


COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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November 8, 2022

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:

Consistent with 52 Pa. Code Section 5.412a of the Commission's regulations, which requires the electronic submission of pre-served testimony, enclosed for electronic filing please find the following Pre-Served Testimony, Schedules, and Verifications, that were admitted into the Record by Administrative Law Judge Jeffrey A. Watson's Interim Order Approving Joint Stipulation and Admitting Testimony and Exhibits into the Record and Cancelling the Hearings dated October 25, 2022, on behalf of the Office of Consumer Advocate ("OCA") in the above-referenced proceeding.

Office of Consumer Advocate's Direct Testimony

OCA Statement 1 - Direct Testimony of Jennifer L. Rogers, Appendix A, Schedules JLR-1 through JLR-12, and Verification

Office of Consumer Advocate's Rebuttal Testimony

OCA Statement 2R - Rebuttal Testimony of Jerome D. Mierzwa and Verification

All testimony is accompanied by a witness verification. The OCA's submission also addresses the requirements of the Commission's January 10, 2013 Implementation Order at Docket M-2012-2331973, which requires electronic access to pre-served testimony.

Rosemary Chiavetta, Secretary
November 8, 2022
Page 2

All parties and the presiding officer have been served previously with the testimony and schedule and copies of this letter have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Christopher M. Andreoli
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PA Attorney I.D. # 85676
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Enclosures:

cc: The Honorable Jeffrey A. Watson (cover letter & Certificate of Service only - **via email only**)
Nick Miskanic, ALJ's Legal Assistant (cover letter & Certificate of Service only - **via email only**)
Certificate of Service

*337449

CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Letter Re: Pre-Served Testimony, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 8th day of November 2022.

SERVICE BY E-MAIL ONLY

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TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. SUMMARY AND RECOMMENDATIONS.....	4
III. OCA ADJUSTMENTS TO LEATHERSTOCKING’S COST OF SERVICE	5
A. Rate Base Adjustments	5
Plant in Service	5
Construction Work In Progress (“CWIP”)	6
Allowance for Cash Working Capital.....	6
B. Operating Expenses and Taxes Adjustments	7
Injuries and Damages Expense	7
Outside Services Expense	8
Taxes	9
Interest Synchronization	9

1 **I. INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Jennifer L. Rogers. My business address is 10480 Little Patuxent Parkway,
4 Suite 300, Columbia, Maryland, 21044. I am a Senior Economist working with Exeter
5 Associates, Inc. (Exeter). Exeter is a consulting firm specializing in issues pertaining
6 to public utilities.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 QUALIFICATIONS.

9 A. I received a Master of Arts degree in economics from Northeastern University. I also
10 have a Bachelor of Arts degree in economics with a minor in environmental studies
11 from St. Mary's College of Maryland.

12 I have also attended the 42nd Eastern National Association of Regulatory
13 Utility Commissioners (NARUC) Utility Rate School in 2014, and in 2022 completed
14 the Institute of Public Utilities Accounting and Ratemaking Course as well as EUCI's
15 Electric Cost-of-Service Course.

16 Q. WOULD YOU PLEASE DESCRIBE YOUR PROFESSIONAL
17 EXPERIENCE?

18 A. I have been employed with Exeter from 2009 to present, initially as a Research
19 Assistant before being promoted to Economist and I am now a Senior Economist for
20 the firm. At Exeter, I evaluate and forecast power supply requirements, costs, and
21 renewable energy needs; provide bill and rate analysis; and review energy use,
22 scheduling, and scheduling deviation data for clients. In addition, I conduct utility
23 service assessments to identify areas for potential utility cost savings, providing
24 detailed analysis of supply contracts, energy use, and a review of billing practices. I

1 also assist in the review of utility rate filings and analysis of revenue requirement
2 issues.

3 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY
4 PROCEEDINGS ON UTILITY RATES?

5 A. Yes. I have previously presented testimony before the Pennsylvania Public Utility
6 Commission, the Maryland Public Service Commission, and the Public Utility
7 Commission of Texas. My resume is attached hereto as Appendix A.

8 Q. ON WHOSE BEHALF ARE YOU APPEARING?

9 A. I am presenting testimony on behalf of the Pennsylvania Office of Consumer Advocate
10 (“OCA”).

11 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
12 PROCEEDING?

13 A. Exeter has been retained by the OCA to assist in the evaluation of the general rate filing
14 submitted by Leatherstocking Gas Company, LLC. (“Leatherstocking” or
15 “Company”). I have been asked by the OCA to present my findings with respect to
16 Leatherstocking’s revenue requirement and its proposed rate increase. I calculate
17 Leatherstocking’s rate base, pro forma operating income under present rates, and
18 overall revenue deficiency based upon my recommended adjustments to
19 Leatherstocking’s claims.

1 Q. IN CONNECTION WITH THIS CASE, HAVE YOU PERFORMED AN
2 EXAMINATION AND REVIEW OF LEATHERSTOCKING'S
3 TESTIMONY AND EXHIBITS?

4 A. Yes. I have reviewed Leatherstocking's rate filing, accounting and rate panel
5 testimony, exhibits, and workpapers. I have also reviewed Leatherstocking's responses
6 to the Bureau of Investigation & Enforcement ("I&E") interrogatories.

7 Q. WHAT PERIOD HAVE YOU USED IN MAKING YOUR
8 DETERMINATION OF LEATHERSTOCKING'S REVENUE
9 REQUIREMENTS?

10 A. I used the Future Test Year ("FTY") ending March 31, 2023, as filed by
11 Leatherstocking, as the basis for determining the Company's rate year revenue
12 requirements.

13 Q. HAVE YOU PREPARED SCHEDULES TO ACCOMPANY YOUR
14 TESTIMONY?

15 A. Yes. I have prepared Schedules JLR-1 through JLR-12. Schedule JLR-1 provides a
16 summary of revenues and expenses under present and proposed rates. Schedule JLR-2
17 summarizes my adjustments to Leatherstocking's FTY rate base. Schedule JLR-3
18 provides a summary of my adjustments to the FTY revenues and expenses and the
19 resulting operating income. The various adjustments that I am recommending to
20 Leatherstocking's claimed rate base, revenues and operating expenses are presented on
21 Schedules JLR-4 through JLR-12.

22 Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?

23 A. First, I provide a summary of Leatherstocking's filing and my findings and
24 recommendations. Then, I document and explain each of the adjustments I made to

1 Leatherstocking's rate base and operating income to arrive at the FTY revenue
2 requirement shown on Schedule JLR-1. My discussion of these adjustments is
3 organized into sections corresponding to the issue being addressed. These sections are
4 set forth in the Table of Contents for this testimony.

5
6 **II. SUMMARY AND RECOMMENDATIONS**

7 Q. PLEASE SUMMARIZE THE RATE RELIEF REQUESTED BY
8 LEATHERSTOCKING IN ITS FILING.

9 A. On July 1, 2022, Leatherstocking filed its base rate case with the Pennsylvania Public
10 Utility Commission ("Commission") to increase base utility rates by \$701,200, or
11 32.35 percent. The Company's proposed rate increase is based upon the FTY ending
12 March 31, 2023. According to the Company, this rate increase is driven by the need to
13 provide sufficient operating revenues to meet operating expenses, taxes and fixed
14 charges, and provide a reasonable rate of return on the Company's investment in gas
15 property. It is worth noting that this is the first rate increase sought by the Company
16 since it began operations in 2013. The Company cites infrastructure investments
17 needed to serve new customers in its franchise territory and increases in operating costs
18 as the ongoing drivers of this rate increase.

19 Q. PLEASE SUMMARIZE YOUR FINDINGS AND
20 RECOMMENDATIONS.

21 A. As shown on Schedule JLR-1, I have determined that Leatherstocking's current annual
22 revenue should be decreased to \$585,327 for the FTY. This is \$115,873 less than
23 Leatherstocking's requested increase of \$701,200. This is the amount by which
24 revenues exceed those required to generate an overall rate of return on rate base of 7.24

1 percent, which the Company is seeking, after accounting for the OCA's adjustments to
2 Leatherstocking's claimed rate base and operating income.

3
4 **III. OCA ADJUSTMENTS TO LEATHERSTOCKING'S COST OF SERVICE**

5 **A. Rate Base Adjustments**

6 *Plant in Service*

7 Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO THE COMPANY'S PLANT
8 IN SERVICE CLAIM.

9 A. The Company explained that the starting basis for the FTY plant in service was the
10 actual gas plant in service balance per books as of March 31, 2022. It then added the
11 plant additions that are expected to be completed by March 31, 2023. According to the
12 Company, the majority of the plant additions are required to provide service to the
13 Wyalusing School District. However, during my review of the supporting
14 documentation for the Company's adjustment to reflect plant additions of \$787,685 on
15 Exhibit G-3, Schedule 11, the Company included plant additions that are projected to
16 be completed by September 2023. The plant additions from April 2023 through
17 September 2023 are post-test year expenditures and are not eligible for inclusion in this
18 proceeding. Therefore, I am recommending an adjustment to remove the post-test year
19 cost from rate base.

20 It should be noted that since I am adjusting plant in service, a corresponding
21 adjustment to depreciation is necessary to remove the depreciation claim related to the
22 plant amount I am removing.

23 On Schedule JLR-8, I present this adjustment, which reduces plant in service
24 and depreciation expense by \$471,790 and \$9,894, respectively.

1 ***Construction Work In Progress (“CWIP”)***

2 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO NON-
3 INTEREST BEARING CWIP?

4 A. The Company has included the average of non-interest bearing CWIP in rate base. The
5 Company describes non-interest bearing CWIP as capital projects which can take
6 several months or longer to complete, but which the Company does not accrue an
7 Allowance for Funds Used During Construction (“AFUDC”). According to the
8 Company’s explanation, it does not accrue an AFUDC on these projects and, instead,
9 it has included the average, non-interest bearing CWIP balance as part of its rate base.

10 I disagree with this approach because, under traditional ratemaking, only plant
11 that is used and useful is allowed in rate base. In fact, the Commission’s 2018 Utility
12 Guide to Ratemaking expressly states:

13 Regulators have generally excluded construction projects from rate base, citing
14 the “used and useful” rule to require that the plant must be online and in service
15 (or very soon to be) before inclusion in rate base. Construction projects therefore
16 are temporarily “below the line”, and the related costs are not collected from
17 ratepayers.¹

18 Moreover, inclusion in rate base means that ratepayers would be paying current return
19 on plant that is not providing service. Based on the explanations above, I am therefore
20 recommending an adjustment of \$607,300 to remove non-interest bearing CWIP from
21 the rate base. This adjustment is presented on Schedule JLR-7.

22 ***Allowance for Cash Working Capital***

23 Q. HOW DO YOU DEFINE CASH WORKING CAPITAL?

24 A. For ratemaking purposes, cash working capital is the investment that a utility needs to
25 have on hand to fund its day-to-day operations. Positive cash working capital represents

¹ James H. Cawley and Norman J. Kennard, *A Utility Guide to Ratemaking (2018 Edition)*, prepared for the Pennsylvania Public Utility Commission, ©1983, revised 2018, p. 119.

1 funds provided by investors that should be included in rate base so that the utility earns
2 a return on it. Negative cash working capital represents funds supplied by ratepayers
3 that should be recognized as a rate base offset to reflect funds advanced for operations
4 by ratepayers.

5 Q. HOW DID THE COMPANY REFLECT CASH WORKING CAPITAL IN
6 ITS FILING?

7 A. The Company's cash working capital allowance is calculated based upon the Federal
8 Energy Regulatory Commission's ("FERC's") 1/8 Cash Working Capital formula.
9 Under this approach, the working capital is calculated based upon the Operations and
10 Maintenance ("O&M") expense less purchased gas costs and other non-cash expenses.

11 Q. WHAT CHANGE(S) HAVE YOU MADE TO THE ALLOWANCE FOR
12 CASH WORKING CAPITAL?

13 A. Since O&M expenses serve as the basis upon which the cash working capital is
14 calculated, I have incorporated the adjustments to O&M expenses that I am
15 recommending below. I have therefore made an adjustment to cash working capital to
16 reduce rate base by \$5,028 on Schedule JLR-6.

17 **B. Operating Expenses and Taxes Adjustments**

18 *Injuries and Damages Expense*

19 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO INJURIES
20 AND DAMAGES EXPENSE?

21 A. The cost of service includes \$80,700 for the FTY level of Injuries and Damages
22 expense, based on the amount for the 12-month period ended March 31, 2022. I am
23 recommending two changes to derive my adjustment. First, in response to I&E-RE-6,
24 the Company discloses that the amount recorded in this account during 2022 included

1 a prior period true-up of \$6,707. The prior period true-up represents costs that are
2 outside of the test year and are not eligible for recovery because it would result in the
3 inclusion of costs of more than one 12-month period. Moreover, given that the costs
4 relate to a prior period, inclusion of those costs would constitute retroactive ratemaking
5 which is not allowed before this Commission. Therefore, I have removed the \$6,707.

6 Second, the value of the 2022 Injuries and Damages expense is much higher
7 than it was in 2020 or 2021. In Leatherstocking's response to I&E-RE-1, the Company
8 provided historical data showing that Injuries and Damages expenses totaled \$3,348 in
9 2020; \$44,342 in 2021; and \$80,713 in 2022. In the response to I&E-RE-6, the
10 Company explained that the 2020 amount was not representative of costs, as
11 Leatherstocking was not charged its proportionate share of insurance premiums for all
12 of the policies in place during the 12 months ended March 31, 2020. Nevertheless, the
13 chosen test year value is still significantly higher in comparison. Therefore, I am
14 recommending an adjustment to normalize Injuries and Damages expense based upon
15 the 2-year average of the 2021 and 2022 values. As explained above, I have excluded
16 the 2020 amount because it is an outlier.

17 As a result of the two changes explained above, I am recommending an
18 adjustment which decreases O&M expenses by \$21,526, as shown on Schedule JLR-
19 9.

20 ***Outside Services Expense***

21 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO OUTSIDE
22 SERVICES EXPENSE?

23 A. The Company's cost of service includes \$85,200 as the Outside Services expense.
24 However, I have reviewed the historical data provided by the Company and it appears

1 that the 2022 value is significantly higher than it has been in previous years. The nature
2 of the costs recorded in Outside Services expense can vary from year to year. Therefore,
3 the amount from one 12-month period may not be representative of costs on an ongoing
4 basis. Therefore, I believe it is appropriate to normalize these costs to prevent an
5 overstatement in rates.

6 Hence, I am recommending using the average of the amounts for the three years
7 2020 through 2022. This results in an adjustment of \$18,695 to O&M expenses, as
8 shown on Schedule JLR-10.

9 ***Taxes***

10 Q. WHAT ADJUSTMENT ARE YOU RECOMMENDING TO TAXES?

11 A. The Company has utilized a state income tax rate of 9.99 percent. Per Act 53 of 2022,
12 however, the state corporate net income tax rate beginning January 1, 2023, will
13 decrease to 8.99 percent.² I have adjusted the tax values, accordingly, as shown in
14 Schedules JLR-4 and JLR-5. In addition to this adjustment, note that 8.99 percent state
15 income tax rate is used throughout my calculations wherever a state income tax rate is
16 applicable.

17 ***Interest Synchronization***

18 Q. PLEASE EXPLAIN YOUR INTEREST SYNCHRONIZATION
19 ADJUSTMENT.

20 A. To determine the tax-deductible interest expense for ratemaking, I have multiplied the
21 OCA's recommended rate base by the weighted cost of debt included in the capital
22 structure recommended by the Company. This procedure synchronizes the interest
23 expense deduction for tax purposes with the interest component of the return on rate

² See Act of July 8, 2022, P.L. 513, No. 53, amending Tax Reform Code of 1971. Available at:
<https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2022&sessTnd=0&act=53>

1 base to be recovered from ratepayers. As shown at the bottom of Schedule JLR-11, this
2 adjustment decreases the interest expense deduction by \$29,054 compared to the
3 interest deduction recognized by the Company. This increases state and federal income
4 taxes by \$2,612 and \$5,553, respectively.
5

6 Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

7 A. Yes, it does.

Appendix A
Resume of Jennifer L. Rogers

JENNIFER L. ROGERS

Ms. Rogers is a Senior Economist at Exeter Associates, Inc, with over a decade of experience in the energy industry. At Exeter, Ms. Rogers evaluates and forecasts power supply requirements, costs, and renewable energy needs; provides bill and rate analysis; and reviews energy use, scheduling, and scheduling deviation data for clients. She also assists in the review of utility rate filings and analysis of revenue requirement issues. In addition, Ms. Rogers conducts utility service assessments to identify areas for potential utility cost savings, providing detailed analysis of supply contracts, energy use, and a review of billing practices.

Education

B.A. (Economics) – Saint Mary’s College of Maryland, 2007

M.A. (Economics) – Northeastern University, Boston, MA, 2009

Previous Employment

2007-2008 Economics Research and Teaching Assistant
Northeastern University
Boston, MA

2008 Administrative Assistant
Association for Cultural Economics International Conference
Boston, MA

2005 Intern: Brokerage Department
Lehman Brothers
London, UK

Professional Experience

Ms. Rogers’ work at Exeter is primarily related to power supply acquisition, bill and rate analysis and forecasting, and utility service assessment. Ms. Rogers provides support to the U.S. Department of Energy’s Northern California national laboratories, generating cost simulations and power procurement models to forecast future power supply requirements and costs. In addition, Ms. Rogers reviews and tracks the Laboratories’ billing, energy use, scheduling, and scheduling deviation data. Ms. Rogers works with the U.S. Air Force Civil Engineer Center to complete utility service assessments to identify areas for potential utility cost savings, providing detailed analysis of energy usage, supply contracts, and a review of billing practices. Ms. Rogers also assists clients in reviewing utility rate filings, providing analysis on revenue requirement issues. Ms. Rogers’ work at Exeter has also included assisting in studies of variable generation forecasting, feed-in tariffs for renewable energy generation, and transmission cost allocation methodologies.

As a Research Assistant at Northeastern University, Ms. Rogers worked in the fields of industrial organization and labor economics, while her studies focused on economic modeling and policy analysis. Ms. Rogers developed surveys to be used in a longitudinal labor economics study, tutored undergraduate economics students, and provided research on a variety of economics-related topics.

Expert Testimony

Before the Pennsylvania Public Utility Commission, Docket No. R-2015-2462723, United Water Pennsylvania, Inc., 2015, on behalf of the Pennsylvania Office of Consumer Advocate. Testimony addressed revenue requirement issues.

Before the Maryland Public Service Commission, Case No. 9680, Columbia Gas of Maryland, Inc., 2022, on behalf of the Maryland Office of People's Counsel. Testimony addressed revenue requirement issues.

Before the Public Utility Commission of Texas, Docket No. 53601, Oncor Electric Delivery Company LLC, 2022, on behalf of the United States Department of Defense and the Federal Executive Agencies. Testimony addressed revenue requirement issues.

Publications and Consulting Reports

A Survey of Variable Generation Integration Charges, National Renewable Energy Laboratory, NREL Report No. NREL/TP-5500-57583, March 2013 (with Kevin Porter, Sari Fink, and Michael Buckley of Exeter Associates, and with B.-M. Hodge of NREL)

Survey of Variable Generation Forecasting in the West, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-54457, April 2012 (with Kevin Porter).

Summary of Time Period-Based and Other Approximation Methods for Determining the Capacity Value of Wind and Solar in the United States, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-54338, March 2012 (with Kevin Porter).

Long-Term Electricity Report for Maryland, prepared for the Maryland Department of Natural Resources Power Plant Research Program Pursuant to Executive Order 01.01.2010.16, December 2011, (with Steven Estomin, Kevin Porter, Christina Mudd, Emma Nicholson, Sari Fink, Michael Buckley, and Krista Ozarowski).

Alternative Energy Resource Market Assessment, National Association of Regulatory Utility Commissioners, A report for the Public Utility Commission of Ohio, September 2011 (with Kevin Porter of Exeter Associates, Inc., Ed Holt & Associates, Inc., and Sustainable Energy Advantage LLC)

Central Wind Power Forecasting Programs in North America by Regional Transmission Organizations and Electric Utilities: Revised Edition, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-51263, March 2011 (with Kevin Porter).

A Survey of Transmission Cost Allocation Methodologies for Regional Transmission Organizations, National Renewable Energy Laboratory, NREL Report No. SR-5500-49880, February 2011 (with Kevin Porter, Sari Fink, and Christina Mudd).

The Relationship between Wind Generation and Balancing-Energy Market Prices in ERCOT: 2007–2009, National Renewable Energy Laboratory, NREL Report No. NREL/SR-5500-49415, November 2010 (with Kevin Porter and Emma Nicholson).

The Relevance of Generation Interconnection Procedures to Feed-in Tariffs in the United States, National Renewable Energy Laboratory, NREL Report No. NREL/SR-6A20-48987, October 2010 (with Kevin Porter and Sari Fink).

Transmission Cost Allocation Methodologies for Regional Transmission Organizations, National Renewable Energy Laboratory, NREL Report No. NREL/SR-550-48738, July 2010 (with Kevin Porter and Sari Fink).

Examples of Wind Energy Curtailment Practices, National Renewable Energy Laboratory, NREL Report No. NREL/SR-550-48737, July 2010 (with Kevin Porter and Sari Fink).

Status of Centralized Wind Power Forecasting in North America, National Renewable Energy Laboratory, NREL/SR-550-47853, April 2010 (with Kevin Porter).

“Bi-Monthly Transmission Updates,” of the National Wind Coordinating Collaborative, Prepared for National Renewable Energy Lab, August 2009 - June 2010 (with Kevin Porter).

“Maryland Power Plants and the Environment: A Review of the Impacts of Power Plants and Transmission Lines on Maryland’s Natural Resources, Maryland Power Plant Research Program, PPRP-CEIR-15,” January 2010 (with Steven Estomin, Christina Mudd, and Sari Fink of Exeter Associates, Inc. and contributing authors from Versar, Inc. and Environmental Resources Management).

“Wind Power and Electricity Markets,” Compiled for the Utility Wind Interest Group, August 2009 (with Kevin Porter and Sari Fink).

Leatherstocking Gas Company LLC

Gas Cost of Service
For the Future Test Year Ended March 31, 2023

Line No.	Description	Company Amounts at Present Rates	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	<u>Operating Revenues</u>					
2	Sales of Gas - Base Rate Revenue	2,090,000	-	2,090,000	585,327	2,675,327
3	Other Operating Revenues	-	-	-	-	-
4	Total Operating Revenues	<u>\$ 2,090,000</u>	<u>\$ -</u>	<u>\$ 2,090,000</u>	<u>\$ 585,327</u>	<u>\$ 2,675,327</u>
5						
6	<u>Operating Expenses</u>					
7	Purchased Gas Expense	887,400	-	887,400	-	887,400
8	Other Operation and					
9	Maintenance Expense	619,300	(40,221)	579,079	-	579,079
10						
11	Depreciation & Amortization Expense	276,500	(9,894)	266,606	-	266,606
12						
13						
14	Taxes other than Income	<u>21,100</u>	<u>-</u>	<u>21,100</u>	<u>-</u>	<u>21,100</u>
15	Total Operating Expenses	<u>\$ 1,804,300</u>	<u>\$ (50,115)</u>	<u>\$ 1,754,185</u>	<u>\$ -</u>	<u>\$ 1,754,185</u>
16						
17	Operating Income Before Income Taxes	285,700	50,115	335,815	585,327	921,142
18	State Income Tax	(800)	7,217	6,417	52,621	59,038
19	Federal Income Tax	(1,500)	15,110	13,610	111,868	125,478
20						
21	Operating Income after Taxes	<u>\$ 288,000</u>	<u>\$ 27,788</u>	<u>\$ 315,788</u>	<u>\$ 420,838</u>	<u>\$ 736,626</u>
22						
23	Rate Base	<u>\$ 10,864,800</u>		<u>\$ 9,790,576</u>		<u>\$ 9,790,576</u>
24						
25	Rate of Return	<u>2.65%</u>		<u>3.23%</u>		<u>7.52%</u>

Leatherstocking Gas Company LLC

Summary of Revenue Increase at OCA Rate of Return
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount	Source
1	Adjusted Rate Base	\$ 9,790,576	Schedule JLR-2, Page 1
2	Required Rate of Return	7.24%	Schedule JLR-12
3			
4	Net Operating Income Required	\$ 708,838	
5	Net Operating Income at Present Rates	288,000	Schedule JLR-1, Page 1
6			
7	Income Deficiency/(Surplus)	\$ 420,838	
8	Revenue Multiplier	1.390861	
9			
10	Required Change in Company Revenue	\$ 585,327	
11			
12	Proposed Revenue Change	\$ 585,327	
13	Less: State Income Tax @ 8.99%	8.99% \$ 52,621	
14			
15	Income Before Federal Taxes	\$ 532,706	
16	Federal Income Tax @ 21.0%	21.00% 111,868	
17			
18	Net Income (Surplus)/Deficiency	420,838	
19			
20			
		Company Retention Factor ^{1/}	Retention Factor with Revised State Income Tax
21	Retention Factor:		
22	Additional Revenue	100.0000	100.0000
23	Less: State Income Tax	9.9900	8.9900
24		90.0100	91.0100
25	Less: Federal Income Tax @ 21%	18.9021	19.1121
26	Retention Factor	71.108	71.898
27			
28		1.0000	1.0000
29		0.7111	0.7190
30			
31		1.4063	1.3909

Note:

1/ Company Exhibit G-4, Summary, Page 2

Leatherstocking Gas Company LLC

Summary of Rate Base
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount per Company Filing	OCA Adjustments	Amount After OCA Adjustments
1	<u>Utility Plant</u>			
2	Gas Plant in Service	12,247,900	(471,790)	11,776,110
3	General Plant allocated from Corning	143,900	-	143,900
4	CWIP not taking interest	607,300	(607,300)	-
5	Total Utility Plant	\$ 12,999,100	\$ (1,079,090)	\$ 11,920,010
6				
7	<u>Utility Plant Reserves</u>			
8	Accumulated Provision For Depreciation			
9	Gas Plant in Service	752,300	(9,894)	742,406
10	Accelerated Depreciation	750,700	-	750,700
11	Total Utility Plant Reserves	\$ 1,503,000	\$ (9,894)	\$ 1,493,106
12				-
13	Net Plant	11,496,100	(1,069,196)	10,426,904
14				
15	<u>Additions to Net Plant</u>			
16	Working Capital Requirements:			
17	Cash Working Capital	75,800	\$ (5,028)	70,772
18	Materials and Supplies	18,000	-	18,000
19	Prepayments	5,800	-	5,800
20	Regulatory Assets (Net of Tax)	-	-	-
21	Total Additions	\$ 99,600	\$ (5,028)	\$ 94,572
22				
23	<u>Deductions to Net Plant</u>			
24	Regulatory Liabilities (Net of Tax)	-	-	-
25	Customer Deposits	-	-	-
26	Accumulated Deferred Income Taxes	730,900	-	730,900
27	Total Deductions	\$ 730,900	\$ -	\$ 730,900
28				
29	<u>Gas Rate Base</u>	\$ 10,864,800	\$ (1,074,224)	\$ 9,790,576

Leatherstocking Gas Company LLC

Summary of Rate Base Adjustments
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>
1	Rate Base per Company Filing	Schedule JLR-2, Page 1	\$ 10,864,800
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Remove CWIP Not Taking Interest	Schedule JLR- 7	(607,300)
5	Adjustment to Cash Working Capital	Schedule JLR- 6	(5,028)
6	Remove Post March 2023 Plant Additions	Schedule JLR- 8	(461,896)
7			
8	Total Ratemaking Adjustments		\$ (1,074,224)
9			
10	Adjusted Rate Base per OCA		\$ 9,790,576

Leatherstocking Gas Company LLC

Summary of Adjustments to Income Before Income Taxes
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount	Source
1	Operating Income per Company	\$ 288,000	Schedule JLR- 1
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to State Income Tax Rate	\$ (79)	Schedule JLR- 4 and 5
5	Adjustment to Injuries and Damages	\$ 15,477	Schedule JLR- 9
6	Adjustment to Outside Services	\$ 13,441	Schedule JLR- 10
7	Adjustment to Depreciation (Removal of Post FTY Plant)	\$ 7,114	Schedule JLR- 8
8	Interest Synchronization	(8,165)	Schedule JLR- 11
9	Total OCA Adjustments	27,788	
10			
11	Total OCA Adjustments	<u>\$ 315,788</u>	

Leatherstocking Gas Company LLC

Summary of Adjustments to Operating Income
For the Twelve Months Ended March 31, 2023

Line No.	Description	Operating Revenues	O&M Expenses	Depreciation & Amortization	Taxes Other Than Income	Purchased Gas expense	State Income Taxes	Federal Income Taxes	Operating Income
1	Amount per Company	\$ 2,090,000	\$ 619,300	\$ 276,500	\$ 21,100	\$ 887,400	\$ (800)	\$ (1,500)	\$ 288,000
2									
3	<u>OCA Adjustments:</u>								
4	Adjustment to State Income Tax Rate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	(21)	\$ (79)
5	Adjustment to Injuries and Damages	-	(21,526)	-	-	-	1,935	4,114	\$ 15,477
6	Adjustment to Outside Services	-	(18,695)	-	-	-	1,681	3,573	\$ 13,441
7	Adjustment to Depreciation (Removal of Post FTY Plant Ac	-	-	(9,894)	-	-	889	1,891	\$ 7,114
8	Interest Synchronization	-	-	-	-	-	2,612	5,553	\$ (8,165)
9									
10	Total OCA Adjustments	\$ -	\$ (40,221)	\$ (9,894)	\$ -	\$ -	\$ 7,217	\$ 15,110	\$ 27,788
11									
12	Total Adjusted Income Before Income Taxes	<u>\$ 2,090,000</u>	<u>\$ 579,079</u>	<u>\$ 266,606</u>	<u>\$ 21,100</u>	<u>\$ 887,400</u>	<u>\$ 6,417</u>	<u>\$ 13,610</u>	<u>\$ 315,788</u>

Leatherstocking Gas Company LLC

Calculation of State Income Taxes
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount Per Company at Present Rates	Adjustment for State Tax rate	Adjusted Amounts at 8.99% State Income Tax	OCA Adjustments	OCA Adjusted Amounts at Present Rates	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	Operating Income Before Income Taxes	\$ 285,700		\$ 285,700	\$ 50,115	\$ 335,815	\$ 585,327	\$ 921,142
2								
3	Less Interest Expense (incl amort of debt exp)	293,400		\$ 293,400	(29,054)	\$ 264,346	\$ -	\$ 264,346
4								
5	Other Income & Deductions (incl. Donations)	-		\$ -	-	\$ -	\$ -	\$ -
6								
7	Book Income Before FIT	<u>(7,700)</u>		<u>(7,700)</u>	<u>79,169</u>	<u>71,469</u>	<u>585,327</u>	<u>656,796</u>
8								
9	Section I- Permanent Items:							
10	PPP Loan Forgiveness	-		-	-	-	-	\$ -
11	Amortization of Goodwill	-		-	-	-	-	\$ -
12	Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13								
14	Pretax Income	(7,700)		(7,700)	79,169	71,469	585,327	656,796
15								
16	Section II - Normalized Items:							
17								
18	Add: Additional Taxable Income and							
19	Unallowable Deductions:							
20								
21	Book Depreciation			-	-	-	-	\$ -
22	Normalization of Rate Case Expenditures	276,500		276,500	-	276,500	-	\$ 276,500
23	Recovery of Deferred Purchased Gas Costs	<u>30,000</u>		<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>\$ 30,000</u>
24	Total	<u>306,500</u>		<u>306,500</u>	<u>-</u>	<u>306,500</u>	<u>-</u>	<u>306,500</u>
25								
26	Deduct: Non-Taxable Income and							
27	Allowable Deductions							
28								
29	Tax Depreciation	961,200		961,200	-	961,200	-	\$ 961,200
30	Rate Case Expenditures	150,000		150,000	-	150,000	-	\$ 150,000
31	Deferral of Current Purchased Gas Costs	-		-	-	-	-	\$ -
32	GCR Prior Over / Under Recovery	-		-	-	-	-	\$ -
33	Total	<u>1,111,200</u>		<u>1,111,200</u>	<u>-</u>	<u>1,111,200</u>	<u>0</u>	<u>1,111,200</u>
34								
35	Federal NOL	-		-	-	-	-	-
36								
37	Taxable Income / (Loss)	(812,400)		(812,400)	79,169	(733,231)	585,327	(147,904)
38	Prior Period State Tax Adjustments	-		-	-	-	-	\$ -
39	Adjusted Taxable Income	<u>(812,400)</u>		<u>(812,400)</u>	<u>79,169</u>	<u>(733,231)</u>	<u>585,327</u>	<u>(147,904)</u>
40	x State Income Tax	9.99%	8.99%	8.99%	8.99%	8.99%	8.99%	8.99%
41	Current Tax Provision	(81,159)	8,124	(73,035)	7,117	(65,917)	52,621	(13,297)
42	Deferred Income Tax Dr.- Account 410	111,009	(11,112)	99,897	-	99,897	-	99,897
43	Deferred Income Tax Cr.- Account 411	<u>(30,619)</u>	<u>3,065</u>	<u>(27,554)</u>	<u>-</u>	<u>(27,554)</u>	<u>-</u>	<u>(27,554)</u>
44	State Tax	<u>(769)</u>	<u>77</u>	<u>(692)</u>	<u>7,117</u>	<u>6,425</u>	<u>52,621</u>	<u>59,046</u>
45								
46	Rounded	<u>(800)</u>	<u>100</u>	<u>(700)</u>	<u>7,100</u>	<u>6,400</u>	<u>52,600</u>	<u>59,000</u>

Note:

1/ Company Exhibit G-4, Schedule 8 Page 1

Leatherstocking Gas Company LLC

Calculation of State Income Taxes
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount Per Company at Present Rates	1/ Adjustment for State Tax rate	Adjusted Amounts at 8.99% State Income Tax	OCA Adjustments	OCA Adjusted Amounts at Present Rates	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	Operating Income Before Income Taxes	\$ 285,700		\$ 285,700	\$ 50,115	\$ 335,815	\$ 585,327	\$ 921,142
2								
3	Less Interest Expense (incl amort of debt exp)	293,400		293,400	(29,054)	264,346		\$ 264,346
4								
5	Other Income & Deductions (incl. Donations)	-		-		-		\$ -
6								
7	State Income Tax	(800)	100	(700)		(700)	52,600	\$ 51,900
8								
9	Book Income Before FIT	<u>(6,900)</u>	<u>(100)</u>	<u>(7,000)</u>	<u>79,169</u>	<u>72,169</u>	<u>532,727</u>	<u>604,896</u>
10								
11	Section I- Permanent Items:							
12								
13	Goodwill	-		-		-		\$ -
14	Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
15								
16	Pretax Income	(6,900)	(100)	(7,000)	79,169	72,169	532,727	604,896
17								
18	Section II - Normalized Items:							
19								
20	Add: Additional Taxable Income and							
21	Unallowable Deductions:							
22								
23	Book Depreciation	276,500		276,500		276,500		\$ 276,500
24	Normalization of Rate Case Expenditures	30,000		30,000		30,000		\$ 30,000
25	Recovery of Deferred Purchased Gas Costs	-		-		-		\$ -
26	Total	<u>306,500</u>	<u>-</u>	<u>306,500</u>	<u>-</u>	<u>306,500</u>	<u>-</u>	<u>306,500</u>
27								
28	Deduct: Non-Taxable Income and							
29	Allowable Deductions							
30								
31	Tax Depreciation	961,200		961,200		961,200		\$ 961,200
32	Rate Case Expenditures	150,000		150,000		150,000		\$ 150,000
33	Deferral of Current Purchased Gas Costs	-		-		-		\$ -
34	GCR Prior Over / Under Recovery	-		-		-		\$ -
35	Total	<u>1,111,200</u>	<u>-</u>	<u>1,111,200</u>	<u>-</u>	<u>1,111,200</u>	<u>-</u>	<u>1,111,200</u>
36								
37	Federal NOL	-		-		-		
38								
39	Taxable Income	(811,600)	(100)	(811,700)	79,169	(732,531)	532,727	(199,804)
40	Prior Period Federal Tax Adjustments	-		-		-		\$ -
41	Adjusted Taxable Income	<u>(811,600)</u>	<u>(100)</u>	<u>(811,700)</u>	<u>79,169</u>	<u>(732,531)</u>	<u>532,727</u>	<u>(199,804)</u>
42	x Federal Income Tax @ 21.0%	21%	21%	21%	21%	21%	21%	21%
43	Current Tax Provision	(170,436)	(21)	(170,457)	16,625	(153,832)	111,873	(41,959)
44	Deferred Income Tax Dr.- Account 410	233,352	-	233,352	-	233,352	-	233,352
45	Deferred Income Tax Cr.- Account 411	(64,365)	-	(64,365)	-	(64,365)	-	(64,365)
46	Federal Tax	<u>(1,449)</u>	<u>(21)</u>	<u>(1,470)</u>	<u>16,625</u>	<u>15,155</u>	<u>111,873</u>	<u>127,028</u>
47								
48	Rounded	<u>(1,400)</u>	<u>-</u>	<u>(1,500)</u>	<u>16,600</u>	<u>15,200</u>	<u>111,900</u>	<u>127,000</u>

Note:

1/ Company Exhibit G-4, Schedule 8 Page 2

Leatherstocking Gas Company LLC

Adjustment to Cash Working Capital
For the Twelve Months Ended March 31, 2023

Line No.	Description	Amount
1	Company Operation and Maintenance Expense	\$ 1,506,700 ^{1/}
2		
3	Less: Purchased Gas Expense	887,400 ^{1/}
4	O&M Amortizations - Insurance	7,566 ^{1/}
5	- PaPUC Assessments	<u>5,035 ^{1/}</u>
6		
7	Company Total	<u><u>\$ 606,699</u></u>
8		
9	OCA O&M Expense Adjustments	<u>\$ (40,221)</u>
10		
11	Total with OCA Adjustments	<u><u>\$ 566,478</u></u>
12		
	Company Adjusted Cash Working Capital = 1/8 of Total	\$ 75,837
13	OCA Adjusted Cash Working Capital = 1/8 of Total	\$ 70,810
14		
15	Cash Working Capital - 12 Months Ended 3/31/2022	<u>93,211 ^{1/}</u>
16		
17	Company Net Change	\$ (17,373)
18	OCA Net Change	<u>\$ (22,401)</u>
19		
20	OCA Adjustment to CWC	<u><u>\$ (5,028)</u></u>

Note:

1/ Company ExhibitG-3, Schedule 3, page 2.

Leatherstocking Gas Company LLC

Adjustment to Remove CWIP Not Taking Interest
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	CWIP Not Taking Interest	<u>\$ 607,300</u> ^{1/}
2		
3	Adjustment to Rate Base	<u><u>\$ (607,300)</u></u>

Note:

^{1/} Company Exhibit G-3, Summary, Page 1.

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

Line No.	Gas Distribution Plant	April 1, 2022 - March 31, 2023 Plant Additions ^{1/}	Post-March 2023 Plant Additions ^{2/}	Adjusted Plant in Service
1	Gas Services	\$ 80,000	\$ -	\$ 80,000
2	Gas Mains	-	-	-
3	Total	<u>80,000</u>	<u>-</u>	<u>80,000</u>
4				
5	<u>Wyalusing</u>			
6	Gas Services	315,370	(210,247)	105,123
7	Gas Main	1,100,000	(733,333)	366,667
8	State Grant (50% reimbursement)	<u>(707,685)</u>	<u>471,790</u>	<u>(235,895)</u>
9	Total	<u>\$ 787,685</u>	<u>\$ (471,790)</u>	<u>\$ 315,895</u>
10	Depreciation Rate		<u>2.10%</u> ^{3/}	
11	Adjustment to Depreciation Expense		<u>\$ (9,894)</u>	
12				
13	Adjustment to Accumulated Depreciation		<u>\$ 9,894</u>	

Notes^{1/} Exhibit G-3 Schedule 11.^{2/} Source: LGC Capital Budget 4.22 - 3.23^{3/} Exhibit G-4 Schedule 6, Page 1

Leatherstocking Gas Company LLC

Adjustment to Injuries and Damages
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Admin Expense for Injuries and Damages	\$ 80,700 ^{1/}
2	Prior Period True Up Adjustment	\$ 6,707 ^{2/}
3		
4	2021 Actual Admin Expense for Injuries and Damages	44,342 ^{1/}
5	2022 Actual Admin Expense for Injuries and Damages	80,713 ^{1/}
6	2022 Actuals Value Less Prior Period True Up Adjustment	74,006
7		
8	Average 2021 and 2022 Less True Up	59,174
9		
10	Adjustment to O&M Expenses	<u>\$ (21,526)</u>

Note:

^{1/} Company response to I&E-RE-1

^{2/} Company response to I&E-RE-6

Leatherstocking Gas Company LLC

Adjustment to Outside Services
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Proposed Admin Expense for Outside Services	\$ 85,200 ^{1/}
2		
3	2020 Actual Admin Expense for Outside Services	42,050 ^{1/}
4	2021 Actual Admin Expense for Outside Services	72,273 ^{1/}
5	2022 Actual Admin Expense for Outside Services	85,191 ^{1/}
6		
7	Average 2020 through 2022	66,505
8		
9	Adjustment to O&M Expenses	<u>\$ (18,695)</u>

Note:

^{1/} Company response to I&E-RE-1

Leatherstocking Gas Company LLC

Interest Synchronization Adjustment
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Company Rate Base	\$ 9,790,576 ^{1/}
2	Weighted Cost of Debt	<u>2.700%</u>
3	Adjusted Interest Deduction	\$ 264,346
4	Interest Deduction Per Company	293,400 ^{2/}
5	Adjustment to Synchronize Interest Expense	\$ (29,054)
6	Effective State Income Tax Rate	<u>8.99%</u>
7	Adjustment to State Income Taxes	<u>\$ 2,612</u>
8	Federal Income Tax Base	\$ (26,442)
9	Federal Income Tax Rate	<u>21.00%</u>
10	Adjustment to Federal Income Taxes	<u>\$ 5,553</u>

Notes:

^{1/} Schedule JLR-2, Page 1.

^{2/} Company Exhibit G-4, Schedule 8 Page 1

Leatherstocking Gas Company LLC

Calculation of Rate of Return
For the Twelve Months Ended March 31, 2023

<u>Line No.</u>	<u>Description</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
1	Long-Term Debt	43.92%	5.18%	2.27%
2	Short-Term Debt	<u>10.66%</u>	4.00%	<u>0.43%</u>
3	Total Debt	54.57%		2.70%
4				
5	Common Stock Equity	<u>45.43%</u>	10.00%	<u>4.54%</u>
6				
7	Total	<u><u>100.00%</u></u>		<u><u>7.24%</u></u>

Source:
Company Exhibit G-2, Schedule 3.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

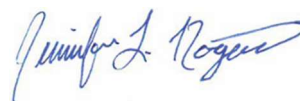
Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2022-3032764
 :
 Leatherstocking Gas Company LLC :

VERIFICATION

I, Jennifer Rogers, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or 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).

DATED: September 13, 2022
*335297

Signature:



Jennifer Rogers

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-3575

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC)
UTILITY COMMISSION)
)
v.)
)
LEATHERSTOCKING GAS)
COMPANY LLC)

Docket No. R-2022-3032764

REBUTTAL TESTIMONY OF
JEROME D. MIERZWA

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

October 5, 2022

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Jerome D. Mierzwa. I am a Principal and Vice President of Exeter
3 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
4 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-
5 related consulting services.

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
7 EXPERIENCE.

8 A. I graduated from Canisius College in Buffalo, New York in 1981 with a Bachelor of
9 Science Degree in Marketing. In 1985, I received a Master’s Degree in Business
10 Administration with a concentration in finance, also from Canisius College. In July
11 1986, I joined National Fuel Gas Distribution Corporation (“NFGD”) as a Management
12 Trainee in the Research and Statistical Services (“RSS”) Department. I was promoted
13 to Supervisor RSS in January 1987. While employed with NFGD, I conducted various
14 financial and statistical analyses related to the company's market research activity and
15 state regulatory affairs. In April 1987, as part of a corporate reorganization, I was
16 transferred to National Fuel Gas Supply Corporation's (“NFG Supply’s”) rate
17 department where my responsibilities included utility cost-of-service and rate design
18 analysis, expense and revenue requirement forecasting, and activities related to federal
19 regulation. I was also responsible for preparing NFG Supply’s Federal Energy
20 Regulatory Commission (“FERC”) Purchased Gas Adjustment (“PGA”) filings and
21 developing interstate pipeline and spot market supply gas price projections. These
22 forecasts were utilized for internal planning purposes as well as in NFGD’s Section
23 1307(f) proceedings.

24 In April 1990, I accepted a position as a Utility Analyst with Exeter. In
25 December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1996,

1 I became a Principal of Exeter. Since joining Exeter, I have specialized in evaluating
2 the gas purchasing practices and policies of natural gas utilities, utility class cost-of-
3 service and rate design analyses, sales and rate forecasting, performance-based
4 incentive regulation, revenue requirement analysis, the unbundling of utility services,
5 and evaluation of customer choice natural gas transportation programs.

6 Q. HAVE YOU PREVIOUSLY TESTIFIED ON UTILITY RATES IN
7 REGULATORY PROCEEDINGS?

8 A. Yes. I have provided testimony on over 400 occasions in proceedings before the FERC
9 and utility regulatory commissions in Arkansas, Delaware, Georgia, Illinois, Indiana,
10 Louisiana, Maine, Massachusetts, Montana, Nevada, New Hampshire, New Jersey,
11 Ohio, Rhode Island, South Carolina, Texas, Utah, and Virginia, as well as before the
12 Pennsylvania Public Utility Commission (“Commission”).

13 Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS
14 PROCEEDING?

15 A. No, I have not.

16 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

17 A. The purpose of my rebuttal testimony is to respond to certain aspects of the direct
18 testimony of Kevin C. Higgins presented on behalf of the Pennsylvania Office of Small
19 Business Advocate (“OSBA”).

20 Q. BEFORE CONTINUING, PLEASE DESCRIBE THE CURRENT
21 SERVICES PROVIDED BY LEATHERSTOCKING GAS COMPANY LLC
22 (“LEATHERSTOCKING” OR “COMPANY”).

23 A. Leatherstocking currently provides sales service under three service classifications.
24 The Company provides sales service to Residential customers under Service
25 Classification No. 1 (“SC-1”), provides sales service to General Service and Non-

1 Residential Heating customers under Service Classification No. 2 (“SC-2”), and
2 provides sales service to Small Commercial Customers under Service Classification
3 No. 3 (“SC-3”). There are currently 320 customers served under SC-1, 124 customer
4 service under SC-2, and 6 customers served under SC-3. In addition to these sales
5 services, the Company also provides transportation service to one customer.

6 Q. DID LEATHERSTOCKING PREPARE A COST OF SERVICE STUDY TO
7 DETERMINE HOW ITS REQUESTED REVENUE INCREASE SHOULD
8 BE ALLOCATED TO THE VARIOUS CUSTOMER CLASSIFICATIONS
9 WHICH IT SERVES?

10 A. No.

11 Q. PLEASE IDENTIFY THE VARIOUS CHARGES WHICH
12 LEATHERSTOCKING CURRENTLY ASSESSES ITS CUSTOMERS.

13 A. Customers under SC-1, SC-2, and SC-3 are assessed a monthly customer charge, a
14 delivery charge which is assessed on all usage, and a Construction Build-Out
15 Contribution in Bid of Construction Fee (“CBOCF”) which is also assessed on all
16 usage. The Company’s transportation customer is assessed a delivery charge on all
17 usage.

18 Q. HOW IS LEATHERSTOCKING PROPOSING TO INCREASE ITS
19 VARIOUS CHARGES TO RECOVER ITS REQUESTED REVENUE
20 INCREASE?

21 A. Leatherstocking is proposing to maintain for all customers its existing monthly
22 customer charges. The CBOCF will be rolled into the delivery sales charge, and the
23 delivery charges will be increased to recover the Company’s requested revenue
24 increase. Table 1 identifies Leatherstockings current customer and deliver usage

1 charges, inclusive of the CBOCF, and the proposed delivery charges.¹ As shown in
 2 Table 1, the Company is proposing to recover its requested revenue increase through
 3 uniform percentage increases to the delivery charges assessed to sales customers.

Table 1. Summary of Present and Proposed Customer and Delivery Usage Charges (CCF)				
Service Classification	Deliver Usage Charge			
	Customer Charge	Present	Proposed	Increase
SC-1 Residential	\$20.00	\$0.9500	\$1.6627	75.0%
SC-2 General Service	20.00	0.9500	1.6627	75.0%
SC-3 Small Commercial	300.00	0.8500	1.4871	75.0%
Transportation	0.00	0.0520	0.0520	0.0%

4 Q. DOES MR. HIGGINS' AGREE WITH THE COMPANY'S PROPOSED
 5 REVENUE ALLOCATION AND RATE DESIGN?

6 A. No. Mr. Higgins notes that under the Company's revenue allocation and rate design
 7 proposals, the SC-1 class would receive a rate increase of 59.2%, the SC-2 class would
 8 receive an increase of 68.8%, and the SC-3 class would experience a rate increase of
 9 70.4%. Mr. Higgins claims that since the Company did not file a cost-of-service study,
 10 he believes that the most reasonable apportionment of the revenue increase would be
 11 on an equal percentage basis across all three classes. To accomplish this, Mr. Higgins
 12 recommends that both the customer charges and delivery charges of sales customers be
 13 increased in the same proportion.

14 Q. IF THE COMMISSION AGREES WITH MR. HIGGINS THAT THE RATE
 15 INCREASE AUTHORIZED FOR LEATHERSTOCKING SHOULD BE
 16 APPORTIONED SO THAT EACH SALES CUSTOMER CLASS

¹ The transportation customer is not assessed the CBOCF.

1 RECEIVES THE SAME PERCENTAGE INCREASE, SHOULD THE SC-1
2 RESIDENTIAL CUSTOMER CHARGE BE INCREASED?

3 A. No, for several reasons. First, only those costs which directly increase with the addition
4 of a customer, or directly decrease with the subtraction of a customer, should be
5 included in a customer charge. Mr. Higgins has presented no analysis of direct customer
6 costs to support his recommendation to increase customer charges.

7 Second, as shown in Table 2 Leatherstocking's current Residential customer
8 charge is already out of line with the Residential customer charges of other natural gas
9 distribution companies ("NGDCs") in the Commonwealth.

Table 2.
Comparison of Residential Customer Charges for
Pennsylvania NGDCs

Leatherstocking	\$20.00
Columbia Gas of Pennsylvania	\$16.75
Peoples Gas	\$15.75
Philadelphia Gas Works	\$14.90
UGI Gas	\$14.60
Peoples Natural Gas	\$14.50
PECO Energy Company	\$13.63
National Fuel Gas Company	\$12.00

10 Finally, a high fixed monthly customer charge is inconsistent with the
11 Commission's general goal of fostering energy conservation. The more revenue
12 collected through the fixed monthly charge, the lower the delivery charge. The higher
13 the delivery charge, the greater the incentive to lower usage.

14 Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO
15 LEATHERSTOCKING'S SC-1 MONTHLY RESIDENTIAL CUSTOMER
16 CHARGE?

1 Leatherstocking's current SC-1 monthly Residential customer charge is already
2 the highest in the Commonwealth and any increase in the charge would be inconsistent
3 with the Commission's goal of encouraging energy conservation. Therefore, I
4 recommend that the existing \$20.00 SC-1 monthly charge be maintained. As initially
5 proposed by the Company, any increase authorized by the Commission in this
6 proceeding which is assigned to the SC-1 class should be recovered through increases
7 to delivery charges.

8 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

9 A. Yes, it does.

