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November 23, 2022

VIA ELECTRONIC MAIL

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

RE: Leatherstocking Gas Company LLC 2022 General Base Rate Increase (Gas) Filing;
Docket No. R-2022-3032764; **UNANIMOUS JOINT PETITION FOR FULL
SETTLEMENT OF RATE PROCEEDING**

Dear Secretary Chiavetta:

Enclosed you will find the Unanimous Joint Petition for Full Settlement of Rate Proceeding in the above-captioned docket. Copies of this document have been served in accordance with the attached Certificate of Service.

If you have any questions with regard to this filing, please direct them to me. Thank you for your attention to this matter.

Very truly yours,

/s/ Whitney E. Snyder

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

WES/jld
Enclosure

cc: Honorable Jeffrey A. Watson (via email – jeffwatson@pa.gov)
Nick Miskanic, Legal Assistant (nmiskanic@pa.gov)
Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**UNANIMOUS JOINT PETITION OF LEATHERSTOCKING, I&E, OCA, AND OSBA
FOR FULL SETTLEMENT OF RATE PROCEEDING**

Date: November 23, 2022

I. INTRODUCTION

Leatherstocking Gas Company, LLC (“Leatherstocking” or “LGC”) the Bureau of Investigation & Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), by their attorneys and collectively referred to as “Joint Petitioners,” submit and join in this Joint Petition for Full Settlement of Rate Proceeding (“Settlement”) between and among all of the active parties in the above-captioned proceeding and respectfully request that Administrative Law Judge Jeffrey A. Watson (“ALJ Watson”) and the Pennsylvania Public Utility Commission (“Commission” or “PUC”): 1) approve the proposed Settlement and all of its terms and conditions, without modification; and, 2) find that the terms of the Settlement are in accordance with the law and are in the public interest.

The Joint Petition¹ is organized as follows:

Section II contains terms and conditions of the proposed Settlement. These terms include, *inter alia*, specifications on revenue requirement, Pennsylvania State Income Tax Rate/State Tax Adjustment Surcharge (“STAS”), Depreciation Rates, Construction Build-Out CIAC Fee (“CBOCF”) Surcharge, Revenue Allocation, Customer Charge Per Month, Rate Per CCF, and Reporting.

Section III explains the proposed Settlement is in the public interest because:

- The proposed Settlement provides a reasonable resolution of the issues based on an extensive investigation of LGC’s filings, including informal and formal discovery, the submission of direct and rebuttal testimony, and exhaustive settlement negotiations. The Joint Petitioners in this proceeding had substantially different views on many issues in this

¹ Appendix A hereto contains a procedural history, proposed conclusions of law, and proposed ordering paragraphs.

proceeding. Where the Joint Petitioners agreed, with regard to the need for reporting, the Settlement adopts those requirements and commitments. The Joint Petitioners were able to reach a balanced compromise on all issues that recognizes the benefit to LGC's ratepayers of providing LGC with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service, while also recognizing the principle of gradualism when setting rates. Further, the proposed Settlement adopts recommendations by the I&E and OCA witnesses to provide the Joint Petitioners with information to monitor LGC's efforts regarding customer records/collection expenses and insurance costs.

- The Settlement is consistent with Commission policies promoting negotiated settlements. The Joint Petitioners arrived at the Settlement, after conducting extensive discovery, filing direct and rebuttal testimony, and holding numerous in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

- The Settlement produces just and reasonable rates that demonstrates gradualism and will not result in rate shock to any customer class while still allowing LGC adequate revenue sufficient to earn a fair and reasonable rate of return. The proposed Settlement avoids necessity of further proceedings (including preparation of additional rounds of testimony, hearing, briefing, and exceptions) at what would have been a substantial cost to the Joint Petitioners and LGC's customers.

II. TERMS AND CONDITIONS OF SETTLEMENT

1. Leatherstocking, I&E, the OCA, and the OSBA engaged in a series of long, detailed, and productive communications to determine if, consistent with the Commission's policy to "encourage settlements," stated at 52 Pa. Code §5.231(a), a settlement was possible. After extensive discovery by I&E, the OCA, and OSBA and testimonial presentation by all parties, Leatherstocking, I&E, OSBA, and the OCA engaged in an extensive series of settlement negotiations. The settlement provided in this Joint Petition is the product of those comprehensive

negotiations, representing give-and-take by all Joint Petitioners, and which resulted in a settlement that is in the public interest balancing Leatherstocking’s significant investment in its territory and the need for cost-based rates and measures to further enhance service and future performance, while recognizing principles of gradualism when setting rates. The settlement is a typical “black box” settlement;² that is, without admission on any particular issue though the terms agreed to are enforceable upon approval by the Commission. The Joint Petitioners agree that this settlement is a reasonable resolution of competing positions and interests in a way that meets and promotes the public interest. It also avoids significant time and expense of all involved, including expensive further testimony, briefing, exceptions and potential appeals. The proposed Settlement consists of the following terms and conditions:

A. Revenue Requirement Increase and Phase In

2. Upon the Commission’s approval of this Settlement, Leatherstocking will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of approximately \$520,000 in year 1, effective April 1, 2023, and \$125,000 in year 2, effective April 1, 2024, for a total increase of \$645,000 once fully phased-in, as set forth in the proposed Tariff Supplement attached hereto as **Appendix B** (“Settlement Rates”), to become

² *Pennsylvania Public Utility Commission et al v. Peoples TWP LLC*, 2013 WL 6835105, at *16 (Order entered Dec. 19, 2013) (“We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. See, Pa. PUC v. Wellsboro Electric Co., Docket No. R-2010-2172662 (Final Order entered January 13, 2011); Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.”).

effective upon one day's notice. This is an increase of approximately 25.7% in total customer bills and 48.9% in delivery revenues in year 1 and an increase of approximately 4.9% in total customer bills and 7.9% in delivery revenues in year 2.³

B. Rate Design

3. The parties agree to the rate design reflected in the attached proof of revenues (**Appendix C**) and tariff supplement (**Appendix B**).

4. CBOCF surcharge rate of \$0.30 per CCF has been rolled into base rates.

5. CBOCF surcharge rate will be \$0.00 for all rate codes.

6. The Revenue Allocation will be a uniform percentage increase to SC1, SC2, and SC3.

7. The customer charge per month for years 1 and 2 are as follows:

a. SC1 Residential: \$20.00

b. SC2 General Service & Non Residential Space Heating: \$20.00

c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$300.00

d. SC4 Large Commercial \geq 25,000 MCF annually: \$1,220.00

e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$300.00

f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1,220.00

8. The Rate per CCF for year 1 delivery rates effective April 1, 2023, is as follows:

a. SC1 Residential: \$1.53859 per ccf

b. SC2 General Service & Non Residential Space Heating: \$1.45658 per ccf

c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.29303 per ccf

d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.24668 per ccf

³ Excludes Contract Transportation Customer in all stated percentages.

- e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$1.29303 per ccf
 - f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.24468 per ccf
9. The Rate per CCF for year 2 delivery rates effective April 1, 2024, is as follows:
- a. SC1 Residential: \$1.68010 per ccf
 - b. SC2 General Service & Non Residential Space Heating: \$1.57839 per ccf
 - c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.39947 per ccf
 - d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.35157 per ccf
 - e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$1.39947 per ccf
 - f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.35157 per ccf

C. State Tax Adjustment Surcharge

10. The revenue requirement reflects the 2023 State Income Tax Rate of 8.99%.
11. No STAS adjustment will be required for January – March 2023, which is estimated to be approximately \$1,800.
12. For the 2024 and later years, Leatherstocking will calculate the state income tax at the statutory rate for that year and compare it to state income taxes calculated at 8.99%. The difference will be “grossed-up” by using the following formula and will be passed back to customers through the STAS surcharge credit until base rates are reset:

| <u>2024 Retention Factor Gross-Up Example</u> | |
|---|---------------|
| State Tax Savings (8.49% vs. 8.99%) | 100.00 |
| Less: 2024 State Income Tax @ 8.49% | 8.49 |
| Federal Taxable Income | 91.51 |
| Less: Federal Income Tax @ 21% | 19.22 |
| Net Income | <u>72.29</u> |
| | |
| Net Income (Retention) /100 | 0.7229 |
| | |
| Gross Up Factor (1 / Retention Factor) | <u>1.3833</u> |

D. Depreciation

13. The depreciation of rates reflected in Leatherstocking’s filings and shown below are adopted as part of the settlement:

| <u>Account</u> | <u>Gas - Intangible (Amortization)</u> | <u>Average Service Life</u> | <u>Annual Depr. / Amort. Rate</u> |
|----------------|--|-----------------------------|-----------------------------------|
| 301 | Organization Costs | - | 3.21% |
| 302 | Franchise / Consents | - | 0.28% |
| | | | |
| | <u>Gas - Distribution Plant</u> | | |
| 374 | Land Rights / Easements | - | - |
| 375 | Structures & Improvements (Amort.) | 5 | 20.00% |
| 376 | Distribution Mains | 60 | 1.67% |
| 378 | Measuring & Regulator Equipment | 40 | 2.50% |
| 380 | Services | 40 | 2.50% |
| 381 | Meters | 35 | 2.86% |
| 382 | Meter Installations | 40 | 2.50% |
| 383 | House Regulators | 45 | 2.22% |
| | | | |
| | <u>Gas - General Plant (Amortization)</u> | | |
| 391 | Office Furniture and Equipment | 5 | 20.00% |
| 392 | Transportation Equipment | 5 | 20.00% |
| 394 | Tools & Equipment | 5 | 20.00% |

14. With the CBOCF surcharge rolled into rates, Leatherstocking will stop accruing economic depreciation effective with new base rates with respect to CBOCF projects.

E. Effective Date

15. Upon the entry of a Commission Order approving this Joint Petition, the Leatherstocking will be permitted to file a tariff for gas service, in the form attached hereto as **Appendix B**, reflecting the agreed-to additional operating revenue. The Joint Petitioners agree to the implementation of the Settlement Rates no sooner than April 1, 2023 for year 1 and April 1, 2024 for year 2.

F. Reporting

16. In its next base rate filing, the Leatherstocking will provide documentation showing efforts made to control customer records/collection expense and manage insurance costs.

G. Standard Terms

17. The Commission's approval of the Settlement shall not be construed as approval of any Joint Petitioner's position on any issue but rather as an agreed-to compromise of the Joint Petitioners' competing positions. It is understood and agreed among the Joint Petitioners that the proposed Settlement is the result of compromise and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in this or any other proceeding if it were fully litigated. Accordingly, this Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement any term specifically agreed to by the Joint Petitioners or to enforce this Settlement.

18. This Settlement is presented without prejudice to the position any of the Joint Petitioners may advance in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to by the Joint Petitioners in this Settlement that would carry forward into subsequent rate cases.

19. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. In reaching this proposed Settlement, the Joint Petitioners thoroughly considered all issues and give and take of positions. As a result of that consideration, the Joint Petitioners believe that the settlement agreement meaningfully addresses all such issues raised and therefore should be approved without modification. If the Commission should disapprove the Settlement or modify any terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five (5) business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event,

shall be of no force and effect. In the event that the Commission disapproves the Settlement or Leatherstocking or any other Joint Petitioner elects to withdraw the Settlement as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

20. All Joint Petitioners support the Settlement and agree, as a result of this negotiated settlement and the facts and data examined and in view of existing ratemaking law and principles, to make reasonable and good faith efforts to obtain approval of the Settlement by the ALJ and the Commission without modification. If the ALJ, in the Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, to the extent any terms and conditions of the Settlement are modified, or additional matters are proposed by the ALJ in the Recommended Decision, the Joint Petitioners do not waive their rights to file Exceptions in support of the Settlement. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed provided such Replies support the Settlement.

21. The Joint Petitioners recognize that this Joint Petition is a settlement of, and binding upon, only among the parties signing this document.

22. The Joint Petitioners agree that this document may be signed or executed in separate counterparts or signature pages that shall be binding upon the Joint Petitioners and such counterparts shall be considered as one document.

23. The Joint Petitioners agree and request that if the proposed Settlement is approved, the OCA's Formal Complaint in this matter should be marked satisfied and closed due to the Settlement.

24. The Joint Petitioners agree and request that if the proposed Settlement is approved, the OSBA's Formal Complaint in this matter should be marked satisfied and closed due to the Settlement.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

25. The proposed Settlement provides a reasonable resolution. This Settlement was achieved by the Joint Petitioners after an extensive investigation of Leatherstocking's filing, including informal and formal discovery and the submission of direct and rebuttal testimony by the Joint Petitioners, and exhaustive settlement negotiations. The Joint Petitioners in this proceeding had substantially different views on many issues in this proceeding, including rate design principles. Where the Joint Petitioners agreed, with regard to the need for certain investigation and reporting, the Settlement adopts those requirements and commitments. The Joint Petitioners were able to reach a balanced compromise on all issues that recognizes the benefit to Leatherstocking's ratepayers of providing Leatherstocking with the opportunity to receive sufficient revenue to fund the provision of adequate, efficient, safe and reasonable service, while also addressing the need for gradualism in rate changes.

26. The Settlement is consistent with Commission policies promoting negotiated settlements. The Joint Petitioners arrived at the Settlement, after conducting extensive discovery and numerous in-depth discussions. The Settlement constitutes reasonably negotiated compromises on the issues addressed. Thus, the Settlement is consistent with the Commission's rules and practices encouraging settlements, 52 Pa. Code §§ 5.231, 69.391, 69.401-69.406, and is supported by a substantial record.

27. The Settlement produces just and reasonable rates that demonstrates gradualism and will not result in rate shock to any customer class while still allowing Leatherstocking adequate revenue and rate of return.

28. Acceptance of the Settlement will avoid the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners and Leatherstocking's customers.

29. The Joint Petitioners have submitted, along with this Settlement, their respective Statements in Support setting forth the basis upon which each believes the Settlement to be fair, just and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as **Appendix D – Appendix G.**

IV. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,

/s/ Whitney E. Snyder

(Dated) 11-23-2022

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IV. CONCLUSION

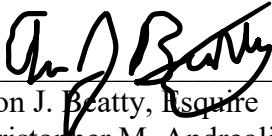
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that the ALJ approve the Settlement as set forth herein, including all terms and conditions, without modification.

Respectfully submitted,

(Dated) _____

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(Dated) 11/23/2022

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(Dated) _____

Counsel for the Bureau of Investigation and Enforcement

/s/ Sharon E. Webb

(Dated) November 23, 2022

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Counsel for the Office of Small Business Advocate

APPENDICES

| | |
|-------------------|--|
| APPENDIX A | PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW AND PROPOSED ORDERING PARAGRAPHS |
| APPENDIX B | TARIFF SUPPLEMENTS |
| APPENDIX C | PROOF OF REVENUES |
| APPENDIX D | LEATHERSTOCKING STATEMENT IN SUPPORT |
| APPENDIX E | I&E STATEMENT IN SUPPORT |
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APPENDIX A

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, PROPOSED ORDERING PARAGRAPHS**

PROCEDURAL HISTORY

1. On July 1, 2022, Leatherstocking Gas Company, LLC (“Leatherstocking” or “LGC” or the “Company”), Utility Code 1214100, filed Supplement No. 17 to Tariff Gas – Pa. P.U.C. No. 1 (“Supplement No. 17”) to become effective September 1, 2022, contained proposed changes in rates, rules, and regulations calculated to produce \$701,200 (32.35%) in additional annual revenues.

2. On July 19, 2022, the Commission’s Bureau of Investigation & Enforcement (“I&E”) filed a Notice of Appearance for Carrie B. Wright.

3. On July 22, 2022, the Office of Small Business Advocate (“OSBA”) filed a Formal Complaint, Public Statement, and Notice of Appearance, which was docketed at C-2022-303978.

4. On August 2, 2022, the Office of Consumer Advocate (“OCA”) filed a Formal Complaint, Public Statement, and Notice of Appearance, which was docketed at C-2022-3034235.

5. On August 4, 2022, the Commission entered an Order suspending the effective date of the proposed tariff until April 1, 2023 and instituted an investigation into the rate filing.

6. On August 4, 2022, the Commission issued an Initial Call-In Telephonic Prehearing Notice scheduling a Prehearing Conference for August 16, 2022.

7. Administrative Law Judge Jeffrey A. Watson (“ALJ Watson”) was assigned to the instant matter and presided over the Prehearing Conference on August 16, 2022.

8. On August 17, 2022, the ALJ issued a Prehearing Order setting forth the litigation schedule for the proceeding, including dates for telephonic evidentiary hearings, and modifying the Commission’s discovery regulations.

9. On August 19, 2022, the ALJ issued a Public Hearing Notice setting forth a telephonic public input hearing seeking customers’ input regarding Leatherstocking’s filing.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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10. Leatherstocking provided notice on its website and in two local newspapers of the public input hearing, including instructions for participation.

11. On September 13, 2022, I&E, the OCA, and OSBA served their respective Direct Testimony and Exhibits.

12. On September 19, 2022, the public input hearing was held. No customers or other persons testified at the hearing.

13. On October 4, 2022, ALJ Watson issued an Interim Order Setting Deadline for the Parties to Confer and to Submit a Joint Witness Matrix, Exchange and Identification of Evidence and Materials setting forth deadlines in anticipation of the evidentiary hearings.

14. On October 5, 2022, Leatherstocking, the OCA, and I&E served their respective Rebuttal Testimony and Exhibits.

15. During the course of the proceeding, I&E, OCA, and OSBA submitted, and Leatherstocking responded to interrogatories and discovery requests. The parties have used discovery to extensively investigate Leatherstocking's filings and to prepare their respective positions on the rate change request.

16. During the course of this proceeding, negotiations took place among the parties seeking to achieve a full settlement of the issues.

17. On October 17, 2022, Leatherstocking informed ALJ Watson that the Joint Petitioners had reached a settlement in principle. The parties requested that they submit the joint petition for settlement with statements in support by no later than the previously assigned deadline of December 1, 2022.

18. In response, ALJ Watson directed the Joint Petitioners to file the Joint Stipulation, along with providing ALJ Watson a copy of all pre-marked testimony and evidence/exhibits, by

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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Monday, October 24, 2022. Once received, ALJ Watson indicated that he would suspend the deadlines set forth in the October 4, 2022 Interim Order and cancel the evidentiary hearings scheduled for October 26-27, 2022.

19. On October 21, 2022, ALJ Watson issued an Interim Order Suspending the Deadlines Imposed in the Interim Order Entered on October 4, 2022 and Requiring the Submission of the Proposed Stipulation and Exhibits.

20. On October 24, 2022, the Joint Petitioners filed a Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record, seeking to admit the previously identified testimony and exhibits, along with their accompanying verifications, into the evidentiary record.

21. On October 25, 2022, ALJ Watson issued an Order Granting the Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record.

22. On November 23, 2022, Joint Petitioners filed the Unanimous Joint Petition for Full Settlement of Rate Proceeding, which proposes to resolve all issues raised in this proceeding, as well as supporting documentation and accompanying statements in support from each of the Joint Petitioners.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, PROPOSED ORDERING PARAGRAPHS**

PROPOSED FINDINGS OF FACT

1. Leatherstocking Gas Company, LLC (“Leatherstocking” or “LGC” or the “Company”) is a “public utility” as that term is defined in Section 102 of the Public Utility Code, 66 Pa. C.S. § 102, subject to the regulatory jurisdiction of the Pennsylvania Public Utility Commission (“Commission”). The Company provides natural gas service to customers located in its certificated service territory.

2. On July 1, 2022, Leatherstocking filed Supplement No. 17 to Tariff Gas – Pa. P.U.C. No. 1 (“Supplement No. 17”) to become effective September 1, 2022, containing proposed changes in rates, rules, and regulations calculated to produce \$701,200 (32.35%) in additional annual revenues.

3. On October 24, 2022, the Joint Petitioners filed a Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record, seeking to admit the previously served testimony and exhibits, along with their accompanying verifications, into the evidentiary record.

4. On October 25, 2022, Administrative Law Judge (“ALJ”) Jeffrey A. Watson issued an Order Granting the Joint Stipulation for Admission of Testimony and Exhibits into the Evidentiary Record.

5. On October 17, 2022, Leatherstocking informed ALJ Watson that the Joint Petitioners had reached a settlement in principle. The parties requested that they would submit the joint petition for settlement with statements in support by no later than the previously assigned deadline of December 1, 2022.

6. The Unanimous Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition” or “Settlement”) is supported by the parties in this case: Leatherstocking, the Commission’s Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, “Joint Petitioners”).

7. I&E is the prosecutory bureau within the Commission established for purposes of representing the public interest in ratemaking and service matters before the Office of Administrative Law Judge and for enforcing compliance with the state and federal motor carrier safety and gas safety laws and regulations. *Implementation of Act 129 of 2008 Organization of Bureau and Offices*, Docket No. M-2008-20071852 (Order entered August 11, 2011).

8. The OCA is authorized to represent the interests of consumers before the Commission. Act 161 of 1976, 71 P.S. § 309-2.

9. The OSBA is authorized to represent the interests of small business consumers of utility service in Pennsylvania under the provisions of the Small Business Advocate Act. Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

10. The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. Joint Petition ¶ 25.

11. The Joint Petitioners agree that the Settlement is in the public interest. Joint Petition ¶ 29.

12. In its rate increase filing, Leatherstocking presented testimony and supporting data demonstrating that it has made significant investments to its plant over the past several years, while at the same time recognizing substantial increases in operating expenses. LGC St. No. 1 at 8:8-9:9; *see also* LGC Exhibits G-3, G-4.

13. In testimony, I&E recommended adjustments and modifications concluding that Leatherstocking should receive an annual increase of approximately \$615,851, I&E St. No. 1 at 3:3-7, the OCA recommended that Leatherstocking receive an annual increase of approximately

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, PROPOSED ORDERING PARAGRAPHS**

\$585,327, OCA St. 1 at 4:21-22, and OSBA recommended that Leatherstocking receive an annual increase of approximately \$547,800, OSBA St. 1 at 4:1-4, Table KCH-1.

14. As set forth in the Joint Petition, Leatherstocking will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of approximately \$520,000 in year 1, effective April 1, 2023, and \$125,000 in year 2, effective April 1, 2024, for a total increase of \$645,000 once fully phased-in. Joint Petition ¶ 2.

15. Act 53 of 2022 reduces the Pennsylvania Corporate Net Income Tax (“CNIT”) rate to 8.99% beginning on January 1, 2023, which is the year when Leatherstocking’s new rates will take effect. *See* I&E St. 1 at 10:9-16; *see also* Leatherstocking St. 1-R at 11:17-12:2.

16. The revenue requirement as set forth in the Settlement reflects the 2023 Pennsylvania CNIT rate of 8.99%. Joint Petition ¶ 10.

17. Leatherstocking used depreciation rates that are based on those used by other gas utilities assuming that the usefulness and life expectancy of Leatherstocking plant will be similar to other gas utilities that have much older infrastructures. Leatherstocking St. 1 at 35:1-10. Leatherstocking’s depreciation rates do not include any allowance for salvage or removal cost. *Id.*, at 35:10-14.

18. The depreciation rates reflected in Leatherstocking’s filings are adopted as part of the settlement. Joint Petition ¶ 13; *see also* Leatherstocking St. 1, Exh. G-4, Sch. 6, Pg. 2.

19. The agreed upon revenue requirement is a “black box” settlement, under which the parties do not specifically identify or resolve all of the individual rate base, revenue, expenses, and rate of return issues. Joint Petition ¶ 1.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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20. In its filing, Leatherstocking proposed to roll-in the currently effective Construction Build-Out CIAC Fee (“CBOCF”) into the delivery rates for each customer class on a revenue neutral basis, prior to allocating the proposed increase. Leatherstocking St. 1 at 44:9-11.

21. Leatherstocking proposed to allocate the entire increase to the delivery rate. *Id.*, at 44:11-15.

22. I&E recommended that if the Commission grants an increase that is less than requested, rates should be scaled back such that each class other than the contract classes receive the same percentage increase. I&E St. 3 at 17:23-18:2. OSBA recommended that the SC-1, SC-2, and SC-3 class should be allocated an amount such that each class receives the same percentage increase and recommended that both the customer charge and delivery charge be increased by the same percentage. OSBA St. 1 at 12:10-21; *see also* Exhibit KCH-4. OCA recommended that if OSBA’s position relative to the customer charge were adopted, the customer charge for the SC-1 class should remain unchanged. OCA St. 2-R at 6:1-7.

23. As part of Settlement, the Joint Petitioners agreed to a rate design that produces the agreed-upon revenue increase. Leatherstocking’s settlement rates as compared to current and as-filed rates are identified in the table below:

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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| <u>Rate Class</u> | <u>Rate</u> | <u>Current</u> ⁴ | <u>As-Filed</u> ⁵ | <u>Settlement (Year 1)</u> ⁶ | <u>Settlement (Year 2)</u> ⁷ |
|-------------------|-----------------|-----------------------------|------------------------------|---|---|
| SC-1 | Customer Charge | \$20.00 | \$20.00 | \$20.00 | \$20.00 |
| | Delivery Rate | \$0.6500 | \$1.66207 | \$1.53859 | \$1.68010 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |
| SC-2 | Customer Charge | \$20.00 | \$20.00 | \$20.00 | \$20.00 |
| | Delivery Rate | \$0.6500 | \$1.66207 | \$1.45658 | \$1.57839 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |
| SC-3 | Customer Charge | \$300.00 | \$300.00 | \$300.00 | \$300.00 |
| | Delivery Rate | \$0.5500 | \$1.48711 | \$1.29303 | \$1.39947 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |
| SC-4 | Customer Charge | \$1,220.00 | \$1,220.00 | \$1,220.00 | \$1,220.00 |
| | Delivery Rate | \$0.5000 | \$1.39964 | \$1.24468 | \$1.35157 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |
| SC-5 | Customer Charge | \$300.00 | \$300.00 | \$300.00 | \$300.00 |
| | Delivery Rate | \$0.5500 | \$1.48711 | \$1.29303 | \$1.39947 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |
| SC-6 | Customer Charge | \$1,220.00 | \$1,220.00 | \$1,220.00 | \$1,220.00 |
| | Delivery Rate | \$0.5000 | \$1.39964 | \$1.24468 | \$1.35157 |
| | CBOCF | \$0.3000 | \$0.0000 | \$0.0000 | \$0.0000 |

⁴ Joint Petition, App. C-1, Pg. 3.

⁵ Leatherstocking St. 1, Exh. G-6, Sch. 4.

⁶ Joint Petition, App. C-1, Pg. 3.

⁷ Joint Petition App. C-2, Pg. 3.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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24. The CBOCF surcharge rate of \$0.30 per CCF has been rolled into base rates and will now be \$0.000 for all rate codes. Joint Petition ¶¶ 4-5.

25. Under as-filed rates, the monthly bill of a residential customer using 79 CCF per month would have increased from \$160.64 to \$217.01 per month, or by 35.1%, including estimated gas costs. Under Year 1 Settlement rates, the monthly bill of a residential customer using 79 CCF per month will increase from \$160.64 to \$207.24 per month, or by 29.0%, including estimated gas costs, beginning April 1, 2023. Under Year 2 Settlement rates, the monthly bill of a residential customer using 79 CCF per month will increase from \$207.24 to \$218.44 per month, or by 5.4%, including estimated gas costs, beginning April 1, 2024.

26. Under as-filed rates, the monthly bill of a general service commercial and non-residential space heating customer using 235 CCF per month would have increased from \$453.15 to \$626.50 per month, or by 38.3%, including estimated gas costs and sales tax. Under Year 1 Settlement rates, the monthly bill of a general service commercial and non-residential space heating customer using 235 CCF per month will increase from \$453.15 to \$576.47 per month, or by 27.2%, including estimated gas costs and sales tax, beginning April 1, 2023. Under Year 2 Settlement rates, the monthly bill of a general service commercial and non-residential space heating customer using 235 CCF per month will increase from \$576.47 to \$606.13 per month, or by 5.1%, including estimated gas costs and sales tax, beginning April 1, 2024.

27. Under as-filed rates, the monthly bill of a commercial service customer using 5,432 CCF per month would have increased from \$9,407.29 to \$12,868.29 per month, or by 36.8%, including estimated gas costs and sales tax. Under Year 1 Settlement rates, the monthly bill of a commercial service customer using 5,432 CCF per month will increase from \$9,407.29 to \$11,813.98 per month, or by 25.6%, including estimated gas costs and sales tax, beginning April

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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1, 2023. Under Year 2 Settlement rates, a commercial service customer's monthly bill using 5,432 CCF per month will increase from \$11,813.98 to \$12,392.20 per month, or by 4.9%, including estimated gas costs and sales tax, beginning April 1, 2024.

28. I&E raised a concern with Leatherstocking's increased customer records and collection expense, as well as the increase to injuries and damages expense. I&E St. 1 at 5:20-6:11, 8:1-9:12. I&E recommended that Leatherstocking provide documentation demonstrating its efforts to find operating efficiencies or cost control measures to reduce these expenses. *Id.*

29. The Settlement provides that in its next base rate filing, Leatherstocking will provide documentation showing efforts made to control customer records/collection expense and manage insurance costs. Joint Petition ¶ 16.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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PROPOSED CONCLUSIONS OF LAW

1. Leatherstocking's rates must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa. C.S. § 1301, 1304.

2. Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers as well as a reasonable rate of return on its investment." *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

3. While Section 315(a) provides that a utility has the burden to prove that proposed rates are just and reasonable, it "cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose." *Pa. Pub. Util. Comm'n v. Columbia Gas of Pa., Inc.*, Docket No. R-2020-3018835 (Opinion and Order entered Feb. 19, 2021), at 12.

4. Leatherstocking has sustained its burden of proving that it should be granted an increase in rates. 66 Pa. C.S. § 1308(d).

5. In order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest. *See Pa. Pub. Util. Comm'n v. CS Water & Sewer Ass'n*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. Pub. Util. Comm'n v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1, 22 (1985).

6. The Commission has outlined the following general principles for assessing whether a settlement meets the public interest standard:

The purpose of this investigation is to establish distribution rates for PECO's customers that are "just and reasonable" pursuant to Section 1301 of the Code, 66 Pa. C.S. § 1301. A public utility seeking a general rate increase is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service. Bluefield Water Works and

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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Improvement Co. v. Public Service Comm'n of West Virginia, 262 U.S. 679 (1923) (Bluefield).

In determining what constitutes a fair rate of return, the Commission is guided by the criteria set forth in Bluefield, supra, and Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944). In Bluefield the United States Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.

Pa. Pub. Util. Comm'n v. PECO Energy Company – Elec. Div., Docket No. R-2015-2468981 (Opinion and Order entered Dec. 17, 2015), at 6-7; *see also Pa. Pub. Util. Comm'n v. Pennsylvania-American Water Co.*, Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021), at 11-14.

7. The Commission's policy and precedent embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401 encourage parties to resolve contested proceedings by settlement.

8. In its Policy Statement, the Commission stated that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
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opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.” 52 Pa. Code § 69.401(a).

9. The Unanimous Joint Petition for Full Settlement of Rate Proceeding is in the public interest.

10. The rates, terms, and conditions contain the Unanimous Joint Petition for Full Settlement of Rate Proceeding are, until changed on a going-forward basis as provided in the Public Utility Code, Commission-made, just and reasonable, and in the public interest.

**APPENDIX A PROCEDURAL HISTORY, PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, PROPOSED ORDERING PARAGRAPHS**

PROPOSED ORDERING PARAGRAPHS

THEREFORE, IT IS ORDERED:

1. That the Unanimous Joint Petition for Full Settlement of Rate Proceeding filed November 23, 2022 by Leatherstocking Gas Company, LLC, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate is granted, and the Settlement is thereby adopted, in full, without modification or correction.

2. That Leatherstocking Gas Company, LLC is authorized to file tariff supplements containing rates, rules and regulations, consistent with the Joint Petition for Settlement, to produce a total increase of \$645,000 with the rates, rules and regulations set forth in the tariff supplements included in Appendix B.

3. That Leatherstocking Gas Company, LLC shall be permitted to file tariffs in the form set forth in Appendix to the Joint Petition for Settlement, to become effective upon at least one day's notice, for service rendered on and after April 1, 2023 so as to produce an annual increase in revenues consistent with this Order.

4. That the complaint of the Office of Small Business Advocate at Docket No. C-2022-3033978 is deemed satisfied and marked closed.

5. That the complaint of the Office of Consumer Advocate at Docket No. C-2022-3034235 is deemed satisfied and marked closed.

6. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Leatherstocking Gas Company, LLC consistent with this Order, the Commission's investigation at Docket No. R-2022-3032764 shall be terminated; and the docket shall be marked closed.

APPENDIX B-1

LEATHERSTOCKING GAS COMPANY LLC

GENERAL TARIFF

Rules and Rate Schedules

Governing the Furnishing of

Gas Service in the Counties of

Susquehanna and Bradford, Pennsylvania

NOTICE

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

2. CHANGES MADE BY THIS SUPPLEMENT

Supplement No. XX has been filed to reflect:

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

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RULES AND REGULATIONS

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

17.2 BOROUGH OF GREAT BEND

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

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

RULES AND REGULATIONS

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

17.3 BOROUGH OF HALLSTEAD

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

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

RULES AND REGULATIONS

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

17.4 TOWNSHIP OF GREAT BEND

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

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

RULES AND REGULATIONS

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

17.5 BOROUGH OF NEW MILFORD

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

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

RULES AND REGULATIONS

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

17.6 TOWNSHIP OF NEW MILFORD

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

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

RULES AND REGULATIONS

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

17.7 BOROUGH OF MONTROSE

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

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

RULES AND REGULATIONS

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

17.8 TOWNSHIP OF BRIDGEWATER

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

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

RULES AND REGULATIONS

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

17.9 BOROUGH OF OAKLAND

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

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

RULES AND REGULATIONS

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

17.10 BOROUGH OF SUSQUEHANNA

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

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

RULES AND REGULATIONS

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

17.11 TOWNSHIP OF OAKLAND

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

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

RULES AND REGULATIONS

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

17.12 BOROUGH OF LANESBORO

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

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

RULES AND REGULATIONS

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

17.13 TOWNSHIP OF HARMONY

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

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

RULES AND REGULATIONS

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

17.14 TOWNSHIP OF WYALUSING

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

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

RULES AND REGULATIONS

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

17.15 BOROUGH OF WYALUSING

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

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

RULES AND REGULATIONS

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

17.16 TOWNSHIP OF DIMOCK

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

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

SERVICE CLASSIFICATION NO. 1

APPLICABLE TO USE OF SERVICE FOR:

Residential Service and Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 153.859¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SPECIAL PROVISIONS:

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

SERVICE CLASSIFICATION NO. 2

APPLICABLE TO USE OF SERVICE FOR:

General Service and Non-Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 145.658¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SPECIAL PROVISIONS:

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

SERVICE CLASSIFICATION NO. 3

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 129.303¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 4

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 124.468¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 5

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 129.303¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 6

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 124.468¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

APPENDIX B-2

LEATHERSTOCKING GAS COMPANY LLC

GENERAL TARIFF

Rules and Rate Schedules

Governing the Furnishing of

Gas Service in the Counties of

Susquehanna and Bradford, Pennsylvania

NOTICE

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

2. CHANGES MADE BY THIS SUPPLEMENT

Supplement No. XX has been filed to reflect:

- (1) increased delivery (i.e., per CCF) charges applicable to Service Classification Nos. 1, 2, 3, 4, 5, and 6.

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SERVICE CLASSIFICATION NO. 1

APPLICABLE TO USE OF SERVICE FOR:

Residential Service and Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 168.010¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SPECIAL PROVISIONS:

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

SERVICE CLASSIFICATION NO. 2

APPLICABLE TO USE OF SERVICE FOR:

General Service and Non-Residential Space Heating Service.

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$20.00
- (2) Delivery Charge
All Ccf @ 157.839¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SPECIAL PROVISIONS:

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

SERVICE CLASSIFICATION NO. 3

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 139.947¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 4

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 135.157¢ per Ccf (I)
- (3) Gas Cost Rate
All sales made hereunder shall be subject to the Gas Cost Rate as explained in Rider A of this tariff. At the effective date of this tariff the Gas Cost Rate (“GCR”) shall be 82.649¢ per Ccf.
- (4) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (5) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 5

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$300.00
- (2) Delivery Charge
All Ccf @ 139.947¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

SERVICE CLASSIFICATION NO. 6

APPLICABLE TO USE OF SERVICE FOR:

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

RATE - FIVE PART - MONTHLY:

- (1) Service Charge \$1,220.00
- (2) Delivery Charge
All Ccf @ 135.157¢ per Ccf (I)
- (3) Construction Build-Out CIAC Fee or CBOCF
All sales made hereunder shall be subject to the CBOCF, as explained in Rules 6 and 17 of this tariff.
- (4) State Tax Adjustment Surcharge
The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this rate except for charges made under the Gas Cost Rate.

MINIMUM CHARGE EACH CONTRACT EACH LOCATION:

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

TERMS OF PAYMENT:

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

TERM:

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

APPENDIX C-1

LEATHERSTOCKING GAS COMPANY, LLC.

Impact of Proposed Rate Change on Total Revenue
For the Twelve Months Ended March 31, 2023

| Service Class | Type of Service | Annual Bills | Total Sales (CCF) | Total Revenue at: | | Increase | |
|---------------|---|--------------|-------------------|-----------------------|------------------------|------------------------|----------------|
| | | | | Present Rates (\$000) | Proposed Rates (\$000) | Revenue Change (\$000) | Percent Change |
| 1 | Residential | 3,840 | 304,000 | \$616,853 | \$795,784 | \$178,931 | 29.0% |
| 2 | General Service & Non-Residential Heating | 1,488 | 350,220 | 651,922 | 829,336 | 177,414 | 27.2% |
| 3 | Small Commerical (Sales) < 25,000 MCF | 68 | 369,400 | 639,695 | 803,350 | 163,655 | 25.6% |
| 4 | Large Commerical (Sales) > 25,000 MCF | - | - | - | - | - | - |
| 5 | Small Commerical (Transp.) < 25,000 MCF | - | - | - | - | - | - |
| 6 | Large Commerical (Transp.) > 25,000 MCF | - | - | - | - | - | - |
| Contract | Competitive Transportation Customer | 12 | ████████ | 140,144 | 140,144 | - | 0.0% |
| | Rounding Adjustment | - | - | - | - | - | N/A |
| | Total | <u>5,408</u> | ████████ | <u>\$2,048,614</u> | <u>\$2,568,614</u> | <u>\$520,000</u> | <u>25.4%</u> |

LEATHERSTOCKING GAS COMPANY, LLC.**Present and Proposed Rates (In Brief)**

| Present SC-1 | | Proposed SC-1 (effective April 1, 2023) | |
|-----------------|--------------------|---|--------------------|
| Customer Charge | \$20.00 | Customer Charge | \$20.00 |
| Delivery Rate | \$0.65000 per CCF | Delivery Rate | \$1.53859 per CCF |
| CIAC / CBOCF | \$0.30000 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| Gas Cost Rate | \$0.82649 per CCF | Gas Cost Rate | \$0.82649 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$ 20.00 per month | Minimum Charge | \$ 20.00 per month |

| Present SC-2 | | Proposed SC-2 (effective April 1, 2023) | |
|-----------------|--------------------|---|--------------------|
| Customer Charge | \$20.00 | Customer Charge | \$20.00 |
| Delivery Rate | \$0.65000 per CCF | Delivery Rate | \$1.45658 per CCF |
| CIAC / CBOCF | \$0.30000 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| Gas Cost Rate | \$0.82649 per CCF | Gas Cost Rate | \$0.82649 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$ 20.00 per month | Minimum Charge | \$ 20.00 per month |

| Present SC-3 | | Proposed SC-3 (effective April 1, 2023) | |
|-----------------|---------------------|---|---------------------|
| Customer Charge | \$300.00 | Customer Charge | \$300.00 |
| Delivery Rate | \$0.55000 per CCF | Delivery Rate | \$1.29303 per CCF |
| CIAC / CBOCF | \$0.30000 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| Gas Cost Rate | \$0.82649 per CCF | Gas Cost Rate | \$0.82649 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$ 300.00 per month | Minimum Charge | \$ 300.00 per month |

| Present SC-4 | | Proposed SC-4 (effective April 1, 2023) | |
|-----------------|----------------------|---|----------------------|
| Customer Charge | \$1,220.00 | Customer Charge | \$1,220.00 |
| Delivery Rate | \$0.50000 per CCF | Delivery Rate | \$1.24468 per CCF |
| CIAC / CBOCF | \$0.30000 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| Gas Cost Rate | \$0.82649 per CCF | Gas Cost Rate | \$0.82649 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$1,220.00 per month | Minimum Charge | \$1,220.00 per month |

| Present SC-5 | | Proposed SC-5 (effective April 1, 2023) | |
|-----------------|---------------------|---|---------------------|
| Customer Charge | \$300.00 | Customer Charge | \$300.00 |
| Delivery Rate | \$0.55 per CCF | Delivery Rate | \$1.29303 per CCF |
| CIAC / CBOCF | \$0.30 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$ 300.00 per month | Minimum Charge | \$ 300.00 per month |

| Present SC-6 | | Proposed SC-6 (effective April 1, 2023) | |
|-----------------|----------------------|---|----------------------|
| Customer Charge | \$1,220.00 | Customer Charge | \$1,220.00 |
| Delivery Rate | \$0.50 per CCF | Delivery Rate | \$1.24468 per CCF |
| CIAC / CBOCF | \$0.30 per CCF | CIAC / CBOCF | \$0.00000 per CCF |
| STAS Rate | 0.00% | STAS Rate | 0.00% |
| Minimum Charge | \$1,220.00 per month | Minimum Charge | \$1,220.00 per month |

APPENDIX C-2

LEATHERSTOCKING GAS COMPANY LLC.

**Proof of Revenues
For the Twelve Months Ended March 31, 2024**

Proposed Rates - Year 1 (effective April 1 2023)

| Service Class 1 - Residential | | | |
|--------------------------------------|-------------------|--------------------------|-----------------------------|
| <u>Blocking</u> | <u>Bill Units</u> | <u>Current Rate (\$)</u> | <u>Current Revenue (\$)</u> |
| Annual Bills | 3,840 | \$ 20.00 | \$76,800 |
| Delivery Charge All CCF | 304,000 | \$1.5386 | \$467,731 |
| CIAC / CBOCF Charge | 304,000 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$544 531</u> |
| Rounded | | | <u>\$544 500</u> |

Service Class 2 - General Service & Non-Residential Heating

| <u>Blocking</u> | <u>Bill Units</u> | <u>Current Rate (\$)</u> | <u>Current Revenue (\$)</u> |
|-------------------------|-------------------|--------------------------|-----------------------------|
| Annual Bills | 1,488 | \$ 20.00 | \$29,760 |
| Delivery Charge All CCF | 350,220 | \$1.4566 | \$510,123 |
| CIAC / CBOCF Charge | 350,220 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$539 883</u> |
| Rounded | | | <u>\$539 900</u> |

Service Class 3 - Small Commercial Sales < 25,000 MCF Annually

| <u>Blocking</u> | <u>Bill Units</u> | <u>Current Rate (\$)</u> | <u>Current Revenue (\$)</u> |
|-------------------------|-------------------|--------------------------|-----------------------------|
| Annual Bills | 68 | \$ 300.00 | \$20,400 |
| Delivery Charge All CCF | 369,400 | \$1.2930 | \$477,645 |
| CIAC / CBOCF Charge | 369,400 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$498 045</u> |
| Rounded | | | <u>\$498 000</u> |

Competitive Contract Transportation Customer

| <u>Blocking</u> | <u>Bill Units</u> | <u>Current Rate (\$)</u> | <u>Current Revenue (\$)</u> |
|-------------------------|-------------------|--------------------------|-----------------------------|
| Delivery Charge All CCF | ██████ | ██████ | \$140,144 |
| Total | | | <u>\$140 144</u> |
| Rounded | | | <u>\$140 100</u> |

Proposed Rates - Year 2 (effective April 1 2024)

| Service Class 1 - Residential | | | |
|--------------------------------------|-------------------|---------------------------|------------------------------|
| <u>Blocking</u> | <u>Bill Units</u> | <u>Proposed Rate (\$)</u> | <u>Proposed Revenue (\$)</u> |
| Annual Bills | 3,840 | \$20.00 | \$76,800 |
| Delivery Charge All CCF | 304,000 | \$1.6801 | \$510,750 |
| CIAC / CBOCF Charge | 304,000 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$587 550</u> |
| Rounded | | | <u>\$587 600</u> |

Service Class 2 - General Service & Non-Residential Heating

| <u>Blocking</u> | <u>Bill Units</u> | <u>Proposed Rate (\$)</u> | <u>Proposed Revenue (\$)</u> |
|-------------------------|-------------------|---------------------------|------------------------------|
| Annual Bills | 1,488 | \$20.00 | \$29,760 |
| Delivery Charge All CCF | 350,220 | \$1.5784 | \$552,784 |
| CIAC / CBOCF Charge | 350,220 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$582 544</u> |
| Rounded | | | <u>\$582 500</u> |

Service Class 2 - General Service & Non-Residential Heating

| <u>Blocking</u> | <u>Bill Units</u> | <u>Proposed Rate (\$)</u> | <u>Proposed Revenue (\$)</u> |
|-------------------------|-------------------|---------------------------|------------------------------|
| Annual Bills | 68 | \$300.00 | \$20,400 |
| Delivery Charge All CCF | 369,400 | \$1.3995 | \$516,964 |
| CIAC / CBOCF Charge | 369,400 | \$0.0000 | <u>\$0</u> |
| Total | | | <u>\$537 364</u> |
| Rounded | | | <u>\$537 400</u> |

Competitive Contract Transportation Customer

| <u>Blocking</u> | <u>Bill Units</u> | <u>Proposed Rate (\$)</u> | <u>Proposed Revenue (\$)</u> |
|-------------------------|-------------------|---------------------------|------------------------------|
| Delivery Charge All CCF | ██████ | ██████ | \$140,144 |
| Total | | | <u>\$140 144</u> |
| Rounded | | | <u>\$140 100</u> |

Revenue Summary

| | <u>SC1</u> | <u>SC2</u> | <u>SC3</u> | <u>Contract Customer</u> | <u>Total</u> |
|---------------------------|----------------|----------------|----------------|--------------------------|------------------|
| Revenue at Current Rates | \$ 544,531 | \$ 539,883 | \$ 498,045 | \$ 140,100 | \$ 1,722,559 |
| Revenue at Proposed Rates | <u>587 550</u> | <u>582 544</u> | <u>537 364</u> | <u>140 100</u> | <u>1 847 558</u> |
| Increase | 43,019 | 42,661 | 39,319 | - | 124,999 |
| Target Increase | 43,020 | 42,660 | 39,320 | - | 125 000 |
| Difference | <u>\$ (1)</u> | <u>\$ 1</u> | <u>\$ (1)</u> | <u>\$ -</u> | <u>\$ (1)</u> |

LEATHERSTOCKING GAS COMPANY, LLC.

**Impact of Proposed Rate Change on Total Revenue
For the Twelve Months Ended March 31, 2024**

| Service Class | Type of Service | Annual Bills | Total Sales (CCF) | Total Revenue at: | | Increase | |
|---------------|---|--------------|-------------------|----------------------|----------------------|------------------------|----------------|
| | | | | Year 1 Rates (\$000) | Year 2 Rates (\$000) | Revenue Change (\$000) | Percent Change |
| 1 | Residential | 3,840 | 304,000 | \$795,784 | \$838,803 | \$43,019 | 5.4% |
| 2 | General Service & Non-Residential Heating | 1,488 | 350,220 | 829,336 | 871,997 | 42,661 | 5.1% |
| 3 | Small Commerical (Sales) < 25,000 MCF | 68 | 369,400 | 803,351 | 842,670 | 39,319 | 4.9% |
| 4 | Large Commerical (Sales) > 25,000 MCF | - | - | - | - | - | - |
| 5 | Small Commerical (Transp.) < 25,000 MCF | - | - | - | - | - | - |
| 6 | Large Commerical (Transp.) > 25,000 MCF | - | - | - | - | - | - |
| Contract | Competitive Transportation Customer | 12 | ████████ | 140,144 | 140,144 | - | 0.0% |
| | Rounding Adjustment | - | - | - | 1 | 1 | N/A |
| | Total | <u>5,408</u> | ████████ | <u>\$2,568,614</u> | <u>\$2,693,614</u> | <u>\$125,000</u> | <u>4.9%</u> |

LEATHERSTOCKING GAS COMPANY, LLC.

Present and Proposed Rates (In Brief)

| | | | | | |
|--|------------|-----------|--|------------|-----------|
| <u>Proposed SC-1 (effective April 1, 2023)</u> | | | <u>Proposed SC-1 (effective April 1, 2024)</u> | | |
| Customer Charge | \$20.00 | | Customer Charge | \$20.00 | |
| Delivery Rate | \$1.53859 | per CCF | Delivery Rate | \$1.68010 | per CCF |
| CIAC / CBOCF | \$0.00000 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| Gas Cost Rate | \$0.82649 | per CCF | Gas Cost Rate | \$0.82649 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$ 20.00 | per month | Minimum Charge | \$ 20.00 | per month |
| <u>Proposed SC-2 (effective April 1, 2023)</u> | | | <u>Proposed SC-2 (effective April 1, 2024)</u> | | |
| Customer Charge | \$20.00 | | Customer Charge | \$20.00 | |
| Delivery Rate | \$1.45658 | per CCF | Delivery Rate | \$1.57839 | per CCF |
| CIAC / CBOCF | \$0.00000 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| Gas Cost Rate | \$0.82649 | per CCF | Gas Cost Rate | \$0.82649 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$ 20.00 | per month | Minimum Charge | \$ 20.00 | per month |
| <u>Proposed SC-3 (effective April 1, 2023)</u> | | | <u>Proposed SC-3 (effective April 1, 2024)</u> | | |
| Customer Charge | \$300.00 | | Customer Charge | \$300.00 | |
| Delivery Rate | \$1.29303 | per CCF | Delivery Rate | \$1.39947 | per CCF |
| CIAC / CBOCF | \$0.00000 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| Gas Cost Rate | \$0.82649 | per CCF | Gas Cost Rate | \$0.82649 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$ 300.00 | per month | Minimum Charge | \$ 300.00 | per month |
| <u>Proposed SC-4 (effective April 1, 2023)</u> | | | <u>Proposed SC-4 (effective April 1, 2024)</u> | | |
| Customer Charge | \$1,220.00 | | Customer Charge | \$1,220.00 | |
| Delivery Rate | \$1.24468 | per CCF | Delivery Rate | \$1.35157 | per CCF |
| CIAC / CBOCF | \$0.00000 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| Gas Cost Rate | \$0.82649 | per CCF | Gas Cost Rate | \$0.82649 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$1,220.00 | per month | Minimum Charge | \$1,220.00 | per month |
| <u>Proposed SC-5 (effective April 1, 2023)</u> | | | <u>Proposed SC-5 (effective April 1, 2024)</u> | | |
| Customer Charge | \$300.00 | | Customer Charge | \$300.00 | |
| Delivery Rate | \$1.29 | per CCF | Delivery Rate | \$1.39947 | per CCF |
| CIAC / CBOCF | \$0.00 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$ 300.00 | per month | Minimum Charge | \$ 300.00 | per month |
| <u>Proposed SC-6 (effective April 1, 2023)</u> | | | <u>Proposed SC-6 (effective April 1, 2024)</u> | | |
| Customer Charge | \$1,220.00 | | Customer Charge | \$1,220.00 | |
| Delivery Rate | \$1.24 | per CCF | Delivery Rate | \$1.35157 | per CCF |
| CIAC / CBOCF | \$0.00 | per CCF | CIAC / CBOCF | \$0.00000 | per CCF |
| STAS Rate | 0.00% | | STAS Rate | 0.00% | |
| Minimum Charge | \$1,220.00 | per month | Minimum Charge | \$1,220.00 | per month |

APPENDIX D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**STATEMENT OF LEATHERSTOCKING GAS COMPANY, LLC
IN SUPPORT OF THE
UNANIMOUS JOINT PETITION FOR FULL SETTLEMENT OF RATE PROCEEDING**

I. INTRODUCTION

Leatherstocking Gas Company, LLC (“LGC” or “Leatherstocking” or the “Company”) hereby submits this Statement in Support of the Unanimous Joint Petition for Full Settlement of Rate Proceeding (“Joint Petition” or “Settlement”), filed by Leatherstocking, the Bureau of Investigation & Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission” or “PUC”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”) (collectively, “Joint Petitioners”) in the above-captioned proceeding. As indicated in the Joint Petition¹, if approved, the Settlement resolves all issues in the proceeding. Accordingly, as discussed more fully below, Leatherstocking supports the Settlement because it is in the public interest and produces just and reasonable rates. Leatherstocking requests that Administrative Law Judge Jeffrey A. Watson (“ALJ Watson”) and the Commission approve the Joint Petition as submitted, without modification.

¹ A procedural history of this proceeding is set forth in Appendix A to the Joint Petition and incorporated herein as set forth at length.

II. SETTLEMENT TERMS AND CONDITIONS

The Joint Petition was achieved after extensive scrutiny of Leatherstocking's filing (and data in support thereof), analysis of voluminous interrogatories answered by Leatherstocking, the submission of testimony by the Joint Petitioners, and extensive settlement negotiations amongst the parties. The Joint Petition, together with its terms and conditions, represent a just and reasonable compromise amongst competing positions and is within the range of outcomes that would have resulted had this proceeding been fully litigated. Collectively, and for the reasons stated below, the Settlement's provisions, individually and jointly, are in the public interest and should be approved by ALJ Watson and the Commission, without modification.

A. Revenue Requirement Increase and Phase In (Joint Petition ¶ 2)

The Settlement provides that Leatherstocking will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of approximately \$520,000 in year 1, effective April 1, 2023, and \$125,000 in year 2, effective April 1, 2024, for a total increase of \$645,000 once fully phased-in, as set forth in Appendix B to the Joint Petition. Joint Petition ¶ 2. This is in lieu of the original increase request of \$701,200 that was set to take effect at the end of the suspension period on April 1, 2023. Under the Settlement, Leatherstocking will increase rates for the first time since it began operating as a public utility, receiving an increase of approximately 25.4% in total customer bills beginning April 1, 2023, and an additional 4.9% increase in total customer bills beginning on April 1, 2024. *Id.*

Pursuant to Sections 1301 and 1501 of the Public Utility Code, 66 Pa. C.S. §§ 1301, 1501, Leatherstocking is obligated to operate its natural gas distribution system in an efficient and economical manner, to maintain the system in good repair and working order, and to make all necessary and proper additions, improvements, replacements and repairs as shall be necessary or proper for the accommodation, convenience, and safety of its patrons, employees, and the public.

In its rate increase filing, Leatherstocking presented testimony and supporting data demonstrating that it has made significant investments to its plant over the past several years, while at the same time recognizing substantial increases in operating expenses. LGC St. No. 1 at 8:8-9:9; *see also* LGC Exhibits G-3, G-4.

Upon reviewing the Company's filing, the other parties to the proceeding produced their testimony, which made adjustments and recommendations to Leatherstocking's rate increase, but ultimately concluded that a rate increase was warranted. In particular, I&E recommended adjustments and modifications concluding that Leatherstocking should receive an annual increase of approximately \$615,851, I&E St. No. 1 at 3:3-7, OCA recommended that Leatherstocking receive an annual increase of approximately \$585,327, OCA St. 1 at 4:21-22, and OSBA recommended that Leatherstocking receive an annual increase of approximately \$547,800, OSBA St. 1 at 4:1-4, Table KCH-1.

Thus, the revenue increase contemplated by the Joint Petition is in the public interest because it provides Leatherstocking with the necessary additional funds to meet Leatherstocking's obligations under the Public Utility Code to provide safe, adequate and reliable service, and allows Leatherstocking to: (a) produce an adequate return on the Company's invested capital that is dedicated to the service of Leatherstocking's customers, (b) provide sufficient operating revenues to meet operating expenses, taxes and other charges, (c) enable the Company to maintain its creditworthiness at a level sufficient to raise capital necessary to perform its obligations to provide safe, adequate and proper service to its customers, and (d) provide a reasonable rate of return on the Company's investment in its utility property.

Moreover, the two-year phase-in of the rate increase reasonably balances Leatherstocking's need to earn an appropriate and fair return on its significant investments, the need for cost-based

rates and measures to further enhance service and future performance, and principles of gradualism when setting rates. Thus, Leatherstocking can continue to earn sufficient revenues to provide reasonable and adequate service in a manner that best serves its customers.

Lastly, it is important to note that the revenue requirement under the Settlement is a “black box” settlement, with certain exceptions discussed below. Under a “black box” settlement, parties do not specifically identify rate base, revenues, and expenses and return that are allowed or disallowed. Leatherstocking submits that the “black box” concept often facilitates settlement agreements because parties are not required to identify a specific return on equity or specifically identify rate base, revenues, and/or expenses and return that are allowed or disallowed. This process allows a settlement without requiring parties to abandon or reverse their positions on important issues, which could impact their positions in later cases. Indeed, the Commission encourages black box settlements. *See, e.g., Pa. Pub. Util. Comm’n v. Aqua Pa., Inc.*, Docket No. R-2011-2267958, at 26-27 (Order entered June 7, 2012).² It also avoids significant time and

² As stated by the Commission:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings.” *See Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens' Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011)). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases. For these reasons, we support the use of a “black box” settlement in this proceeding and, accordingly, deny this Exception.

Pa. Pub. Util. Comm’n v. Peoples TWP LLC, Docket No. R-2013-2355886, at 27-28 (Order entered Dec. 19, 2013).

expense of all involved, including expensive further testimony, briefing, exceptions and potential appeals, which benefits both Leatherstocking and its customers.

Viewed in context with the other provisions to the Settlement, Leatherstocking submits that the revenue requirement is reasonable and will provide the Company with the additional revenues necessary to provide safe and reliable service to its customers. It is also within the range of outcomes that would result if this case were fully litigated. As such, the Settlement appropriately balances the need for the Company to have an opportunity to earn a reasonable rate of return with its customers' need for reasonable rates, is in the public interest and should be approved, without modification.

B. Rate Design (Joint Petition ¶¶ 3-9)

The Settlement establishes rates designed to produce the agreed-upon revenue increase in a gradual manner over a two-year period, rather than all at once. In particular, the Joint Petitioners have agreed to roll-in Leatherstocking's Construction Build-Out CIAC³ Fee ("CBOCF") into Leatherstocking's base rates on a revenue-neutral basis, Joint Petition ¶¶ 4-5, and allocate the additional revenue increase to rate classes SC-1, SC-2, and SC-3 on a uniform percentage basis, Joint Petition ¶¶ 6. For delivery rates effective April 1, 2023, the following rates shall apply:

- a. SC1 Residential: \$1.53859 per ccf
- b. SC2 General Service & Non Residential Space Heating: \$1.45658 per ccf
- c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.29303 per ccf
- d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.24668 per ccf
- e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$1.29303 per ccf
- f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.24468 per ccf

³ Contribution in Aid of Construction.

Joint Petition ¶ 8. For delivery rates effective April 1, 2024, the following rates shall apply:

- a. SC1 Residential: \$1.68010 per ccf
- b. SC2 General Service & Non Residential Space Heating: \$1.57839 per ccf
- c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.39947 per ccf
- d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.35157 per ccf
- e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$1.39947 per ccf
- f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.35157 per ccf

Joint Petition ¶ 9. The currently effective fixed customer charges will not increase under the terms of the Settlement. Joint Petition ¶ 7.

In its initial filing, Leatherstocking proposed to roll-in the currently effective CBOCF into the delivery rates for each customer class on a revenue neutral basis, prior to allocating the proposed increase. Leatherstocking St. 1 at 44:9-11. Moreover, rather than increase the fixed customer charge, Leatherstocking proposed to allocate the entire increase to the delivery rate. *Id.*, at 44:11-15. In response I&E witness Sakaya testified that because no Cost-of-Service Study (“COSS”) was provided, if the Commission grants an increase that is less than requested, rates should be scaled back such that each class other than the contract classes receive the same percentage increase. I&E St. 3 at 17:23-18:2. Likewise, OSBA witness Higgins testified that the SC-1, SC-2, and SC-3 class should be allocated an amount such that each class receives the same percentage increase and recommended that both the customer charge and delivery charge be increased by the same percentage. OSBA St. 1 at 12:10-21; *see also* Exhibit KCH-4. For its part, OCA witness Mierzwa recommended that if OSBA’s position relative to the customer charge were adopted, the customer charge for the SC-1 class should remain unchanged. OCA St. 2-R at 6:1-7. In its rebuttal testimony, Leatherstocking agreed with the position of OSBA that the most equitable

allocation of the revenue increase was to increase the customer charge and delivery rates equally for the SC-1, SC-2, and SC-3 classes. Leatherstocking St. 1-R at 39:9-13.

Thus, the Settlement results in a reasonable compromise amongst the positions of Leatherstocking, OCA, OSBA, and I&E. In particular, the Settlement retains the existing customer charges for each customer class, which benefits customers by empowering them to manage the cost of their monthly bills and encourages energy conservation. Moreover, the Settlement allocates the agreed-upon revenue increase by way of a uniform percentage increase to the SC-1, SC-2, and SC-3 classes, which ensures that certain customers are not disproportionately affected by the rate increase. These benefits, along with the gradual phase-in of Settlement rates, demonstrate that these provisions are in the public interest. Accordingly, Leatherstocking considers the resulting class allocation to be reasonable in light of its prior rate design, issues raised in other Joint Petitioners' testimony, and the fact that the resulting class allocations were a result of compromise and agreed to by all of the Joint Petitioners.

C. State Tax Adjustment Surcharge (Joint Petition ¶¶ 10-12)

The Settlement provides that the revenue requirement reflects the 2023 State Income Tax Rate of 8.99% (Joint Petition ¶ 10), that no State Tax Adjustment Surcharge ("STAS") adjustment will be required for January – March 2023, which is estimated to be approximately \$1,800 (Joint Petition ¶ 11), and that for years 2024 and later, Leatherstocking will calculate the state income tax at the statutory rate for that year and compare it to state income taxes calculated at 8.99% and gross-up the difference to be passed back to customers through the STAS surcharge credit until base rates are reset (Joint Petition ¶ 12).

This provision is in the public interest as it complies with the recent enactment of Act 53 of 2022, which reduces the Pennsylvania Corporate Net Income Tax ("CNIT") rate to 8.99% beginning on January 1, 2023, which is the year when Leatherstocking's new rates will take effect.

See I&E St. 1 at 10:9-16; see also Leatherstocking St. 1-R at 11:17-12:2. Moreover, Leatherstocking has agreed to refund to customers revenue impacts related to future reductions to the CNIT as provided in Act 53 of 2022, which is consistent with the Commission’s STAS procedures under 52 Pa. Code §§ 69.51, *et seq.*

D. Depreciation (Joint Petition ¶¶ 13-14)

The Settlement provides that the depreciation rates reflected in Leatherstocking’s filings and shown below are adopted as part of the settlement:

| <u>Account</u> | <u>Gas - Intangible (Amortization)</u> | <u>Average Service Life</u> | <u>Annual Depr. / Amort. Rate</u> |
|----------------|--|-----------------------------|-----------------------------------|
| 301 | Organization Costs | - | 3.21% |
| 302 | Franchise / Consents | - | 0.28% |
| | | | |
| | <u>Gas - Distribution Plant</u> | | |
| 374 | Land Rights / Easements | - | - |
| 375 | Structures & Improvements (Amort.) | 5 | 20.00% |
| 376 | Distribution Mains | 60 | 1.67% |
| 378 | Measuring & Regulator Equipment | 40 | 2.50% |
| 380 | Services | 40 | 2.50% |
| 381 | Meters | 35 | 2.86% |
| 382 | Meter Installations | 40 | 2.50% |
| 383 | House Regulators | 45 | 2.22% |
| | | | |
| | <u>Gas - General Plant (Amortization)</u> | | |
| 391 | Office Furniture and Equipment | 5 | 20.00% |
| 392 | Transportation Equipment | 5 | 20.00% |
| 394 | Tools & Equipment | 5 | 20.00% |

Joint Petition ¶ 13. The Settlement also provides that Leatherstocking will stop accruing economic depreciation effective with new base rates with respect to CBOCF projects now that the CBOCF surcharge has been rolled into rates. Joint Petition ¶ 14.

In its filing, Leatherstocking submitted evidence demonstrating that because most of the Company’s infrastructure is less than ten years old, Leatherstocking has adopted depreciation rates

that are based on those used by other gas utilities assuming that the usefulness and life expectancy of Leatherstocking plant will be similar to other gas utilities that have much older infrastructures. Leatherstocking St. 1 at 35:1-10. Leatherstocking's depreciation rates do not include any allowance for salvage or removal cost. *Id.*, at 35:10-14. In addition, as part of rolling in the CBOCF surcharge, Leatherstocking removed the depreciation expense associated with these projects, which lowered Leatherstocking's as-filed rate increase request. *Id.*, at 36:9-37:4.

Thus, Leatherstocking submits that these provisions are in the public interest. The depreciation rates are fairly established by utilizing the depreciations rates used by other gas utilities with older infrastructures. In addition, removal of the economic depreciation with respect to CBOCF projects results in savings to Leatherstocking's customers. Moreover, none of the other Joint Petitioners raised any issues with the proposed depreciation rates included in Leatherstocking's filing. Thus, these provisions should be approved as in the public interest and result in just and reasonable rates.

E. Effective Date (Joint Petition ¶ 15)

The Settlement states that Leatherstocking will be permitted to file a tariff for gas service, in the form of Appendix B attached to the Joint Petition, to be effective no sooner than April 1, 2023 for year one and April 1, 2024 for year two. Joint Petition ¶ 15. The effective date of new rates is consistent with the Commission's Order entered August 4, 2022, which provides that the rates contemplated as part of this filing shall not go into effect until April 1, 2023. It also allows Leatherstocking to file an additional tariff supplement one year later to phase-in the remaining rate increase consistent with the other provisions to the Settlement. Thus, this provision is reasonable and in the public interest.

F. Reporting (Joint Petition ¶ 16)

The Settlement provides that in its next base rate filing, Leatherstocking will provide documentation showing efforts made to control customer records/collection expense and manage insurance costs. In its testimony, I&E raised a concern with Leatherstocking's increased customer records and collection expense, as well as the increase to injuries and damages expense. I&E St. 1 at 5:20-6:11, 8:1-9:12. As a result, I&E recommended that Leatherstocking provide documentation demonstrating its efforts to find operating efficiencies or cost control measures to reduce these expenses. *Id.*

Leatherstocking explained that the cause of the increase to customer records and collections expense is related to Corning Natural Gas Holding Corporation's ("CNGH") purchase of Mirabito Regulated Industries' ("MRI") fifty percent share of Leatherstocking and assumption of billing processes that were previously handled by MRI. I&E St. 1 at 5:6-14. Leatherstocking likewise explained that the increase in injuries and damage expense was also related to CNGH's purchase of MRI's stake in Leatherstocking, with CNGH assuming the responsibility of purchasing insurance and allocating Leatherstocking its proportionate share of the expense. I&E St. 1 at 7:11-16. Nevertheless, Leatherstocking committed by way of Settlement to provide documentation in the next base rate case showing its efforts to control costs related to customer records/collection expense and insurance expense. Joint Petition ¶ 16. The commitment to provide documentation is in the public interest and provides a transparent process to demonstrate the Company's efforts to control these costs in the future.

G. Standard Terms (Joint Petition ¶¶ 17-24).

The Settlement contains several additional terms and conditions that typically accompany a rate case settlement, including an agreement that the Settlement represents a compromise that does not represent the position of any one party, Joint Petition ¶ 17, that the Settlement is without

prejudice to any party's position, Joint Petition ¶ 18, and that all Joint Petitioners agree to support the negotiated Settlement and to make reasonable and good faith efforts to obtain Commission approval, Joint Petition ¶ 20. As these provisions are common among negotiated settlements, the standard terms and conditions set forth in the Joint Petition are just and reasonable, and in the public interest.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

Commission policy is to encourage and promote settlements. 52 Pa. Code § 5.231(a). Settlements reduce the time and expense the parties expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has likewise explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *See Pa. Pub. Util. Comm'n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861, at 8 (Opinion and Order entered Dec. 5, 2013). To approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *See Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108, at 4 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 1991 WL 476335 (Order entered July 22, 1991).

The Settlement, if approved, will resolve all issues raised by the Joint Petitioners. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that the Joint Petitioners have resolved their respective issues is strong evidence that the Settlement is reasonable and in the public interest. Moreover, the Settlement was achieved after a thorough review of Leatherstocking's rate increase request (and supporting data), responses to

discovery, multiple rounds of witness testimony, and extensive settlement discussions among the Joint Petitioners.

Leatherstocking further emphasizes that the Joint Petitioners, through their counsel and experts, have considerable experience in rate proceedings. I&E, OCA, and OSBA, are all tasked with representing the public interest.⁴ This responsibility, combined with their and Leatherstocking’s knowledge, experience, and ability to evaluate the strengths and weaknesses of their respective litigation positions, provided a strong base upon which to build a consensus among the parties’ competing positions. As such, the revenue increase, along with the other provisions to the Settlement, represent an outcome within the range of likely outcomes if this proceeding were litigated.

Moreover, the Settlement resolves the issues in this proceeding without admission of or prejudice against any parties’ position. It lessens the time and expense associated with litigation,

⁴ As stated by the Commission:

In the context of a general rate increase cases such as this one, the Commission is aided by the active participation of entities representing various subgroups of the entire public. A number of these active participants have a statutorily imposed obligation to provide this representation, while others are self-created entities choosing to represent a delineated subgroup. Taken as a whole, these active participants cover the entire spectrum of the public whose welfare is to be protected.

The OCA is statutorily charged with the duty of representing “the interests of consumers”, i.e., individual ratepayers, “in any matter properly before the commission,” such as the instant general rate increase case. 66 Pa. C.S. § 3206(a). The OSBA is statutorily charged with the duty of representing “the interests of small business consumers, in any matter properly before the commission,” such as the instant general rate increase case. 66 Pa. C.S. § 3206(b). I&E is statutorily charged with taking “appropriate enforcement actions, including rate proceedings . . . to insure compliance with this title [Title 66, Pennsylvania Consolidated Statutes], commission regulations and orders.” 66 Pa. C.S. § 308.2.(a)(11).

One could argue that these three entities alone constitute representation of the entire public whose welfare is to be protected.

Pa. Pub. Util. Comm’n v. Columbia Gas of Pa., Inc., Docket No. R-2021-3024296, at 28 (Opinion and Order entered Dec. 16, 2021) (quoting *Pa. Pub. Util. Comm’n v. UGI Utils. Inc. – Elec. Div.*, Docket No. R-2021-3023618, at 37-38 (Opinion and Order entered Oct. 28, 2021)).

including potential appeals, which benefits both the Company and its customers. In sum, the Settlement reflects a carefully balanced compromise of the Joint Petitioners' interests. Therefore, for the reasons explained in this Statement in Support, Leatherstocking believes that the Settlement is just, reasonable, and in the public interest and, therefore, should be approved without modification.

IV. CONCLUSION

For all these reasons, and those stated in the Joint Petition, Leatherstocking Gas Company, LLC, believes that the Settlement is in the public interest and requests that the Presiding Administrative Law Judge and the Commission find and approve the Settlement and the just and reasonable rates contained in the proposed settlement tariff supplements.

Respectfully submitted,

/s/ Whitney E. Snyder

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Dated: November 23, 2022

*Counsel for Leatherstocking Gas Company
LLC*

APPENDIX E

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**LEATHERSTOCKING GAS COMPANY,
LLC**

:
:
:
:
:
:
:

Docket No. R-2022-3032764

**BUREAU OF INVESTIGATION AND ENFORCEMENT
STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT
OF RATE INVESTIGATION**

TO ADMINISTRATIVE LAW JUDGE JEFFREY A. WATSON:

The Bureau of Investigation and Enforcement (I&E) of the Pennsylvania Public Utility Commission (Commission), by and through Prosecutor, Carrie B. Wright, hereby respectfully submits that the terms and conditions of the foregoing *Petition for Settlement of Rate Investigation* (Joint Petition or Settlement) are in the public interest and represent a fair, just, reasonable and equitable balance of the interests of Leatherstocking Gas Company, LLC (Leatherstocking or Company) and its customers. The parties to this settlement are Leatherstocking, I&E, the Office of Consumer Advocate (OCA), and the Office of Small Business Advocate (OSBA) (collectively the Joint Petitioners). The parties to this Settlement Agreement have conducted extensive formal and informal discovery and have participated in numerous Settlement Conferences. The extensive discussions and sharing of information culminated in the submission of the attached Settlement Agreement. The request for approval of the Joint Petition is based on I&E's conclusion that the

Settlement Agreement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”¹ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”² The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

The Bureau of Investigation and Enforcement is of the opinion that the terms and conditions of the Joint Petition are in the public interest. In support of this position, I&E offers the following:

I. INTRODUCTION

A. Legal Landscape Regarding Public Utilities

A business may acquire “public utility status” when that business is the sole organization that maintains the infrastructure utilized in providing an essential service to the public for compensation.³ As duplicating the vast and costly fixed physical infrastructure and allowing multiple businesses to provide the essential service would be wasteful, the public utility obtains a natural monopoly as the sole service provider in the extended geographic service territory. In order to protect consumers, the public utility’s rates and services are regulated.⁴ Price regulation strives to replicate the results of effective competition.⁵

As a public utility, a natural gas distribution company (NGDC) shall provide just and reasonable rates to customers receiving natural gas service in the Commonwealth of

¹ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 Pa.PUC 1, 22 (1985).

² *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 Pa.PUC 767, 771 (1991).

³ James C. Bonbright, *Principles of Public Utility Rates*, Columbia University Press: New York (1961) at 3-14; 66 Pa.C.S. § 102.

⁴ *Principles of Public Utility Rates*, at 3-14; 66 Pa.C.S §§ 1301, 1501.

⁵ *See Cantor v. Detroit Edison*, 428 U.S. 579, 595-6, fn. 33 (1976).

Pennsylvania.⁶ A public utility is entitled to a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers and allows the utility an opportunity to obtain a reasonable rate of return on its investment.⁷ A public utility shall also provide safe and reliable service by furnishing and maintaining adequate facilities and reasonable services and by making the necessary improvements thereto.⁸

B. I&E's Role

Through its bureaus and offices, the Commission has the authority to take appropriate enforcement actions that are necessary to ensure compliance with the Public Utility Code and Commission regulations and orders.⁹ The Commission established I&E to serve as the prosecutory bureau to represent the public interest in ratemaking and utility service matters and to enforce compliance with the Public Utility Code.¹⁰ By representing the public interest in rate proceedings before the Commission, I&E works to balance the interest of customers, utilities, and the regulated community as a whole to ensure that a utility's rates are just, reasonable, and nondiscriminatory.¹¹

C. Procedural History

On July 1, 2022, Leatherstocking filed Supplement No. 17 proposed Tariff Gas-PA. P.U.C. No. 1. The tariff set forth proposed rates designed to produce an increase in Leatherstocking's annual base retail distribution rates of approximately \$701,200 per year.

⁶ 66 Pa.C.S. §§ 102, 1301; *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602-603 (1944) (*Hope*).

⁷ *City of Lancaster v. Pennsylvania Public Utility Commission*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002); *see also Hope*, 320 U.S. at 602-603.

⁸ 66 Pa.C.S. § 1501.

⁹ Act 129 of 2008, 66 Pa.C.S. § 308.2(a)(11); 66 Pa.C.S. § 101 *et seq.*; 52 Pa.Code § 1.1 *et seq.*

¹⁰ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852 (Order entered August 11, 2011).

¹¹ *See* 66 Pa.C.S. §§ 1301, 1304.

On August 4, 2022 the Commission entered an Order instituting an investigation into the lawfulness, justness and reasonableness of the Company's proposed rates. Pursuant to 66 Pa.C.S. Section 1308(d), proposed Tariff Gas-PA. P.U.C. No. 1 was suspended by operation of law until April 1, 2023, unless permitted by Commission Order to become effective on an earlier date.

The Commission assigned the Company's filing to the Office of Administrative Law Judge (OALJ) for the development of an evidentiary record culminating in a Recommended Decision (RD). The OALJ subsequently assigned the suspended proceeding to Administrative Law Judge Jeffrey A. Watson (the ALJ) for investigation and scheduling of hearings to consider the lawfulness, justness and reasonableness of the Company's rate increase request.

A Prehearing Conference was held on August 16, 2022, at which time a procedural schedule was established. The procedural schedule included filing dates for written Direct, Rebuttal, and Surrebuttal Testimony and Main Briefs and Reply Briefs, as well as dates for Evidentiary Hearings and telephonic public input hearings.

II. SETTLEMENT TERMS AND CONDITIONS

The Commission encourages settlements, which eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion.¹² Here, the Joint Petitioners successfully achieved a Settlement Agreement of all issues related to this base rate proceeding.

The Settlement Agreement is a "Black Box" agreement, which does not specifically identify the resolution of certain disputed issues.¹³ Instead, an overall increase to base rates is agreed to and Joint Petitioners retain all rights to further challenge all issues in subsequent

¹² *Pa. PUC v. Venango Water Co.*, Docket No. R-2014-2427035, 2015 WL 2251531, at *3 (Apr. 23, 2015 ALJ Decision) (adopted by Commission via Order entered June 11, 2015); *See* 52 Pa. Code §5.231.

¹³ *See id.* at *11.

proceedings. A “Black Box” settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses.¹⁴

I&E contends that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. Additional testimony and exhibits, three days of litigious hearings, briefing, and further involvement of both ALJs would have added time and expense to an already cumbersome and complex proceeding. Ratepayers benefit when rate case expenses stay at a reasonable level.¹⁵ The request for approval of the *Joint Petition for Settlement* is based on the I&E conclusion that the Settlement Agreement meets all the legal and regulatory standards necessary for approval. “The prime determinant in the consideration of a proposed Settlement is whether or not it is in the public interest.”¹⁶ The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”¹⁷ The Settlement Agreement in the instant proceeding protects the public interest in that a comparison of the original filing submitted by the Company and the negotiated agreement demonstrates that compromises are evident throughout the Joint Petition.

A. Revenue Requirement Increase and Phase In

The proposed Settlement will allow Leatherstocking to file new tariff rates designed to provide an overall increase in annual gas distribution operating revenues of approximately \$520,000 in year 1, effective April 1, 2023, and \$125,000 in year 2, effective April 1, 2024, for a total increase of \$645,000 once fully phased-in, instead of the Company’s requested

¹⁴ *See id.*

¹⁵ *See id.*

¹⁶ *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

¹⁷ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

approximately \$701,200 per year increase. This amounts to an increase of approximately 25.7% in total customer bills and 48.9% in delivery revenues in year 1 and an increase of approximately 4.9% in total customer bills and 7.9% in delivery revenues in year 2.

The parties to the Joint Settlement have agreed upon the additional annual revenues as a Black Box settlement, subject to a few specific provisions detailed within the Joint Petition.

Based on I&E's analysis of the Company's filing and discovery responses received the rate increase under the proposed Settlement represents a result that is within the range of likely outcomes in the event that the case was fully litigated. The increase is appropriate and, when accompanied by other important provisions contained in the Settlement, yields a result that is both just and reasonable and in the public interest.

As noted above, the additional revenue in this proceeding is base rate revenue and has been agreed to in the context of a Black Box settlement. A Black Box agreement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A Black Box settlement benefits ratepayers as it allows for the resolution of a proceeding in a timely manner while avoiding significant additional expenses. I&E is of the opinion that an agreement as to the resolution of each and every disputed issue in this proceeding would not have been possible without judicial intervention. The involvement of the ALJ would have added time and expense to an already cumbersome proceeding. Avoiding this necessity will benefit ratepayers by keeping the expenses associated with this filing at a reasonable level. The previous Chairman of the Commission has commented on Black Box settlements and stated that the "[d]etermination of a company's revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company's cost of capital. To reach an

agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black Box settlements are an integral component of the process of delivering timely and cost-effective regulation.”¹⁸

This increased level of Black Box revenue adequately balances the interests of ratepayers and the Company. Leatherstocking will receive sufficient operating funds in order to provide safe and adequate service while ratepayers are protected as the resulting increase minimizes the impact of the initial proposal. Further, the phased-in approach to the rate increase is an important provision that likely would not have been possible in a fully litigated base rate case. It provides ratepayers with protection from the full increase going into effect all at one time. Mitigation of the level of the rate increase benefits ratepayers and results in rates that satisfy the regulatory standard requiring just and reasonable rates. As such, this element supports the standard for approval of a settlement as the resulting rates are just and reasonable and in accordance with the Public Utility Code and all pertinent case law.

B. Rate Design

The allocation of rate increase among the customer classes is a significant issue in base rate proceedings. It is important to allow the utility to recover only those direct monthly costs that vary with the addition or loss of a customer through the Customer Charge. This charge provides the Company with a steady, predictable level of income that will allow for the proper maintenance and upkeep of the system. Establishing the proper customer charge protects ratepayers by ensuring that Leatherstocking is not being overcompensated. Moderating the requested increase in this

¹⁸ See Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (Order entered January 13, 2011). See also Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, Pennsylvania*, Docket No. R-2010-2172665 (Order entered January 13, 2011).

proceeding also benefits ratepayers as it allows them to reap a greater portion of the benefit of conservation. Shifting costs to the volumetric portion of a customer's bill allows for the immediate realization of the benefit of conserving usage. Designing rates to allow customers to have greater control of their utility bills is in the public interest.

In testimony, Leatherstocking did not propose to increase any customers charges. As I&E Witness Sakaya explained, “[c]ustomer charge revenue is considered guaranteed revenue because the revenue a utility receives from customer charges does not vary with usage. If a utility believes that the revenue from present customer charges is sufficient, the utility will not request an increase in its customer charges.”¹⁹ Leatherstocking's current customer charges for SC1 and SC2 will remain at \$20.00 per the terms of the settlement. This is reasonable because, as explained above, the customer charge was already set at a level which recovered a sufficient amount of revenue; therefore, there was no need to increase it further. In addition, the settlement explains that the revenue allocation will be a uniform percentage increase to SC1, SC2, and SC3. This is consistent with the approach recommended by I&E Witness Sakaya when he stated, “[t]he Company did not provide a COSS to compare the revenue received to the expenses incurred to provide service to each class. Thus, there is no justification for proposing a different percentage increase for the classes receiving an increase. Therefore, scaling back the usage rates so each class receives the same percentage increase is the most reasonable approach to establish rates if the Commission grants less than the full increase.”²⁰

¹⁹ I&E St. No. 3-R, p. 4.

²⁰ I&E St. No. 3, p. 18.

Based on I&E’s review of the information and positions presented in this proceeding, I&E views the settlement of the rate design and revenue allocation issues to be within the range of reasonable outcomes that would result from full litigation of this case. As such, these provisions are in the public interest.

C. State Tax Adjustment Surcharge

Per the Settlement, the revenue requirement reflects the 2023 State Income Tax Rate of 8.99%. Further, for the 2024 and later years, Leatherstocking has agreed that it will calculate the state income tax at the statutory rate for that year and compare it to state income taxes calculated at 8.99%. The difference will be “grossed-up” and will be passed back to customers through the STAS surcharge credit until base rates are reset.

As explained by I&E Witness Christine Wilson, “[o]n July 8, 2022, Pennsylvania House Bill 1342 was signed into law as Act 53 of 2022. Act 53 will lower the current 9.99% corporate net income tax rate to 8.99% in 2023 and will decrease the tax rate by 0.5% each year until 2031, when the tax rate will be 4.99%.”²¹ The terms of the Settlement reflect this change. Therefore, the provision is in the public interest.

D. Depreciation

The depreciation of rates reflected in Leatherstocking’s filings were adopted as part of the settlement. I&E supports these rates as being acceptable and, therefore, this term is in the public interest.

E. Effective Date

The Joint Petitioners agree to the implementation of the Settlement Rates no sooner than April 1, 2023 for year 1 and April 1, 2024 for year 2. As such, rates go into effect at the end of

²¹ I&E Exhibit No. 1, Schedule 3, p. 1.

the suspension period. This is in the public interest and prevents customers from getting the increase at the begging of the winter heating season.

F. Reporting

Leatherstocking has agreed that in its next base rate filing, it will provide documentation showing efforts made to control customer records/collection expense and manage insurance costs. As explained by I&E Witness Wilson, Leatherstocking's claim for customer accounts expense has increased significantly since CNGH bought out MRI's shares of the Company in July 2020.²² As a result, Witness Wilson recommended that Leatherstocking be required in its next rate case to provide documentation showing how it made efforts to find operating efficiencies to reduce these expense increases for customer accounts expense – records/collection between now and its next rate case filing.

Furthermore, Leatherstocking's claim for admin. and general expense – injury and damages had also significantly increased since CNGH bought out MRI's shares of the Company in July 2020. Therefore, Witness Wilson, once again, recommended the Company provide documentation in its next base rate case to show how the company made efforts to control costs in this area.

The Settlement term is consistent with I&E's recommendation. While increasing costs are sometimes inevitable, it is important that utilities show how they are making efforts to control costs. Therefore, I&E agrees that this term is in the public interest.

III. THE SETTLMENET IS IN THE PUBLIC INTEREST

Based on I&E's analysis of the base rate revenue increase requested by Leatherstocking Gas Company, LLC, acceptance of this proposed Joint Petition is in the public interest.

²² I&E St. No. 1, pp. 4-5.

Resolution of these provisions by settlement rather than continued litigation will avoid the additional time and expense involved in formally pursuing all issues in this proceeding.

Increased litigation expenses may cause an increase in revenue beyond that agreed to in the Joint Petition. Acceptance of the foregoing Settlement Agreement will negate the need to engage in additional litigation including the preparation of Main Briefs, Reply Briefs, Exceptions, and Reply Exceptions. The avoidance of further rate case expense by settlement of these provisions in this base rate investigation proceeding best serves the interests of Leatherstocking and its customers. As litigation of this rate case is a recoverable expense, curtailment of these charges is in the public interest.

I&E agrees to settle the disputed issue as to the proper level of additional base rate revenue through a Black Box agreement with limited exceptions. I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or the continuation of this litigation in the event the Settlement Agreement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJs recommends that the Commission adopt the Settlement Agreement as proposed, I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its rights to file Exceptions with respect to any modifications to the terms and conditions of the Settlement Agreement, or any additional matters, that may be proposed by the ALJs in the Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any party to this proceeding. The Settlement Agreement is also conditioned upon the Commission's approval of all terms and conditions contained therein, and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

IV. CONCLUSION

WHEREFORE, the Commission's Bureau of Investigation and Enforcement represents that it supports the *Joint Petition for Settlement of Rate Investigation* as being in the public interest and respectfully requests that Administrative Law Judge Jeffrey A. Watson recommend, and the Commission subsequently approve, the foregoing Settlement Agreement, including all terms and conditions contained therein.

Respectfully submitted,



Carrie B. Wright
Prosecutor
Attorney ID #208185

Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
400 North Street
Harrisburg, Pennsylvania 17120
(717) 783-6156

Dated: November 21, 2022

APPENDIX F

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**OFFICE OF CONSUMER ADVOCATE’S STATEMENT IN SUPPORT
OF JOINT PETITION FOR SETTLEMENT OF RATE INVESTIGATION**

The Office of Consumer Advocate (OCA), a signatory party to the Stipulation in Settlement of Section 1307(f) Rate Investigation (Settlement) in the above-captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved by the Administrative Law Judge (ALJ) and the Pennsylvania Public Utility Commission (Commission). The OCA finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On July 1, 2022, Leatherstocking Gas Company, LLC (Leatherstocking) filed Supplement No. 17 to Tariff Gas – Pa. P.U.C. No. 1 (“Supplement No. 17”) to become effective September 1, 2022. This filing contained proposed changes in rates, rules, and regulations calculated to produce \$701,200 (32.35%) in additional annual revenues. Leatherstocking’s filing was the first general rate increase sought

by the Company since it began operations in 2013.

The Bureau of Investigation and Enforcement (I&E) filed a Notice of Appearance on July 19, 2022. The Office of Small Business Advocate (OSBA) filed a Formal Complaint, Public Statement and Notice of Appearance on July 22, 2022. On August 4, 2022, the OCA filed a Formal Complaint and Public Statement and against the proposed increase in rates and a Notice of Appearance.

On August 4, 2022, the Commission issued an Order suspending Supplement No. 17 by operation of law until April 1, 2023, unless permitted by Commission Order to become effective at an earlier date.

The parties had a series of discussions related to resolving the rate increase filing. As a result of the settlement discussions, the signatory parties were able to reach an agreement in principle to resolve all issues, resulting in the settlement terms and conditions set forth herein. As discussed below, the OCA submits that the Settlement is in the best interest of Leatherstocking's ratepayers, is in the public interest and should be adopted.

II. SETTLEMENT TERMS AND CONDITIONS

A. Revenue Increase and Allocation

Upon the Commission's approval of this Settlement, Leatherstocking will be permitted to establish rates which will produce an overall increase in annual gas distribution operating revenues of approximately \$520,000 in year 1, effective April

1, 2023, and \$125,000 in year 2, effective April 1, 2024, for a total increase of \$645,000 once fully phased-in. This is an increase of approximately 25.7% in total customer bills and 48.9% in delivery revenues in year 1 and an increase of approximately 4.9% in total customer bills and 7.9% in delivery revenues in year 2.

Based on the OCA's analysis of the Company's filing, and discovery responses, the amount of the rate increase under the proposed Settlement represents a result that is within or below the range of likely outcomes in the event of full litigation of the case. Leatherstocking's filing was the first general rate increase sought by the Company since it began operations in 2013. The OCA's witness, Jennifer L. Rogers, stated in her Direct Testimony that the Company cited infrastructure investments needed to serve new customers in its franchise territory and increases in operating costs as the ongoing drivers of this requested rate increase.

Based upon the testimony of all the witnesses and the fact that this was the first general rate increase sought by the Company since it began operations in 2013, an overall increase in annual gas distribution operating revenues was supported. As concluded by Ms. Rogers, the original request by the Company of \$701,200 was not reasonable. However, through discovery and a series of negotiations, the OCA was able to reach a Settlement which keeps the overall increase at \$645,000, which is \$56,200 less than the amount originally sought by the Company. Containing the increase to approximately \$520,000 in year 1, and \$125,000 in year 2, for a total

increase of \$645,000 once fully phased-in, is reasonable given the record evidence and in the public interest.

B. Rate Design/Structure

Joint Petitioners have agreed to the rate design reflected in the attached proof of revenues and tariff supplement. Under this proposal, the percentage increase allocated to the residential class is consistent with the percentage recommended by OCA witness, Jerome D. Mierzwa. A uniform percentage increase across customer classes is particularly appropriate where, as is the case here, an allocated class cost of service study was not conducted.

In his testimony, OCA witness Mierzwa testified that Leatherstocking's current residential customer charge is already the highest in the Commonwealth and any increase in the charge would be inconsistent with the Commission's goal of encouraging energy conservation. Mr. Mierzwa recommended that the existing \$20.00 SC-1 monthly charge should be maintained. Pursuant to the agreed upon rate design of the Joint Petitioners, the SC-1 Residential Customer charge will remain at \$20.00 for years 1 and 2.

The OCA submits that the following agreed upon rate design and structure is reasonable and in the public interest while maintaining the existing \$20.00 SC-1 monthly charge for residential customers:

- CBOCF surcharge rate of \$0.30 per CCF has been rolled into base rates.

- CBOCF surcharge rate will be \$0.00 for all rate codes.
- The Revenue Allocation will be a uniform percentage increase to SC1, SC2, and SC3.
- The customer charge per month for years 1 and 2 are as follows:
 - a. SC1 Residential: \$20.00
 - b. SC2 General Service & Non Residential Space Heating: \$20.00
 - c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$300.00
 - d. SC4 Large Commercial \geq 25,000 MCF annually: \$1,220.00
 - e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$300.00
 - f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1,220.00
- The Rate per CCF for year 1 delivery rates effective April 1, 2023, is as follows:
 - a. SC1 Residential: \$1.53859 per ccf
 - b. SC2 General Service & Non Residential Space Heating:
\$1.45658 per ccf
 - c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.29303
per ccf
 - d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.24668 per
ccf

- e. SC5 Small Transportation 5,000-24,999 MCF Annually:
\$1.29303 per ccf
- f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.24468
per ccf
- The Rate per CCF for year 2 delivery rates effective April 1, 2024, is
as follows:
 - a. SC1 Residential: \$1.68010 per ccf
 - b. SC2 General Service & Non Residential Space Heating: \$1.57839
per ccf
 - c. SC3 Small commercial 5,000 – 24,999 MCF annually: \$1.39947 per
ccf
 - d. SC4 Large Commercial \geq 25,000 MCF annually: \$1.35157 per ccf
 - e. SC5 Small Transportation 5,000-24,999 MCF Annually: \$1.39947
per ccf
 - f. SC6 Large Transportation \geq 25,000 MCF Annually: \$1.35157 per
ccf

C. State Tax

The revenue requirement reflects the 2023 State Income Tax Rate of 8.99%. However, no STAS adjustment will be required for January – March 2023, which is estimated to be approximately \$1,800. For the 2024 and later years, Leatherstocking

will calculate the state income tax at the statutory rate for that year and compare it to state income taxes calculated at 8.99%. The difference will be “grossed-up” by using the following formula and will be passed back to customers through the STAS surcharge credit until base rates are reset:

| <u>2024 Retention Factor Gross-Up Example</u> | |
|---|--------|
| State Tax Savings (8.49% vs. 8.99%) | 100.00 |
| Less: 2024 State Income Tax @ 8.49% | 8.49 |
| Federal Taxable Income | 91.51 |
| Less: Federal Income Tax @ 21% | 19.22 |
| Net Income | 72.29 |
| | |
| Net Income (Retention) /100 | 0.7229 |
| | |
| Gross Up Factor (1 / Retention Factor) | 1.3833 |

The OCA submits that the settlement will ensure that known future decreases to state income taxes will flow through rates to the benefit of consumers. As such, the OCA supports this provision of the Settlement.

D. Depreciation

With the CBOCF surcharge rolled into rates, Leatherstocking will stop accruing economic depreciation effective with new base rates with respect to CBOCF projects. The depreciation of rates reflected in Leatherstocking’s filings and shown below are adopted as part of the settlement:

| <u>Account</u> | <u>Gas - Intangible (Amortization)</u> | <u>Average Service Life</u> | <u>Annual Depr. / Amort. Rate</u> |
|----------------|--|-----------------------------|-----------------------------------|
| 301 | Organization Costs | - | 3.21% |
| 302 | Franchise / Consents | - | 0.28% |
| | | | |
| | <u>Gas - Distribution Plant</u> | | |
| 374 | Land Rights / Easements | - | - |
| 375 | Structures & Improvements (Amort.) | 5 | 20.00% |
| 376 | Distribution Mains | 60 | 1.67% |
| 378 | Measuring & Regulator Equipment | 40 | 2.50% |
| 380 | Services | 40 | 2.50% |
| 381 | Meters | 35 | 2.86% |
| 382 | Meter Installations | 40 | 2.50% |
| 383 | House Regulators | 45 | 2.22% |
| | | | |
| | <u>Gas - General Plant (Amortization)</u> | | |
| 391 | Office Furniture and Equipment | 5 | 20.00% |
| 392 | Transportation Equipment | 5 | 20.00% |
| 394 | Tools & Equipment | 5 | 20.00% |

While the OCA did not submit testimony on this issue, the agreed upon depreciation schedule is reasonable.

E. Effective Date

Upon the entry of a Commission Order approving this Joint Petition, Leatherstocking will be permitted to file a tariff for gas service, reflecting the agreed-to additional operating revenue. The Joint Petitioners agree to the implementation of the Settlement Rates no sooner than April 1, 2023 for year 1 and April 1, 2024 for year 2. The OCA submits that the implementation of the Settlement Rates in April 2023 for year 1 is consistent with the Commission's Suspension Order in this case.

In addition, the April 2024 increase in year 2 is well-timed to avoid the winter months when gas usage is at its peak.

F. Reporting

In its next base rate filing, the Leatherstocking will provide documentation showing efforts made to control customer records/collection expense and manage insurance costs. The provision of this additional information in the Company's next base rate case is a reasonable concession to the issues raised by the parties.

III. CONCLUSION

The terms and conditions of the proposed Settlement of this rate proceeding represent a fair and reasonable resolution of the issues and claims arising in this proceeding. If approved, the proposed Settlement would provide for an increase of approximately \$645,000 in annual revenues. This amount is reduced from the \$701,200 annual increase proposed in Leatherstocking's filing. In addition, the Settlement provides for a phase in of the full increase that will help reduce the rate impact on consumers. While this increase is substantial, it is within the range of anticipated outcomes in this proceeding, the first rate case the Company has filed since it began operations in 2013.

WHEREFORE, for the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the interest of Leatherstocking's ratepayers and the public interest and should be approved.

Respectfully Submitted,

/s/Christopher M. Andreoli

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DATED: November 23, 2022

APPENDIX G

On August 16, 2022, a prehearing conference was held before Administrative Law (ALJ”) Judge Jeff Watson.

Public input hearings were held on September 19, 2022.

Leatherstocking served direct testimony with its filing on July 1, 2022. The Bureau of Investigation and Enforcement (“I&E”), the Office of Consumer Advocate (“OCA”) and the OSBA served direct testimony on September 13, 2022. The Company, I&E and the OCA served rebuttal testimony on October 5, 2022.

The parties conducted settlement negotiations which resulted in a full settlement of all the issues prior to the due date for surrebuttal testimony. As such, the evidentiary hearings scheduled for October 26th and 27th were cancelled. All testimony and exhibits were entered into the record by stipulation and Interim Order issued by ALJ Watson on October 25, 2022.

On August 12, 2022, the OSBA filed a Prehearing Memorandum. In its Complaint and Prehearing Memorandum, the OSBA identified several issues of concern, including the following:

1. Whether the rates, terms, and other provisions of Supplement No. 17 to Tariff Gas - Pa. P.U.C. No. 1 (“Supplement No. 17”)--which was filed on July 1, 2022, by Leatherstocking Gas Company LLC (“Leatherstocking” or “Company”) - would result in the implementation of rates which would be unjust, unreasonable, unduly discriminatory and otherwise contrary to law, particularly as they pertain to small business customers;
2. Whether the materials filed by the Company are sufficient to justify the rate increase requested, particularly as pertains to small business customers; and
3. Whether the Company’s requested return on common equity will provide an excessive return on the Company’s investments and is unjust, unreasonable and contrary to law.

The OSBA has actively participated in the negotiations which have led to the filing of the Joint Petition for Full Settlement (“Settlement”). The OSBA is a signatory to the Settlement and urges the Commission’s approval of the Settlement without modification.

II. Settlement Terms and Conditions

The Settlement sets forth a comprehensive list of issues which were resolved through the negotiation process. This statement outlines the OSBA’s specific reasons for joining the Settlement. The following provisions were of particular significance to the OSBA in concluding that the Settlement is in the best interests of small business customers:

A. Revenue Requirement

In the Company’s original filing, Leatherstocking proposed a revenue increase of \$701,200 per year.¹ In contrast, the Settlement provides only \$645,000 per year in additional annual operating revenues, \$520,000 in year 1, effective April 1, 2023, and \$125,000 in year 2, effective April 1, 2024.² At a time when all types of utility service are becoming more expensive, the reduction in the overall revenue increase provided by the Settlement will benefit all of Leatherstocking’s ratepayers, including the Company’s small business customers. In testimony, the OSBA made certain recommendations and adjustments to Leatherstocking’s proposed increase.³ While the settlement is a “black box” settlement, without admission on any particular issue, the percentage reduction, and also phase in of the increase over a two-year

¹ Leatherstocking Statement No. 1, p.10.

² Settlement, at 8, p,3.

³ OSBA Statement No. 1 p. 5-10.

period reflect a reasonable compromise and general acknowledgment of the competing positions including the OSBA.

B. Rate Design for SC-2 and SC-3 General Service

The Company's filing did not include a class cost-of-service study. At the full revenue requirement, the Company proposed to increase Residential customers non-gas rates by 59.2%, while increasing SC-2 General Service customers by 68.8%, and SC-3 Small Commercial customers by 70.4%.⁴ Absent a class cost-of-service study, the proposed revenue allocation and rate design assigned an unreasonable portion of cost recovery to small business customers.⁵

The OSBA recommended that in light of the absence of a class cost of service study, the most reasonable revenue allocation is an equal percentage increase applied to the non-gas costs for these three classes.⁶ The Settlement adopts this approach, applying a uniform percentage increase to non-gas revenues for all three of these classes in both Year 1 and Year 2.

C. State Tax Adjustment Surcharge

The OSBA took no position on this issue.

D. Depreciation

The OSBA took no position on this issue

E. Effective Date

The OSBA took no position on this issue.

F. Reporting

The OSBA took no position on this issue.

G. Standard Terms

⁴ OSBA Statement No. 1 at 4, *citing* Leatherstocking Exhibit G-6, Schedule 5

⁵ OSBA Statement No. 1 at 12.

⁶ OSBA Statement No. 1 at 12-13.

The Joint Petition for Full Settlement of Rate Proceeding is a “black box” settlement. While the OSBA and other parties may have advanced more specific positions in a fully litigated proceeding, the Joint Petition is a compromise which results in a reasonable resolution of the issues. This Settlement may not be cited as precedent in any future proceeding except to the extent required to enforce the provisions of the Settlement.

V. Conclusion

For the reasons set forth in the Settlement, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Settlement and respectfully requests that the ALJ and the Commission approve the Settlement in its entirety.

Respectfully submitted,

/s/ Sharon E. Webb

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Dated: November 21, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Dated: November 23, 2022