



COMMONWEALTH OF PENNSYLVANIA

October 28, 2022

E-FILED

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

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

Dear Secretary Chiavetta:

The Pennsylvania Public Utility Commission's Implementation Order at *Electronic Access to Pre-Served Testimony*, Docket No. M-2012-2331973, requires that all testimony furnished to the court reporter during a proceeding must subsequently be provided to the Secretary's Bureau.

As such, this letter will confirm that the Office of Small Business Advocate ("OSBA") has filed the Direct Testimony and Exhibits of Kevin Higgins, labeled OSBA Statement No. 1, on behalf of the OSBA, in the above-captioned proceeding.

All known parties were previously served with the aforementioned Testimony. If you have any questions, please contact me.

Sincerely,

/s/ Sharon E. Webb

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosures

cc: Kevin Higgins
Parties of Record (**Cover Letter and Certificate of Service Only**)



COMMONWEALTH OF PENNSYLVANIA

September 13, 2022

Administrative Law Judge Jeffrey A. Watson
Pennsylvania Public Utility Commission
301 Fifth Avenue, Suite 220
Pittsburgh, PA 15222

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

Dear Judge Watson:

Enclosed please find the Direct Testimony and Exhibits of Kevin Higgins, labeled OSBA Statement No. 1, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

As evidenced by the enclosed Certificate of Service, all known parties will be served, as indicated.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Sharon E. Webb

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

Enclosures

cc: PA PUC Secretary Rosemary Chiavetta (Cover Letter & Certificate of Service only)
Kevin Higgins
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:
	:
v.	: Docket Nos. R-2022-3032764
	:
Leatherstocking Gas Company LLC	:

Direct Testimony and Exhibits of Kevin C. Higgins
on behalf of
the Pennsylvania Office of Small Business Advocate

Topics:

Revenue Requirement

Revenue Allocation

Rate Design

Date Served: September 13, 2022

Date Submitted for the Record: October 25, 2022

1 **DIRECT TESTIMONY OF KEVIN C. HIGGINS**

2
3 **INTRODUCTION**

4 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

5 A. My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite
6 1200, Salt Lake City, Utah, 84111.

7 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

8 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a
9 private consulting firm specializing in economic and policy analysis applicable to
10 energy production, transportation, and consumption.

11 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

12 A. My testimony is being sponsored by the Pennsylvania Office of Small Business
13 Advocate (“OSBA”).

14 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE AND**
15 **QUALIFICATIONS.**

16 A. My academic background is in economics, and I have completed all coursework
17 and field examinations toward the Ph.D. in Economics at the University of Utah.
18 In addition, I have served on the adjunct faculties of both the University of Utah
19 and Westminster College, where I taught undergraduate and graduate courses in
20 economics. I joined Energy Strategies in 1995, where I assist private and public
21 sector clients in the areas of energy-related economic and policy analysis,
22 including evaluation of electric and gas utility rate matters.

1 Prior to joining Energy Strategies, I held policy positions in state and local
2 government. From 1983 to 1990, I was an economist, then assistant director, for
3 the Utah Energy Office, where I helped develop and implement state energy
4 policy. From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake
5 County Commission, where I was responsible for development and
6 implementation of a broad spectrum of public policy at the local government
7 level. My qualifications are attached in the Appendix to this testimony.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 A. Yes. In 2006, I testified in a proceeding concerning the rate transition plans filed
10 by Metropolitan Edison Company and Pennsylvania Electric Company, Docket
11 Nos. P-00062213 et al.

12 **Q. HAVE YOU TESTIFIED BEFORE UTILITY REGULATORY**
13 **COMMISSIONS IN OTHER STATES?**

14 A. Yes. I have testified in approximately 280 proceedings on the subjects of utility
15 rates and regulatory policy before state utility regulators in Alaska, Arizona,
16 Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,
17 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,
18 North Carolina, Ohio, Oklahoma, Oregon, South Carolina, Texas, Utah, Virginia,
19 Washington, West Virginia, and Wyoming. I have also filed affidavits in
20 proceedings before the Federal Energy Regulatory Commission and prepared
21 expert reports in state and federal court proceedings involving utility matters.

22 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
23 **PROCEEDING?**

1 A. My testimony addresses certain revenue requirement issues in this general rate
2 case filed by Leatherstocking Gas Company LLC (“Leatherstocking” or the
3 “Company”), as well as issues pertaining to class revenue allocation and rate
4 design. The absence of comment on my part regarding a particular issue or
5 revenue requirement item does not signify support for (or opposition to) the
6 Company’s filing with respect to that issue.

7 **Q. WHAT CONCLUSIONS AND RECOMMENDATIONS DO YOU OFFER**
8 **IN YOUR TESTIMONY?**

9 A. I offer the following primary conclusions and recommendations:

10 (1) I recommend several adjustments that reduce Leatherstocking’s revenue
11 requirement by **\$153,400**, which are summarized in Table KCH-1 below.

12 (2) I recommend that any revenue increase approved by the Commission
13 should be recovered on an equal percentage basis for the Residential, LC-2, and
14 LC-3 classes by increasing the Customer Charge and the Delivery Charge in the
15 same proportion, after taking into account the absorption of the current
16 Contributions in Aid of Construction (“CIAC”) Charge into the Delivery Charge.

Table KCH-1
OSBA Revenue Requirement Adjustments

Adjustment Description	Adjustment Impact	Deficiency
Leatherstocking Requested Increase		\$701,200
Return on Equity Adjustment	(\$33,600)	\$667,600
Remove Promotional Advertising	(\$34,084)	\$633,516
Insurance Expense Correction	(\$22,045)	\$611,471
Account 903 Adjustment	(\$56,046)	\$555,425
Average Test Year Adjustment	(\$7,625)	\$547,800
Total OSBA Adjustments		(\$153,400)

LEATHERSTOCKING REQUESTED REVENUE REQUIREMENT

Q. BRIEFLY DESCRIBE THE REVENUE REQUIREMENT INCREASE BEING REQUESTED BY LEATHERSTOCKING IN THIS CASE.

A. Leatherstocking is requesting to increase its non-gas revenue requirement by \$701,200 per year. This amounts to an average increase in base revenues, excluding the cost of gas, of 58%. When the cost of gas is included in the denominator, the average increase is 35%.¹ Leatherstocking calculates its revenue requirement using a future test year ending March 31, 2023.²

Q. WHAT RETURN ON EQUITY (“ROE”) IS LEATHERSTOCKING REQUESTING?

A. Leatherstocking is requesting an ROE of 10.0%. According to the direct testimony of its witnesses, Mr. Charles Lennox and Mr. Richard A. Kane, the Company is basing its request on the Commission’s market-based ROE approved

¹ Leatherstocking Exhibit G-6, Schedule 1.

² Direct Testimony of Charles Lennox and Richard A. Kane, p. 10

1 on June 16, 2022, for Gas Distribution System Improvement Charges of 10.15%
2 as a starting point. Then, in an effort to mitigate the size of the rate increase,
3 Leatherstocking is requesting that the ROE be reduced from 10.15% to 10.0%.³

4 **Q. HOW DOES LEATHERSTOCKING PROPOSE TO RECOVER ITS**
5 **REQUESTED REVENUE INCREASE FROM ITS CUSTOMER**
6 **CLASSES?**

7 A. Leatherstocking proposes a uniform percentage increase of 75% to its Delivery
8 Charges,⁴ applied to all customer classes with the exception of the sole
9 transportation service customer, which, according to the Company, is served by
10 the existing Pentex Pipeline that was in place prior to the build out of the
11 Wyalusing distribution system and is taking service based on a competitive
12 contract rate.⁵ According to Leatherstocking's proposal, there would be no
13 changes to the current Customer Charges for any classes.

14
15 **RESPONSE TO LEATHERSTOCKING'S REQUESTED REVENUE**
16 **REQUIREMENT**

17 **Q. DO YOU HAVE ANY GENERAL OBSERVATIONS REGARDING THE**
18 **COMPANY'S PROPOSED INCREASE IN REVENUE REQUIREMENT?**

19 A. Yes. Obviously, the requested 58% increase in non-gas revenues is exceptionally
20 large. When the sole transportation customer is excluded, the non-gas increase
21 on the remaining customers averages 66%. Leatherstocking points out that the

³ Direct Testimony of Charles Lennox and Richard A. Kane, p. 19.

⁴ This percentage increase is calculated after taking account of the absorption into the Delivery Charge of the current CIAC/CBOCF charge.

⁵ Direct Testimony of Charles Lennox and Richard A. Kane, p. 46.

1 Company has not had a base rate increase since it started providing service in
2 2013.⁶ The Company has also reduced its revenue requirement increase by
3 \$100,000 through a “black box” adjustment intended to mitigate the size of the
4 rate impact and to offset adjustments that may be proposed by other parties to the
5 case.⁷ These considerations notwithstanding, the rate increase proposed by the
6 Company is still very substantial.

7 **Q. DO YOU SUPPORT THE 10.0% ROE REQUESTED BY**
8 **LEATHERSTOCKING?**

9 A. No. The Company indicates that it wishes to accept the ROE the Commission
10 deems appropriate in this case without relying on outside experts.

11 Leatherstocking states that it did not perform a calculation to determine that an
12 ROE of 10% is appropriate due to the costs involved in performing such a study
13 and retaining an outside expert to testify to the underlying calculations.⁸ Given
14 the small size of Leatherstocking’s service territory – about 450 customers – the
15 Company’s desire to avoid the cost of a formal cost of capital analysis is
16 understandable.

17 Within that framework, it is reasonable to consider the ROEs approved for
18 gas distribution utilities in the U.S. over the past year to provide context. In
19 Exhibit KCH-1, I list the ROEs for natural gas distribution utilities approved by
20 state regulators in the United States as reported by S&P Global Market
21 Intelligence for the 12-month period ending July 31, 2022. The median ROE

⁶ Id., pp. 7-8.

⁷ Id., pp. 31-32.

⁸ Id., p. 19.

1 approved over these past 12 months was 9.50%. If Leatherstocking's ROE in this
2 case were to be set at a rate reflective of the national median, it would be in the
3 vicinity of 9.50%. I believe this is a more appropriate ROE for approval in this
4 case.

5 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF REDUCING**
6 **LEATHERSTOCKING'S ROE FROM 10.0% TO 9.5%?**

7 A. Using Leatherstocking's workpapers, I estimate the impact to be a reduction in
8 revenue requirement of **\$33,600**.

9 **Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING**
10 **LEATHERSTOCKING'S PROPOSED REVENUE REQUIREMENT?**

11 A. Yes. I recommend adjustments to the following expenses:

- 12 • Promotional advertising (Account 917)
- 13 • Injuries and damages (Account 925)
- 14 • Customer records and collection expenses (Account 903)

15 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PROMOTIONAL**
16 **ADVERTISING.**

17 A. Leatherstocking includes \$34,084 in the revenue requirement for promotional
18 advertising. In between rate cases, the benefits from additional sales that result
19 from promotional advertising inure almost exclusively to shareholders. Thus,
20 promotional advertising is most appropriately classified as a shareholder expense
21 and should be excluded from the revenue requirement. I recommend removing
22 this **\$34,084** from the revenue requirement.

1 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO INJURIES AND**
2 **DAMAGES.**

3 A. This category of costs pertains to Leatherstocking’s insurance premium costs.
4 Leatherstocking allocates most of its insurance premium expenses among its
5 corporate affiliates according to a formula that tallies year-end gross plant, annual
6 revenues, and payroll. In reviewing the Company’s workpapers, I realized that
7 the calculation used by Leatherstocking to allocate these costs when determining
8 its revenue requirement overstates Leatherstocking’s gross plant, and thereby
9 overstates Leatherstocking’s share of insurance premium costs. Specifically, the
10 Company uses a gross plant figure of \$14.1 million for Leatherstocking, when the
11 correct figure is \$11.6 million.⁹ This error causes Leatherstocking to be allocated
12 8.46% of most corporate insurance premiums, when its correct allocated share
13 (according to Leatherstocking’s formula) is 6.64%. This correction reduces
14 Leatherstocking’s Account 925 expense from \$80,713 to \$58,668, or **\$22,045**.
15 As part of this adjustment (and included in the \$22,045), I also removed an
16 unexplained \$6,707 “prior period true-up adjustment” that was assigned only to
17 Leatherstocking and which appears to be mathematically circular.

18 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO CUSTOMER RECORDS**
19 **AND COLLECTION EXPENSES.**

⁹ The incorrect gross plant figure appears in Leatherstocking’s Supplemental Response to OSBA 1-3, Attachment OSBA 1-3 Supplemental Data, which was used to derive Leatherstocking’s share of Account 925 expense. The correct gross plant figure (and associated allocation factors) appears in another Leatherstocking work paper, “2022 Allocation Factors.” Relevant excerpts from these work papers are presented in Exhibit KCH-2.

1 A. When viewed on a per-customer basis, Leatherstocking’s combined cost of
2 customer records and collection expenses (Account 903) and miscellaneous
3 customer accounts expenses (Account 905) strikes me as extraordinarily high.

4 According to the FERC Uniform System of Accounts, Account 903
5 consists of the cost of labor and materials associated with customer applications,
6 contracts, orders, credit investigations, billing and accounting, collections, and
7 complaints. Account 905 consists of general clerical and stenographic work,
8 miscellaneous labor, communication service, and miscellaneous office supplies.

9 Leatherstocking’s corporate affiliate, Corning Natural Gas (“CNG”), is
10 charging Leatherstocking \$89,796 for Account 903 expenses and Leatherstocking
11 is directly incurring another \$61,471 in Account 905 expenses (plus \$259 in
12 allocated charges). The total expense included in the revenue requirement for
13 these two accounts is \$151,526. Spread across 450 customers, this equals \$28 per
14 month. By itself, the Account 903 expenses billed to Leatherstocking by CNG
15 nearly \$200 per customer per year (\$199.49), or \$16.62 per month. These costs
16 are *in addition to* \$163,052 per year in administrative and general salaries (\$30.19
17 per customer per month) allocated to Leatherstocking from its corporate affiliate.
18 Even taking account of Leatherstocking’s small size, these administrative
19 expenses appear to be excessive.

20 I have reviewed the Account 903 expenses for several Pennsylvania gas
21 utilities that filed rate cases recently and have not found another with Account
22 903 expenses greater than \$75 per customer per year, which is \$6.25 per customer

1 per month.¹⁰ Accordingly, I recommend capping Leatherstocking's allowed
2 Account 903 expense at this level, which when applied to 450 customers, is
3 \$33,750 per year. This adjustment results in a reduction to expense of **\$56,046**
4 (*i.e.*, \$89,796 - \$33,750).

5 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH**
6 **LEATHERSTOCKING'S PROPOSED REVENUE REQUIREMENT?**

7 A. Yes. Leatherstocking is using an end-of-period rate base for a future test period
8 ending March 31, 2023. In my opinion, an *average*-of-period rate base is more
9 appropriate for a future test period because it better reflects the level of
10 investment in place to serve customers during the *entirety* of the period, rather
11 than on the final day of that year. Moreover, the test period revenues that
12 Leatherstocking is using are pro forma; that is, they are not annualized to reflect a
13 full year's worth of revenues at the projected year-end customer count. Thus, the
14 test period revenues and rate base are not synchronized; that is, rate base is
15 measured using projected end-of-period values whereas projected revenues are
16 not annualized to match the customer count at the end of the period. Considering
17 that Leatherstocking is adding a new large customer in August 2022, failure to
18 annualize the test period revenues has a material impact on the revenue
19 deficiency, given the Company's small size.

20 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS ISSUE?**

21 A. My primary recommendation is that rate base be measured on an average-of-
22 period basis. Using a beginning and ending average approach, this reduces rate

¹⁰ The utilities reviewed are listed in Exhibit KCH-3.

1 base to \$10,778,250, which reduces the revenue requirement by **\$7,625**. In the
2 alternative, revenues for the new large customer that Leatherstocking is adding
3 should be annualized; that is, the customer's expected revenues for the months of
4 April through July, which I estimate to be approximately \$14,000, should be
5 added to total revenues. While this does not reduce the revenue requirement, it
6 reduces the revenue deficiency (i.e., the overall rate increase) by \$14,000.

7 **Q. YOU NOTED ABOVE THAT LEATHERSTOCKING HAS INCLUDED A**
8 **“BLACK BOX” ADJUSTMENT THAT REDUCES ITS REVENUE**
9 **REQUIREMENT BY \$100,000. DO YOU HAVE ANY COMMENTS**
10 **REGARDING THIS ADJUSTMENT?**

11 A. Yes. While this adjustment has the effect of mitigating the rate increase in this
12 case, Leatherstocking suggests that it may use this adjustment in its rebuttal filing
13 to offset other adjustments proposed by other parties. However, I recommend that
14 all or a portion of this mitigation adjustment be retained even if the adjustments of
15 other parties are approved by the Commission. As I noted above, Leatherstocking
16 is not proposing to spread any of its substantial rate increase to its large
17 transportation customer out of concern for the potential economic impact. The
18 Company's \$100,000 mitigation adjustment has the effect of providing a buffer
19 for the other customers, insulating them to an extent from the Company's decision
20 not to seek to an increase for this particular customer. In light of the very large
21 increase proposed by the Company for all other customers, retaining the
22 mitigation adjustment strikes me as appropriate.

23

1 **REVENUE ALLOCATION AND RATE DESIGN**

2 **Q. DO YOU HAVE ANY CONCERNS WITH LEATHERSTOCKING'S**
3 **PROPOSED REVENUE ALLOCATION AND RATE DESIGN?**

4 A. Yes. The Company's proposed revenue allocation and rate design assign an
5 unreasonable proportion of cost recovery to small business customers. As shown
6 in Exhibit G-6, Schedule 5, at the Company's requested revenue requirement,
7 Residential customers would experience a non-gas rate increase of 59.2%,
8 whereas SC-2 General Service customers would experience a non-gas rate
9 increase of 68.8% and SC-3 Small Commercial customers would experience a
10 non-gas rate increase of 70.4%. As the Company's rate case filing is not
11 accompanied by a cost-of-service study, I believe the most reasonable
12 apportionment of the revenue increase would be on an equal percentage basis
13 across all three of these classes.

14 Since Residential and SC-2 customers pay the same rates,
15 Leatherstocking's proposal to keep the Customer Charge unchanged and place all
16 of its requested increase on the volumetric Delivery Charge shifts a
17 disproportionate share of the increase to higher volume customers, i.e., small
18 business customers. This inequity can be rectified by increasing the Customer
19 Charge and the Delivery Charge in the same proportion, after taking into account
20 the absorption of the current CIAC Charge into the Delivery Charge. For
21 consistency, I propose a similar approach for SC-3 customers.

22 **Q. WHAT IS THE EFFECT OF ADOPTING YOUR REVENUE**
23 **ALLOCATION AND RATE DESIGN PROPOSAL?**

1 A. As shown in Exhibit KCH-4, at Leatherstocking's requested revenue
2 requirement. my recommendations would result in an equal percentage increase
3 for Residential, SC-2, and SC-3 of 66% applied to non-gas costs. To the extent
4 the revenue increase is reduced by the Commission, the same principle of an
5 equal percentage increase across these classes and rate components should be
6 applied.

7 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

8 A. Yes, it does.

9

APPENDIX

APPENDIX

KEVIN C. HIGGINS

Principal, Energy Strategies, L.L.C.
111 East Broadway, Suite 1200, Salt Lake City, UT 84111
khiggins@energystrat.com

Vitae

PROFESSIONAL EXPERIENCE

Principal, Energy Strategies, L.L.C., Salt Lake City, Utah, January 2000 to present. Lead Principle for the Regulatory Practice. Responsible for energy-related economic and policy analysis, regulatory intervention, and strategic negotiation on behalf of industrial, commercial, and public sector interests. Previously Senior Associate, February 1995 to December 1999.

Adjunct Instructor in Economics, Westminster College, Salt Lake City, Utah, September 1981 to May 1982; September 1987 to May 1995. Taught in the economics and M.B.A. programs. Awarded Adjunct Professor of the Year, Gore School of Business, 1990-91.

Chief of Staff to the Chairman, Salt Lake County Board of Commissioners, Salt Lake City, Utah, January 1991 to January 1995. Senior executive responsibility for all matters of county government, including formulation and execution of public policy, delivery of approximately 140 government services, budget adoption and fiscal management (over \$300 million), strategic planning, coordination with elected officials, and communication with consultants and media.

Assistant Director, Utah Energy Office, Utah Department of Natural Resources, Salt Lake City, Utah, August 1985 to January 1991. Directed the agency's resource development section, which provided energy policy analysis to the Governor, implemented state energy development policy, coordinated state energy data collection and dissemination, and managed energy technology demonstration programs. Position responsibilities included policy formulation and implementation, design and administration of energy technology demonstration programs, strategic management of the agency's interventions before the Utah Public Service Commission, budget preparation, and staff development. Supervised a staff of economists, engineers, and policy analysts, and served as lead economist on selected projects.

Utility Economist, Utah Energy Office, January 1985 to August 1985. Provided policy and economic analysis pertaining to energy conservation and resource development, with an emphasis on utility issues. Testified before the state Public Service Commission as an expert witness in cases related to the above.

Acting Assistant Director, Utah Energy Office, June 1984 to January 1985. Same responsibilities as Assistant Director identified above.

Research Economist, Utah Energy Office, October 1983 to June 1984. Provided economic analysis pertaining to renewable energy resource development and utility issues. Experience includes preparation of testimony, development of strategy, and appearance as an expert witness for the Energy Office before the Utah PSC.

Operations Research Assistant, Corporate Modeling and Operations Research Department, Utah Power and Light Company, Salt Lake City, Utah, May 1983 to September 1983. Primary area of responsibility: designing and conducting energy load forecasts.

Instructor in Economics, University of Utah, Salt Lake City, Utah, January 1982 to April 1983. Taught intermediate microeconomics, principles of macroeconomics, and economics as a social science.

Teacher, Vernon-Verona-Sherrill School District, Verona, New York, September 1976 to June 1978.

EDUCATION

Ph.D. Candidate, Economics, University of Utah (coursework and field exams completed, 1981).

Fields of Specialization: Public Finance, Urban and Regional Economics, Economic Development, International Economics, History of Economic Doctrines.

Bachelor of Science, Education, State University of New York at Plattsburgh, 1976 (cum laude).

Danish International Studies Program, University of Copenhagen, 1975.

SCHOLARSHIPS AND FELLOWSHIPS

University Research Fellow, University of Utah, Salt Lake City, Utah 1982 to 1983.

Research Fellow, Institute of Human Resources Management, University of Utah, 1980 to 1982.

Teaching Fellow, Economics Department, University of Utah, 1978 to 1980.

New York State Regents Scholar, 1972 to 1976.

EXPERT TESTIMONY (2018 to Present)

“In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications,” **Utah** Public Service Commission, Docket No. 22-057-03. Direct testimony (revenue requirements) submitted August 26, 2022.

“In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 399. Rebuttal testimony submitted August 11, 2022.

“2022 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-220066 and UG-220067. Response testimony submitted July 28, 2022. Settlement testimony submitted August 26, 2022.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of their Cost Recovery for the 2021 Natural Disaster Protection Plan Regulatory Asset Account,” Public Utilities Commission of **Nevada**, Docket No. 22-03006. Direct testimony submitted June 17, 2022. Cross examined July 13, 2022.

“In the Matter of PacifiCorp, dba Pacific Power 2023 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 400. Opening testimony submitted May 25, 2022.

“Petition of Northern Indiana Public Service Company LLC for (1) Authority to Modify Its Rates and Charges for Gas Utility Service Through a Phase In of Rates; (2) Approval of New Schedules of Rates and Charges, General Rules and Regulations, and Riders; (3) Approval of Revised Depreciation Rates Applicable to Its Gas Plant in Service; (4) Approval of Mechanism to Modify Rates Prospectively for Changes in Federal or State Income Tax Rates; Utility Receipts Tax Rates, and Public Utility Fee Rates; (5) Approval of Necessary and Appropriate Accounting Relief; and (6) Authority to Implement Temporary Rates Consistent with the Provisions of Ind. Code § 8-1-2-42.7, **Indiana** Utility Regulatory Commission, Cause No. 45621. Direct testimony submitted January 20, 2022.

“In the Matter of the Application of Rocky Mountain Power to Establish New Tariff Schedule 400 Special Contract,” **Wyoming** Public Service Commission, Docket No. 20000-602-ET-21. Direct testimony submitted November 17, 2021. Cross answer testimony submitted December 22, 2021. Cross examined February 9, 2022.

“In the Matter of Advice Letter No. 1857- Electric, Of Public Service Company of Colorado to Revise Its Colorado PUC No. 8-Electric Tariff, To Revise Jurisdictional Base Rate Revenues for All Electric Rate Schedules, and Make Other Proposed Tariff Changes Effective August 2, 2021,” **Colorado** Public Utilities Commission, Proceeding No. 21AL-0317E. Answer testimony submitted November 3, 2021. Cross answer testimony submitted December 3, 2021.

“In the Matter of Portland General Electric Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 394. Opening testimony submitted October 25, 2021. Rebuttal testimony submitted January 13, 2022.

“Application of El Paso Electric Company to Change Rates,” Public Utility Commission of **Texas**, Docket No. 52195. Direct testimony submitted October 22, 2021. Cross rebuttal testimony submitted November 19, 2021. Cross examined January 11, 2022.

“In re: Petition for Rate Increase by Tampa Electric Company,” **Florida** Public Service Commission, Panel appearance in support of settlement agreement on October 21, 2021.

“In the Matter of Rocky Mountain Power’s Application for Alternative Cost Recovery for Major Plant Additions of the Pryor Mountain and TB Flats Wind Projects,” **Utah** Public Service Commission, Docket No. 21-035-42. Confidential direct testimony submitted October 6, 2021. Surrebuttal testimony submitted November 18, 2021. Cross examined November 30, 2021.

“In the Matter of Southwestern Public Service Company’s Annual 2022 Renewable Energy Portfolio Procurement Plan and Requested Approvals Therein; Proposed 2022 Renewable Portfolio Standard Cost and Reconciliation Riders; Application for an RPS Incentive; and Other Associated Relief.” **New Mexico** Public Regulation Commission, Case No. 21-00172-UT. Direct testimony submitted September 3, 2021. Cross examined October 4, 2021.

“Application of Rocky Mountain Power to Establish a Balancing Account for Pension Settlement Losses,” **Utah** Public Service Commission, Docket No. 20-035-14. Direct testimony submitted June 22, 2021. Surrebuttal testimony submitted August 3, 2021. Cross examined August 23, 2021.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of a Regulatory Asset Account to Recover Costs Relating to the Development and Implementation of Their Joint Disaster Protection Plan,” Public Utilities Commission of **Nevada**, Docket No. 21-03040. Direct testimony submitted June 17, 2021. Cross examined July 13, 2021.

“In the Matter of PacifiCorp, dba Pacific Power 2022 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 390. Opening testimony submitted June 9, 2021. Rebuttal testimony submitted July 30, 2021.

“Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of the First Amendment to the 2020 Natural Disaster Protection Plan (“NDPP”),” Public Utilities Commission of **Nevada**, Docket No. 21-03004. Direct testimony submitted May 20, 2021.

“In the Matter of Southwestern Public Service Company’s Application for: (1) Revision of Its Retail Rates under Advice Notice No. 292; (2) Authorization and Approval to and Abandon Its

Plant X Unit 3 Generating Station; and (3) Other Related Relief,” **New Mexico** Public Regulation Commission, Case No. 20-00238-UT. Confidential direct testimony submitted May 17, 2021. Stipulation testimony submitted July 1, 2021. Supplemental Stipulation Testimony submitted November 12, 2021. Oral examination conducted July 28, 2021 and November 16, 2021.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to the 2018 Depreciation Study,” **Wyoming** Public Service Commission, Docket No. 20000-581-EA-20. Direct testimony submitted April 2, 2021. Cross examined July 27, 2021.

“Re: In the Matter of Advice No. 1835-Electric of Public Service Company of Colorado to Revise Its Colorado PUC No. 8-Electric Tariff to Eliminate the Currently Effective General Rate Schedule Adjustments to Place into Effect Revised Base Rates and Other Phase II Tariff Proposals to Become Effective November 19, 2020,” **Colorado** Public Utilities Commission, Proceeding No. 20AL-0432E. Answer testimony submitted March 8, 2021. Cross answer testimony submitted April 7, 2021.

“In the Matter of the Application of Rocky Mountain Power for a Deferred Accounting Order Regarding Costs Incurred Due to the Covid-19 Public Health Emergency,” **Wyoming** Public Service Commission, Docket No. 20000-581-EA-20. Direct testimony submitted February 5, 2021. [Applicant’s request later withdrawn.]

“In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed To Develop Such Return,” **Arizona** Corporation Commission, Docket No. E-01345A-19-0236. Direct testimony submitted October 2, 2020 (revenue requirement) and October 9, 2020 (cost of service / rate design). Surrebuttal testimony submitted December 4, 2020. Cross examined February 24, 2021.

“In the Matter of the Application of Public Service Company of Colorado for Approval of Its 2021-2023 Transportation Electrification Plan,” **Colorado** Public Utilities Commission, Proceeding No. 20A-0204E. Answer testimony submitted September 28, 2020. Cross answer testimony submitted October 23, 2020.

“In the Matter of Southwestern Public Service Company’s Annual 2021 Renewable Energy Portfolio Procurement Plan and Requested Approvals Therein; Proposed 2021 Renewable Portfolio Standard Cost and Reconciliation Riders; Application for an RPS Incentive; and Other Associated Relief.” **New Mexico** Public Regulation Commission, Case No. 20-00143-UT. Direct testimony submitted September 11, 2020. Cross examined October 21, 2020.

“Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric

Service Regulations,” **Utah** Public Service Commission, Docket No. 20-035-02. Confidential direct testimony submitted September 2, 2020. Rebuttal testimony submitted October 5, 2020. Confidential surrebuttal testimony submitted October 29, 2020. Cross examined November 5-6, 2020.

“Application of Nevada Power Company d/b/a NV Energy for Authority to Adjust Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto,” Public Utilities Commission of **Nevada**, Docket No. 20-06003. Direct testimony (overearnings) submitted August 17, 2020. Cross examined September 1, 2020.

“In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately \$7.1 Million per Year or 1.1 Percent, to Revise the Energy Cost Adjustment Mechanism, and to Discontinue Operations at Cholla Unit 4,” **Wyoming** Public Service Commission, Docket No. 20000-578-ER-20. Confidential direct testimony submitted August 7, 2020. Confidential cross answer testimony submitted September 11, 2020. Confidential response testimony submitted November 13, 2020. Cross examined February 19, 2021.

“In the Matter of the Application of Rocky Mountain Power for Approval of a 3 Year Demand Side Management Plan,” **Wyoming** Public Service Commission, Docket No. 20000-580-ET-20. Direct testimony submitted July 22, 2020. Cross examined September 23, 2020.

“In the Matter of PacifiCorp d/b/a Pacific Power Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE 374. Answer testimony submitted June 4, 2020. Rebuttal testimony Submitted July 24, 2020.

“In the Matter of PacifiCorp, dba Pacific Power 2021 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE 375. Answer testimony submitted May 15, 2020.

“Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief,” **Utah** Public Service Commission, Docket No. 19-035-45. Confidential direct testimony submitted March 4, 2020. [Applicant’s request later withdrawn.]

“Application of Rocky Mountain Power, a Division of PacifiCorp, for Authority to Change Its Depreciation Rates Effective January 1, 2021,” **Utah** Public Service Commission, Docket No. 18-035-36. Phase I surrebuttal testimony submitted April 3, 2020. Phase II direct testimony submitted September 2, 2020. Phase II rebuttal testimony submitted October 5, 2020. Phase II surrebuttal testimony submitted October 29, 2020. Cross examined November 5, 2020.

“2019 Puget Sound Energy General Rate Case,” **Washington** Utilities and Transportation Commission, Docket Nos. UE-190529 and UG-190530. Response testimony submitted

November 22, 2019. Cross-Answering testimony submitted January 15, 2020.

“In the Matter of Southwestern Public Service Company’s Application for: (1) Revision of Its Retail Rates under Advice Notice No. 282; (2) Authorization and Approval to Shorten the Service Life of and Abandon the Tolk Generating Station Units; and (3) Other Related Relief,” **New Mexico** Public Regulation Commission, Case No. 19-00170-UT. Direct testimony submitted November 19, 2019. Rebuttal testimony submitted December 20, 2019. Stipulation testimony submitted January 21, 2020. Oral examination conducted February 18, 2020.

“In the Matter of Georgia Power Company’s 2019 Rate Case,” **Georgia** Public Service Commission, Docket No. 42516. Direct testimony submitted October 17, 2019. Cross examined November 5, 2019.

“In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications,” **Utah** Public Service Commission, Docket No. 19-057-02. Confidential direct testimony submitted October 17, 2019 (revenue requirement) and November 14, 2020 (cost of service). Confidential surrebuttal testimony submitted December 5, 2019 (revenue requirement). Rebuttal testimony submitted December 13, 2019 (cost of service). Surrebuttal testimony submitted January 6, 2020 (cost of service). Cross examined January 15, 2020.

“In the Matter of the Application of Tucson Electric Power Company for the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Tucson Electric Power Company Devoted to Its Operations Throughout the State of Arizona and for Related Approvals,” **Arizona** Corporation Commission, Docket No. E-01933A-19-0028. Confidential direct testimony submitted October 11, 2019 (revenue requirement) and October 28, 2019 (cost of service / rate design). Confidential surrebuttal testimony submitted December 16, 2019. Cross examined January 31, 2020.

“In the Matter of Advice Letter No. 1797 Filed by Public Service Company of Colorado to Reset the Currently Effective General Rate Schedule Adjustment (GRSA) as Applied to Base Rates for All Electric Rate Schedules as well as Implement a Base Rate kWh Charge, General Rate Schedule Adjustment-Energy (GRSA-E) to become Effective June 20, 2019,” **Colorado** Public Utilities Commission, Proceeding No. 19AL-0268E. Answer testimony submitted September 20, 2019. Errata submitted October 25, 2019. Cross answer testimony submitted October 11, 2019. Cross examined November 8, 2019

“New Load Direct Access, Portland General Electric Company,” **Oregon** Public Utility Commission, Docket No. UE-358. Cross answering & rebuttal testimony submitted August 21, 2019. Oral examination given October 17, 2019.

“In the Matter of the Application of Rocky Mountain Power to Decrease Rates by \$0.4 Million under Tariff Schedule 197, 2017 Federal Tax Cut Adjustment,” **Wyoming** Public Service Commission, Docket No. 20000-560-EA-19. Direct testimony submitted August 19, 2019.

Stipulation testimony submitted November 8, 2019. Oral examination given November 13, 2019.

“In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Settlement Charges Related to Its Pension Plans,” **Wyoming** Public Service Commission, Docket No. 20000-550-EA-18. Direct testimony submitted August 5, 2019. Cross examined October 29, 2019.

“In the Matter of the Application of Rocky Mountain Power for a Modification of Avoided Cost Methodology and Reduced Contract Term of PURPA Power Purchase Agreements,” **Wyoming** Public Service Commission, Docket No. 20000-547-ET-18. Confidential direct testimony submitted April 19, 2019. Cross answer testimony submitted May 24, 2019. Cross examined July 10, 2019.

“In the Matter of PacifiCorp, dba Pacific Power 2019 Renewable Adjustment Clause,” **Oregon** Public Utility Commission, Docket No. UE-352. Opening testimony submitted April 2, 2019. Rebuttal testimony submitted June 3, 2019. Joint stipulation testimony submitted August 1, 2019.

“In the Matter of the Application of Rocky Mountain Power for a Certificate of Public Convenience and Necessity to Remove Existing Wind Turbines, Construct New Wind Turbines and Update Collector Liens at Its Foote Creek I Wind Energy Site,” **Wyoming** Public Service Commission, Docket No. 20000-553-EN-19. Confidential direct testimony submitted March 22, 2019. Cross examined April 25, 2019.

“Delta-Montrose Electric Association, Complainant vs. Tri-State Transmission and Generation Association, Inc., Respondent,” **Colorado** Public Utilities Commission, Proceeding No. 18F-0866E. Highly confidential direct testimony submitted March 15, 2019. Confidential rebuttal testimony submitted June 28, 2019.

“In the Matter of the Application of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service; In the Matter of the Application of Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc., for Authority to Establish Increased Rates for Electric Service,” **Montana** Public Service Commission, Docket No. D2018.9.60. Confidential direct testimony submitted February 19, 2019. Oral testimony provided April 30, 2019.

“In the Matter of Northwestern Energy’s Application for Authority to Increase Its Retail Electric Utility Service Rates and for Approval of Its Electric Service Schedules and Rules,” **Montana** Public Service Commission, Docket No. D2018.2.12. Direct testimony submitted February 12, 2019. Cross intervenor testimony submitted April 5, 2019. Additional Issue testimony submitted March 22, 2019. Oral testimony provided May 17, 2019.

“In the Matter of the Petition of Black Bear Wind, LLC for the Commission to set certain Terms and Conditions of Contract between NorthWestern Energy and Black Bear Wind, LLC,” **Montana** Public Service Commission, Docket No. D2019.02.09. Direct testimony submitted February 5, 2019. Rebuttal testimony submitted May 29, 2019. Cross examined June 13, 2019.

“In the Matter of the Petition of Grizzly Wind, LLC for the Commission to set certain Terms and Conditions of Contract between NorthWestern Energy and Grizzly Wind, LLC,” **Montana** Public Service Commission, Docket No. D2019.02.08. Direct testimony submitted February 4, 2019. Rebuttal testimony submitted May 23, 2019. Cross examined June 13, 2019.

“Petitions of Kroger Limited Partnership I and Harris Teeter, LLC for approval to aggregate demand pursuant to § 56-577 A 4 of the Code of Virginia, **Virginia** Corporation Commission, Case Nos. PUR-2018-00150 and PUR-2018-00151. Confidential direct testimony submitted December 12, 2018. Confidential rebuttal testimony submitted February 13, 2019. Cross examined February 27, 2019.

“In the Matter of Portland General Electric Company, Investigation into Proposed Green Tariff,” **Oregon** Public Utility Commission, Docket No. UM-1953. Reply and Cross Answer Testimony submitted October 22, 2018.

“In the Matter of the Application of Rocky Mountain Power to Decrease Rates by \$26.4 Million to Refund Customers for the 2017 Tax Reform Act,” **Wyoming** Public Service Commission, Docket No. 20000-536-ER-15. Direct testimony submitted October 15, 2018.

“Appalachian Power Company and Wheeling Power Company, Application to Change Depreciation Rates; Appalachian Power Company and Wheeling Power Company, Rule 42T application to increase rates and charges,” Public Service Commission of **West Virginia**, Case Nos. 18-0645-E-D and 18-0646-E-42T. Direct testimony submitted October 9, 2018. Rebuttal testimony submitted October 24, 2018.

“In the Matter of the Application of Montana-Dakota Utilities to Address the Impacts of the Tax Cuts and Jobs Act of 2017,” **Montana** Public Service Commission, Docket No. D2018.4.22. Direct testimony submitted October 2, 2018. Cross examined December 4, 2018.

“Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: ‘An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018,’” **Utah** Public Service Commission, Docket No 17-035-69. Confidential direct testimony submitted August 28, 2018.

“In the Matter of the Investigation of Federal Tax Reform Impacts on NorthWestern Energy’s Revenue Requirements,” **Montana** Public Service Commission, Docket No. D2018.4.24. Direct testimony submitted July 3, 2018. Cross examined August 31, 2018.

“In the Matter of PacifiCorp, dba Pacific Power 2019 Transition Adjustment Mechanism,” **Oregon** Public Utility Commission, Docket No. UE-339. Opening testimony submitted June 11, 2018. Joint stipulation testimony submitted July 23, 2018.

“In the Matter of Portland General Electric Company, Request for a General Rate Revision,” **Oregon** Public Utility Commission, Docket No. UE-335. Opening testimony submitted June 6, 2018. Joint stipulation testimony submitted August 20, 2018. Response testimony submitted September 17, 2018.

“Application of Nevada Power Company d/b/a NV Energy filed under Advice Letter No. 485 to revise Tariff No. I-B to establish the 2017 Tax Rate Reduction Rider,” Public Utilities Commission of **Nevada**, Docket No. 18-02010. Direct testimony submitted May 25, 2018. Cross examined July 11, 2018.

“In the Matter of the Application of Rocky Mountain Power for Approval of a 3 Year Demand Side Management Plan,” **Wyoming** Public Service Commission, Docket No. 20000-526-EA-17. Direct testimony submitted March 16, 2018. Cross answer testimony submitted April 6, 2018. Cross examined May 8, 2018.

“Petition of Northern Indiana Public Service Company for (1) Authority To Modify Its Rates and Charges for Gas Utility Service through a Phase In of Rates; (2) Modification of the Settlement Agreements Approved in Cause No. 43894; (3) Approval of New Schedules of Rates and Charges, General Rules And Regulations, and Riders; (4) Approval of Revised Depreciation Rates Applicable to Its Gas Plant in Service; (5) Approval of Necessary and Appropriate Accounting Relief; and (6) Authority to Implement Temporary Rates Consistent with the Provisions of Ind. Code CH. 8-1-2-42.7,” ,” **Indiana** Utility Regulatory Commission, Cause No. 44988. Direct testimony submitted March 2, 2018. Settlement testimony submitted April 20, 2018.

“In the Matter of Application of Duke Energy Carolinas, LLC, For Adjustment of Rates and Charges Applicable to Electric Service in North Carolina,” **North Carolina** Utilities Commission, Docket No. E-7, Sub 1146. Direct testimony submitted January 23, 2018.

“In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating to Its Electric and Gas Demand Side Management Plan,” **Colorado** Public Utilities Commission, Proceeding No. 17A-0462EG. Answer testimony submitted December 5, 2017. Cross answer testimony submitted January 23, 2018. Rehearing testimony submitted July 31, 2018. Cross examined August 17, 2018.

PUBLICATIONS

Kevin C. Higgins and Caitlin Collins, “Utility Transmission Infrastructure,” Chapter 5 in *Coastal Wind: Energy for North Carolina’s Future*. University of North Carolina, Chapel Hill: 2009.

Kevin C. Higgins, Neal Townsend, and Susannah Vale, “Utility-Related Statutory and Regulatory Barriers,” Chapter 6 in *Coastal Wind: Energy for North Carolina’s Future*. University of North Carolina, Chapel Hill: 2009.

EXHIBIT KCH-1

Natural Gas Distribution Utility Rate Case Summary
12 Months Ended August 31, 2022
Cases with ROE Determinations as Reported by S&P Global Market Intelligence

Decision Date	State	Company	Case Identification	Common Equity/ Total Cap (%)	Return on Equity (%)
9/1/2021	Idaho	Avista Corp.	C-AVU-G-21-01	50.00	9.40
9/8/2021	Illinois	North Shore Gas Co.	D-20-0810	51.58	9.67
9/9/2021	Michigan	Michigan Gas Utilities Corp.	C-U-20718	NA	9.85
9/14/2021	Virginia	Virginia Natural Gas Inc.	C-PUR-2020-00095	51.89	9.50
9/27/2021	Washington	Avista Corp.	D-UG-200901	48.50	9.40
9/29/2021	South Carolina	Piedmont Natural Gas Co.	D-2021-7-G	52.20	9.80
9/30/2021	Massachusetts	Boston Gas Co.	DPU 20-120	53.44	9.70
10/6/2021	Indiana	Sthrn IN Gas & Electric Co.	Ca-45447	45.74	9.70
10/27/2021	Missouri	Spire Missouri Inc.	C-GR-2021-0108	49.86	9.37
11/17/2021	New Jersey	New Jersey Natural Gas Co.	D-GR21030679	54.00	9.60
11/17/2021	Indiana	Indiana Gas Co.	Ca-45468	46.21	9.80
11/18/2021	New York	Central Hudson Gas & Electric	C-20-G-0429	50.00	9.00
11/18/2021	Illinois	Northern Illinois Gas Co.	D-21-0098	54.46	9.75
11/18/2021	Wisconsin	Northern States Power Co.	D- 4220-UR-125 (Gas)	52.50	10.00
11/18/2021	Wisconsin	Wisconsin Power and Light Co	D-6680-UR-123 (Gas)	52.50	10.00
11/23/2021	Wisconsin	Madison Gas and Electric Co.	D-3270-UR-124 (Gas)	55.00	9.80
11/30/2021	Oklahoma	Oklahoma Natural Gas Co	Ca-PUD202100063	58.55	9.40
12/3/2021	Maryland	Columbia Gas of Maryland Inc	C-9664	52.95	9.65
12/9/2021	Michigan	DTE Gas Co.	C-U-20940	39.23	9.90
12/13/2021	Colorado	Black Hills Colorado Gas Inc.	D-21AL-0236G	50.26	9.20
12/28/2021	Kentucky	Columbia Gas of Kentucky Inc	C-2021-00183	52.64	9.35
12/28/2021	Kentucky	Duke Energy Kentucky Inc.	C-2021-00190	51.34	9.38
12/28/2021	Iowa	Black Hills Iowa Gas Utility	D-RPU-2021-0002	50.01	9.60
1/3/2022	Kentucky	Delta Natural Gas Co.	C-2021-00185	NA	9.25
1/6/2022	North Carolina	Piedmont Natural Gas Co.	D-G-9, Sub 781	51.60	9.60
1/20/2022	New York	Niagara Mohawk Power Corp.	C-20-G-0381	48.00	9.00
1/21/2022	North Carolina	Public Service Co. of NC	D-G-5 Sub 632	51.60	9.60
3/22/2022	Nevada	Southwest Gas Corp.	D-21-09001 (Southern)	50.00	9.40
3/22/2022	Nevada	Southwest Gas Corp.	D-21-09001 (Northern)	50.00	9.40
4/14/2022	New York	Orange & Rockland Utlts Inc.	C-21-G-0073	48.00	9.20
5/19/2022	Kentucky	Atmos Energy Corp.	C-2021-00214	54.50	9.23
6/16/2022	New York	Corning Natural Gas Corp.	C-21-G-0394	48.00	9.25
7/7/2022	Michigan	Consumers Energy Co.	C-U-21148	NA	9.90
7/20/2022	New Hampshire	Northern Utilities Inc.	D-DG-21-104	52.00	9.30
7/27/2022	Indiana	Northern IN Public Svc Co.	Ca-45621	49.47	9.85
8/2/2022	Oregon	Avista Corp.	D-UG 433	50.00	9.40
8/17/2022	New Jersey	Elizabethtown Gas Co.	D-GR21121254	52.00	9.60
8/18/2022	Minnesota	CenterPoint Energy Resources	D-G-008/GR-21-435	51.00	9.39
8/23/2022	Washington	Cascade Natural Gas Corp.	D-UG-210755	47.00	9.40

Median ROE	9.50
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EXHIBIT KCH-2

Docket No. R-2022-3032764

EXHIBIT

KCH - 2

**Leatherstocking's Supplemental Response to OSBA 1-3
(With Selected Attachments)**

Leatherstocking Gas Company LLC. 2022 General Base Rate Increase (Gas) Filing
Docket No. R-2022-3032764

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO OFFICE OF SMALL BUSINESS ADVOCATE'S
INTERROGATORIES, SET I, NOS. 1-5**

OSBA-I-3 Part A: Reference Company Exhibit G-1, Schedule 4

For each entry in which there is an allocated charge please provide the following information:

- a. The total amount of cost being allocated.
- b. The dollar amount of cost allocated to each affiliate (e.g., CNG, Pike Electric, Pike Gas)
- c. The allocation factor or other basis used to allocate these costs.
- d. An explanation of why the allocation factor used is appropriate.

RESPONSE: Journal entries are recorded monthly to allocate salaries and wages of employees who provide services to affiliates.

SUPPLEMENTAL

RESPONSE: Exhibit G-1, Schedule 4 contains three columns of data. The first column labeled direct charges represents supplier/vendor charges billed and paid directly by Leatherstocking Gas Company, the detail is recorded in their general ledger system. The second column labeled Allocated Charges is mislabeled, it would include charges that are recorded by journal entries on Leatherstocking Gas Company's books that originate from either Corning Natural Gas Company (CNG) or Pike County Light & Power Company (Pike) and would include direct costs for Leatherstocking operations. For example, CNG process payroll for all employees, so that all payroll charges for Leatherstocking's (LGC) four employees and all affiliate employees are included in the column labeled Allocated Charges. The third column of Exhibit G-1, Schedule 4 is the total of column 1 plus column 2.

RESPONSE:

- a. For the period covering March 1, 2022 through February 28, 2023 CNG is projecting to allocate \$466,874 (approximately 10% of its total payroll) to affiliates. Pike County Light and Power is projecting to allocate \$144,084 (approximately 15% of its total payroll) to affiliates. Leatherstocking is projecting to allocate \$50,466 (approximately 28% of its total payroll) to affiliates. The above projections are based on payroll

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO OFFICE OF SMALL BUSINESS ADVOCATE'S
INTERROGATORIES, SET I, NOS. 1-5**

and employee levels as of March 1, 2022 and assume no changes in personnel during the twelve months ending February 28, 2023.

**SUPPLEMENTAL
RESPONSE:**

- a. Please refer to the first tab of the attached excel file labeled "OSBA-1-3 Supplemental Data.xls" for the breakdown of costs included in the Column labeled allocated charges on Exhibit G-1, Schedule 4. Direct payroll cost represent labor cost for LGC, CNG, and Pike employees that either performed work in the service territory or charge the Company directly for time actually spent performing assignments for LGC.
 - For gas distribution expenses Account 874 the payroll charge was for one CNG engineer who oversaw a project at Leatherstocking.
 - For Account 893 the charges were for direct labor costs of two Leatherstocking employees and one Pike employee who backfilled one of the Leatherstocking employee position's due to a vacancy.
 - Meter Reading expense charged to Account 902 was for the labor costs of CNG meter readers. Full time meter readers are not required by LGC, as a result CNG personnel are utilized and only charge the Company for time actually worked.
 - Customer records and accounting (Accounts 903 and 905) represents the labor costs of a LGC employee and CNG Customer Service employees who charge LGC for time actually worked.
 - Customer records, accounting and service expense (Account 912) represent the labor costs of a LGC employee.
 - Sales promotion expense (Account 917) includes the salary for a LGC employee.
 - Administrative and General payroll (Account 920) includes direct and allocated salaries and wages for employees and officers of CNG, Pike, and LGC.
 - Office Supplies and Expenses (Account 921) includes an allocation of building service costs for Corning's corporate headquarters, purchases of supplies using "P-Cards," an allocation of payroll processing and other bank charges.
 - Outside Services (Account 923) includes the cost of outside professional services (e.g. Public Accounting audit and tax fees, other accounting services, etc.) that are allocated to LGC.

Leatherstocking Gas Company LLC. 2022 General Base Rate Increase (Gas) Filing
Docket No. R-2022-3032764

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO OFFICE OF SMALL BUSINESS ADVOCATE'S
INTERROGATORIES, SET I, NOS. 1-5**

- Injuries and Damages (Account 925) includes the cost of insurance (e.g. general and excess liability, property, auto, workers' compensation, etc.) that would be allocated among the affiliates. Please refer to the last tab in the attachment for the allocation of insurance costs among affiliates.
- Employee benefit costs (Account 926) represents the benefit costs for the four LGC employees (e.g. health and dental insurance, 401K match, etc.).
- Miscellaneous General Expense (Account 930) includes bank charges to process customer bill payments and for fraud protection.

RESPONSE:

- b. The payroll allocation to Corning Natural Gas from affiliates for the period covering March 1, 2022 through February 28, 2023 is projected to be \$179,535, Pike Electric would be allocated \$340,890, Pike Gas would be allocated \$54,754, and Leatherstocking would be allocated \$86,245. The above projections are based on payroll and employee levels as of March 1, 2022 and assume no changes in personnel during the twelve months ending February 28, 2023.

**SUPPLEMENTAL
RESPONSE:**

- b. Please refer the second tab of the attachment labeled "OSBA-1-3 Supplemental Data.xls" for the dollar amount of payroll cost allocated to each affiliate, by each affiliate. The third and fourth tabs contains the breakdown of contains the breakdown of allocated supplier / vendor charges.

RESPONSE:

- c. Please refer to the attached excel file entitled "2022 allocation factors.xls." Generally payroll is directly charged by employees for the actual time spent performing assignments for each affiliate. The estimated percentage of time charged to each affiliate is shown on the first tab and labeled direct charge. For employees who allocate their time to affiliates, the allocation factors are shown in the second tab of the attached file. The calculations supporting the allocation factors are contained in the other tabs included in the attachment.

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO OFFICE OF SMALL BUSINESS ADVOCATE'S
INTERROGATORIES, SET I, NOS. 1-5**

**SUPPLEMENTAL
RESPONSE:**

- c. Generally payroll is directly charged by employees for the actual time spent performing assignments for each affiliate. Please refer to the excel file entitled "2022 allocation factors.xls." for the percentage of time charged to each affiliate by Corning, Pike and Leatherstocking employees by position. For employees who allocate their time to affiliates, the allocation factors are shown in the second tab of that attached file. The calculations supporting the allocation factors are contained in the other tabs included in the attachment. For accounts payable and other charges, please refer to the second and third tabs of the excel file labeled OSBA-1-3 Supplemental Data.xls"

RESPONSE:

- d. The methodology used to calculate the current allocation factors has been included as part of base rate filings that have been submitted to the Pennsylvania Public Utility Commission and the New York Public Service Commission as part of Pike and CNG base rate filings and have been consistently applied to each affiliate. Costs that are impractical to charge on a direct basis are allocated to Leatherstocking based on the relationship, during the preceding calendar year, for each type of cost incurred by Leatherstocking to the total costs incurred by CNG and its utility subsidiaries. For the twelve months ended February 28, 2023, the formulas used for the allocations ratios are as follows:

"A" Allocation Factor – Invoice Processing

$$\frac{\text{Number of Leatherstocking Invoices}}{\text{Total Invoices Processed}} \\ 170 / 5,629 = 8.21\%$$

"B" Allocation Factor – Human Resource Administration

$$\frac{\text{Leatherstocking Payroll}}{\text{Total Payroll}} \\ 177,746 / 5,543,706 = 3.21\%$$

"C" Allocation Factor – Health Insurance, Pension, etc.

Three part calculation that combines the payroll used in the B allocation with the number of active employees used in the D allocation and retired employees of which Leatherstocking has none. = 2.85%

"D" Allocation Factor – Payroll Processing

Leatherstocking Gas Company LLC. 2022 General Base Rate Increase (Gas) Filing
Docket No. R-2022-3032764

**LEATHERSTOCKING GAS COMPANY LLC. (GAS)
RESPONSES TO OFFICE OF SMALL BUSINESS ADVOCATE'S
INTERROGATORIES, SET I, NOS. 1-5**

Leatherstocking Employees / Total Employees $4 / 75 = 5.33\%$

“E” Allocation Factor – Billing & Receipts Processing

Leatherstocking Bills Rendered / Total Bills Rendered
 $4,608 / 262,428 = 1.76\%$

“F” Allocation – Accounting Functions

Three part calculation that combines plant in service balances with
revenues used in the H allocation and payroll used in B allocation
 $= 6.64\%$

“G” Allocation – Plant Close-Outs

Change in Leatherstocking Plant / Total Change in Plant
 $\$235,468 / \$9,196,364 = 2.56\%$

“H” Allocation – Customer Service (Call Center)

Leatherstocking Revenues / Total Revenue
 $\$1,232,447 / \$37,394,420 = 3.30\%$

“I” Allocation – Fixed Asset Accounting

Leatherstocking Net Plant / Total Net Plant
 $\$11,694,683 / \$120,039,880 = 9.74\%$

“J” Allocation – Income Taxes

Combines net income with permanent and temporary income tax
timing differences $= 1.14\%$

“K” Allocation – Operational Services

Combines Capital expenditures with O&M expenses (excluding
purchased power and natural gas) $= 4.16\%$

“L” Allocation – Purchasing Activities

Leatherstocking Purchase Requisitions / Total Purchase
Requisitions $7 / 377 = 1.86\%$

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

DATE: August 25, 2022

**Leatherstocking's Supplemental Responses to OSBA 1-3.a,
Attachment OSBA 1-3 Supplemental Data, "925 - Insurance" work
paper**

CORNING NATURAL GAS CORPORATION
INSURANCE PREMIUMS
APRIL 1, 2021- MARCH 31, 2022

DESCRIPTION	Annual Amt	CORNING	PIKE		LGC	CORNING	PIKE		LGC	TOTAL
			PIKE	LGC			Electric (85%)	Gas (15%)		
Captive Plans:										
Workers Compensation Insurance	\$ 150,464.50	89.97%	8.23%	1.80%		\$ 135,372.91	\$ 10,525.74	\$ 1,857.48	\$ 2,708.36	\$ 150,464.50
General Liability	119,530.80	71.45%	20.09%	8.46%		85,404.76	20,411.68	3,602.06	10,112.31	119,530.80
Auto	29,539.70	71.45%	20.09%	8.46%		21,106.12	5,044.35	890.18	2,499.06	29,539.70
Subtotal	<u>299,535.00</u>					<u>241,883.78</u>	<u>35,981.77</u>	<u>6,349.72</u>	<u>15,319.73</u>	<u>299,535.00</u>
Non-Captive Plans:										
Property/Crime/EDP	82,934.00	71.45%	20.09%	8.46%		59,256.34	14,162.22	2,499.22	7,016.22	82,934.00
Equipment Breakdown	6,091.00	71.45%	20.09%	8.46%		4,352.02	1,040.13	183.55	515.30	6,091.00
Directors/Officers	95,356.00	71.45%	20.09%	8.46%		68,131.86	16,283.47	2,873.55	8,067.12	95,356.00
EPL/Fiduciary	14,301.00	71.45%	20.09%	8.46%		10,218.06	2,442.11	430.96	1,209.86	14,301.00
Cyber Liability	67,000.00	71.45%	20.09%	8.46%		47,871.50	11,441.26	2,019.05	5,668.20	67,000.00
Umbrella - Lead	208,844.00	71.45%	20.09%	8.46%		149,219.04	35,663.25	6,293.51	17,668.20	208,844.00
Umbrella - Excess First Layer	123,000.00	71.45%	20.09%	8.46%		87,883.50	21,004.10	3,706.61	10,405.80	123,000.00
Umbrella - Excess Third Layer	85,941.00	71.45%	20.09%	8.46%		61,404.84	14,675.71	2,589.83	7,270.61	85,941.00
Crime Employee Theft	3,077.00	71.45%	20.09%	8.46%		2,198.52	525.44	92.73	260.31	3,077.00
Street Bond - Westfall/Pike only	488.00	0.00%	100.00%	0.00%		-	414.80	73.20	-	488.00
Subtotal	<u>687,032.00</u>					<u>490,535.69</u>	<u>117,652.49</u>	<u>20,762.20</u>	<u>58,081.62</u>	<u>687,032.00</u>
Term Life Insurance	\$ 7,148.00	71.45%	20.09%	8.46%		5,107.25	1,220.63	215.40	604.72	7,148.00
Subtotal	993,715.00					737,526.72	154,854.88	27,327.33	74,006.07	993,715.00
Prior Period True-up Adjustment	6,706.91					-	-	-	6,706.91	6,706.91
Total LGC Insurance Expense	<u>\$ 1,000,421.91</u>					<u>\$ 737,526.72</u>	<u>\$ 154,854.88</u>	<u>\$ 27,327.33</u>	<u>\$ 80,712.98</u>	<u>\$ 1,000,421.91</u>

1.80% represents the ratio of Corning Payroll Charged to LGC / Total Corning Company Payroll

8.46% 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	103,462,446.54	23,992,738.25	3,229,891.70	14,110,551.25	
Revenues CY	23,202,642.61	7,290,697.11	1,514,850.89	1,246,927.54	
Payroll Expense	4,487,086.36	722,819.32	127,556.35	177,988.95	
	43,717,391.84	10,668,751.56	1,624,099.65	5,178,489.25	61,188,732.29
Allocation Factor	71.45%	17.44%	2.65%	8.46%	100.00%

**Leatherstocking's Supplemental Response to OSBA
1-3.c, "2022 Allocation Factors" work paper
(Excerpt)**

	Gross Plant, Revenues and Payroll				
	<u>CNG</u>	<u>Pike Electric</u>	<u>Pike Gas</u>	<u>Leatherstocking</u>	<u>Total</u>
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>	
	46,828,396.12	12,094,813.91	2,064,601.54	4,339,440.40	65,327,251.97
Allocation Factor	71.68%	18.51%	3.16%	6.64%	100.00%

EXHIBIT KCH-3

Comparison of Pennsylvania Gas Utilities Account 903 Expenses

<u>Docket No.</u> (a)	<u>Company</u> (b)	<u>Account 903</u> (c)	<u>Number of Gas Customers</u> (d)	<u>Account 903 Cost per Customer/Yr</u> (e)	<u>Source</u> (f)
1 R-2022-3031113	PECO Gas	\$15,475,000	545,000	\$28.39	Exhibit MJT-1 Schedule B-2 Page 6 of 87, Line 52
2 R-2020-3017206	Philadelphia Gas Works	\$25,413,784	500,000	\$50.83	Volume I (Part 3 of 3) Responses to Filing Requirements III.E.34 Comparative Operating Statements FY2019
3 R-2020-3022134	Pike County Light & Power	\$5,800	1,280	\$4.53	Exhibit G-1 Schedule 5 Page 1 of 2
4 R-2021-3030218	UGI Utilities	\$36,332,000	671,662	\$54.09	Attachment III-E-3 Witness T.A. Hazenstab Page 6 of 6 Statement of Operation and Maintenance Expense FY2021
5 R-2022-3032300	Valley Energy	\$544,862	7,300	\$74.64	Exhibit JL-1 Page 35 of 35 Expenses FY2021 Valley Energy of PA

EXHIBIT KCH-4

**OSBA Proposed Rates @ Leatherstocking Requested Revenue Requirement
 Gas Rate Design - Billing Comparison without Gas Cost Recoveries
 Test Year 12 Months Ended March 31, 2023**

Base Revenues at Present and OSBA Proposed Rates
 @ Leatherstocking Requested Revenue Requirement without Gas Cost Recoveries

<u>Schedule & Cost Component</u> (a)	<u>Quantity</u> (b)	<u>Units</u> (c)	<u>Present Rates</u>			<u>OSBA Proposed Rates @ Leatherstocking Requested Revenue Requirement</u>						
			<u>Base Margin Rate</u> (d)	<u>Total Rate</u> (e)	<u>Revenue</u> (f)	<u>Quantity</u> (g)	<u>Units</u> (h)	<u>Base Margin Rate</u> (i)	<u>Total Rate</u> (j)	<u>Revenue</u> (k)	<u>Change</u> (l)	
75												
76												
77												
78												
79												
80												
81												
82			<u>Transportation</u>			<u>Transportation</u>						
83 <u>Transportation</u>												
84												
85 Customer Charge	1	Customers	\$ -	\$ -	\$ -	1	Customers	\$ -	\$ -	\$ -		
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>	<i>CCF</i>			<u>\$ 1,202,603</u>	<u>3,718,690</u>	<i>CCF</i>			<u>\$ 1,903,826</u>		58.3%
97												
98												
99												
100												
101												
102												
103												
104												
105												

<i>Current Delivery Revenues w/o Gas</i>	\$ 1,202,603	
<i>Rate Increase</i>	<u>701,200</u>	
<i>Target</i>		\$ <u>1,903,803</u> Target
<i>Excess / (Shortfall)</i>		\$ <u>23</u>

EXHIBIT KCH-5

ELECTRONIC WORKPAPERS OF KEVIN HIGGINS

OSBA WORKPAPER-1 G-4 Revenue Requirement - OSBA Adjustments***

OSBA WORKPAPER-2 Account 925 Adjustment ***

OSBA WORKPAPER-3 EXHIBIT KCH-3***

OSBA WORKPAPER-4 EXHIBIT KCH-4***

OSBA WORKPAER-5 G-5 Sales & Revenues - OSBA Rev. Adjustment***

*****Workpapers will be delivered in excel format via email simultaneous to email service of
Direct Testimony*****

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 :
 :
 :
 :
Leatherstocking Gas Company LLC :

Docket Nos. R-2022-3032764

VERIFICATION

I, Kevin Higgins, hereby state that the facts set forth in my Direct Testimony labeled OSBA Statement No. 1, are 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: September 12, 2022



(Signature)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 :
 :
 :
 :
Leatherstocking Gas Company LLC :

Docket Nos. R-2022-3032764

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless other noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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DATE: September 13, 2022

/s/ Sharon E. Webb

Sharon E. Webb
Assistant Small Business Advocate
Attorney ID No. 73995

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : **Docket Nos. R-2022-3032764**
 :
 `A :
 :
Leatherstocking Gas Company LLC :

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DATE: October 28, 2022

/s/ Sharon E. Webb

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