

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held June 13, 2024

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

Pennsylvania Public Utility Commission
v.
Kaib and Kaib, LLC

Docket Number:
R-2023-3043594

ORDER

BY THE COMMISSION:

On October 6, 2023, Kaib and Kaib, LLC (Kaib and Kaib), Utility Code: 120008, filed Original Tariff Gas-Pa. P.U.C. No. 1 with the Pennsylvania Public Utility Commission (Commission), proposing an annual increase in rates of \$28,337 (approximately 65%) to become effective on December 4, 2023. On November 16, 2023, Kaib and Kaib filed Original Tariff Gas-Pa. P.U.C. No. 2, replacing in its entirety Original Tariff Gas-Pa. P.U.C. No. 1 as filed on October 6, 2023, and postponing the effective date to December 22, 2023. On December 15, 2023, Kaib and Kaib filed Supplement No. 1 to Tariff Gas-Pa. P.U.C. No. 2, voluntarily postponing the effective date to March 15, 2024. On January 10, 2024, Kaib and Kaib revised its requested annual increase to \$29,488 (approximately 69.7%).

On February 1, 2024, a Kaib and Kaib customer filed a formal complaint¹ against the tariff filing. By Commission Order² entered March 14, 2024, and pursuant to 66 Pa. C.S. § 1308(d), Tariff Gas Pa. P.U.C. No. 2 was suspended by operation of law until October 15, 2024, unless permitted by Commission Order to become effective at an earlier date. The March 14, 2024 Order also assigned the tariff filing to the Office of the Administrative Law Judge to investigate the lawfulness, justness, and reasonableness of the proposed rate increases in the tariff filing. On March 26, 2024, a second Kaib and Kaib customer complaint³ was placed into the Commission's docketing system.

On March 22, 2024, and April 23, 2024, Certificates of Satisfaction were filed regarding each of the formal complaints. No objections to either of the Certificates of Satisfaction were filed within the 10-day objection period. On May 7, 2024, an Order was issued, reassigning the filing to the Commission's Bureau of Technical Utility Services for further review and investigation.

Kaib and Kaib serves 45 residential and 3 commercial customers in the township of Warsaw and the Borough of Hazen, Jefferson County, Pennsylvania. Kaib and Kaib states that it has not filed for a rate increase since its rates were established in its Original Tariff Gas – PA PUC No. 1, that was approved on July 30, 1999. In support of the proposed increase, the company submits that the cost of labor, office supplies, equipment, parts, and professional fees have all significantly increased since the initial rates were approved in 1999. In addition, the company intends to improve the system with needed repairs, replacement of old meters and pipes, computer billing software, leak detection and more efficient meter reading.

Based on its original tariff rates, Kaib and Kaib calculates it requires an increase of \$29,488 (69.7%) in revenues to produce a net operating income of \$1,856, or a profit

¹ At Docket No. C-2024-3046876

² At Docket No. R-2023-3043594

³ At Docket No. C-2024-3047836

margin of 2.58%. Kaib and Kaib is proposing to increase the customer charge from \$5.50 to \$12.00 for residential customers and to \$35.00 for commercial customers. Kaib and Kaib is also proposing to raise the volumetric distribution charge from \$5.50/Mcf to \$9.00/Mcf for both residential and commercial customers.

We note that in Kaib and Kaib's October 6, 2023 filing and in its November 16, 2023 response to staff data requests, the company provided calculations of current revenues using a \$7.50 monthly customer service charge. On January 10, 2024, the company revised the requested annual increase by recalculating current revenues using a \$5.50 monthly customer service charge. While the company's total requested annual revenue requirement did not change, the increase from present rates is corrected from \$28,337 to \$29,488 due to the recalculation. Since, the monthly customer service charge in Kaib and Kaib's currently approved tariff is \$5.50 and it appears Kaib and Kaib may have been billing its customers at the \$7.50 monthly customer service charge rate, this matter is referred to the Commission's Bureau of Investigation and Enforcement for appropriate action.

The matter of the monthly customer service charge notwithstanding, after an investigation and analysis of this proposed tariff filing and supporting data, it does not appear that the proposed changes in rates, rules, and regulations are unlawful, unjust, unreasonable, or contrary to the public interest. This does not constitute a determination of the lawful, just, and reasonable rates to be charged by Kaib and Kaib. Rather, this is a determination that suspension or further investigation of the tariff filing is not warranted at this time; **THEREFORE,**

IT IS ORDERED:

1. That the proposed rates, rules, and regulations contained in Tariff Gas-Pa. P.U.C. No. 2 be, and hereby are, permitted to become effective on June 13, 2024.
2. That this Order is without prejudice to any Formal Complaints timely filed against Kaib and Kaib, LLC's proposed rate changes.
3. That the matter of Kaib and Kaib, LLC's monthly customer service charge, as discussed in this Order, is referred to the Bureau of Investigation and Enforcement for appropriate action.
4. That a copy of this Order shall be served upon the Kaib and Kaib, LLC, the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate, and any persons who have filed Formal Complaints against Kaib and Kaib, LLC's proposed tariff.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: June 13, 2024

ORDER ENTERED: June 13, 2024

GENERAL INFORMATION

Operation

Kaib and Kaib, LLC (Kaib and Kaib) serves 45 residential and 3 commercial customers in the township of Warsaw and the Borough of Hazen, Jefferson County, Pennsylvania.

Proposed Rate Increase

<u>Effective Date</u>	<u>Amount Requested</u>
June 13, 2024	\$29,488 (69.7%)

Reasons for the Proposed Increase

1. Kaib and Kaib has not filed for a rate increase since its rates were established in its Original Tariff Gas – PA PUC No. 1, that was approved on July 30, 1999.
2. The cost of labor, office supplies, equipment, parts, and professional fees have all significantly increased since the initial rates were approved in 1999. In addition, the company intends to improve the system with needed repairs, replacement of old meters and pipes, computer billing software, leak detection and more efficient meter reading.

Complaints or Protests

Satisfied

SCHEDULE OF RATES CHARGED MONTHLY

<u>Classification</u>	<u>Customers on 1/9/2024</u>	<u>Rates Current</u>	<u>Proposed</u>
Residential	45	Customer Charge \$5.50	\$12.00
		Commodity Charge \$5.50	\$ 9.00
Commercial	3	Customer Charge \$5.50	\$35.00
		Commodity Charge \$5.50	\$ 9.00
Total	<u>48</u>		

Kaib and Kaib requested an overall rate increase of \$29,488 per year, for a Proposed Base Rate Revenue of \$71,810, resulting in a net operating income of \$1,856. Kaib and Kaib indicated it is currently operating at a loss and has no positive net operating income. The company's entire request will increase the total bill for a residential customer using 12.40 Mcfs from \$75.00 to \$123.00 per month. Kaib and Kaib will raise about 26.25% of the requested increase from the fixed monthly service charges, and the remaining increase from the volumetric commodity charges of the natural gas sold to its customers.

Operating Ratio Method

Kaib and Kaib could not substantiate a rate base upon which the traditional rate of return methodology could be used to establish rates.

The operating ratio method relates revenue requirements to operating expenses (less depreciation and income taxes) by measuring the ratio of the expenses to revenues. The operating ratio (i.e. the ratio of expenses to revenues) is developed on the basis of the dollars required to meet the total operating and capital costs of the utility. The ratio should be sufficient enough to recover direct operating expenses and debt service, as well as providing an allowance to cover abnormal expenses or repairs to the system that typically do not occur on an annual basis.

As applied by the staff in this rate case, the operating ratio allows reasonable operating costs based on adjusted test year expenses as usually accepted in a normal rate case. In lieu of a return on investment, plant depreciation, and other staff adjustments, the operating ratio is computed as follows:

Current Revenues	\$ 42,322	
Revenue Requirement	\$ 71,810	100.00%
Total Operating Expenses	<u>\$ 70,229</u>	<u>97.42%</u>
Net Operating Income	<u>\$ 1,856⁴</u>	<u>2.58%</u>
Increase in Revenues	<u>\$ 29,488</u>	<u>69.7%</u>

Historically, the Commission has approved operating ratios of 85-90%. The operating ratio of 97.42%, with a profit margin of 2.58% is a small profit for Kaib and Kaib. While the operating ratio is high, Kaib and Kaib do not want to increase rates beyond the requested amount at this time. It appears that Kaib and Kaib's operating ratio is reasonable.

⁴ Includes \$440 for other income and \$165 for interest deductions.

PUBLIC INFORMATION BRIEFING SHEET

SUBJECT: Kaib and Kaib, LLC.
Docket No. R-2023-3043594
Supplement No. 1 to Tariff Gas-Pa. P.U.C. No. 2

EFFECTIVE DATE: March 15, 2024

AMOUNT OF INCREASE:	Per Company	\$29,488	69.7%
	Per Commission	\$29,488	69.7%

REASONS FOR PROPOSED INCREASE:

1. Kaib and Kaib has not filed for a rate increase since its rates were established in its Original Tariff Gas – PA PUC No. 1, that was approved on July 30, 1999.
2. The cost of labor, office supplies, parts, professional fees, and equipment all have significantly increased since the initial rates were approved in 1999. In addition, the company intends to improve the system with needed repairs, replacement of old meters and pipes, computer billing software, leak detection and more efficient meter reading.

CUSTOMERS SERVED:

Residential	45
Commercial	3
Total	48