$ (2,600)</u> | <u>\$ 308,100</u> |

This adjustment is used to calculate interest deduction for State and Federal Income Taxes

Leatherstocking Verifications

- A. Testimony Verification of Charles Lennox;
- B. Testimony Verification of Richard A. Kane.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--|---|---------------------------|
| Pennsylvania Public Utility Commission | : | |
| | : | |
| v. | : | Docket No. R-2022-3032764 |
| | : | |
| Leatherstocking Gas Company LLC | : | |
| | : | |

**TESTIMONY VERIFICATION
OF CHARLES LENNS**


I, Charles Lenns, hereby certify that I am the Vice President and Chief Financial Officer of Corning Energy Corporation and that, in such capacity, I have been retained by Leatherstocking Gas Company, LLC (“Leatherstocking” or “LGC”) as an expert witness in the above-captioned matter for the purposes of providing testimony on Leatherstocking’s behalf.

I hereby verify that I have provided the following written Testimony for admission into the record and that these documents were prepared by me and under my supervision:

- Leatherstocking Statement No. 1 - Direct Testimony of Accounting and Rate Panel (Charles Lenns) including Exhibits G-1 through G-6; and,
- Leatherstocking Statement No. 1-R – Rebuttal Testimony of Accounting and Rate Panel (Charles Lenns), including Appendices A and B and Exhibits G-2 Oct. 2022 Update through G-4 Oct. 2022 Update.

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: 10/21/2022



Charles Lenns
Vice President and Chief Financial Officer
Corning Energy Corporation

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2022-3032764
 :
 Leatherstocking Gas Company LLC :
 :

**TESTIMONY VERIFICATION
OF RICHARD A. KANE**


I, Richard A. Kane, hereby certify that I am the Rate Case Consultant for Corning Energy Corporation and that, in such capacity, I have been retained by Leatherstocking Gas Company (“Leatherstocking” or “LGC”) as an expert witness in the above-captioned matter for the purposes of providing testimony on Leatherstocking’s behalf.

I hereby verify that I have provided the following written Testimony for admission into the record and that these documents were prepared by me and under my supervision:

- Leatherstocking Statement No. 1 - Direct Testimony of Accounting and Rate Panel (Richard A. Kane) including Exhibits No. G-1 through G-6; and,
- Leatherstocking Statement No. 1-R – Rebuttal Testimony of Accounting and Rate Panel (Richard A. Kane) including Appendices A and B and Exhibits G-2 Oct. 2022 Update through G-4 Oct 2022 Update.

I certify that the facts set forth in the testimony are true and correct to the best of my knowledge, information and belief; that if I were asked the questions contained therein today that my answers would remain the same. I understand that the statements made in my testimony are subject to the penalties at 18 Pa C.S. § 4909 related to the unsworn falsification to authorities.

Date: Oct. 21, 2022



Richard A. Kane
Rate Case Consultant
Corning Energy Corporation

CERTIFICATE OF SERVICE

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

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/s/ Whitney E. Snyder

Thomas J. Sniscak, Esq.
Whitney E. Snyder, Esq.
Phillip D. Demanchick, Esq.

Dated: October 26, 2022