

COMMONWEALTH OF PENNSYLVANIA



DARRYL A. LAWRENCE
Acting Consumer Advocate

OFFICE OF CONSUMER ADVOCATE
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
(800) 684-6560

 @pa_oca
 /pennoca
FAX (717) 783-7152
consumer@paoca.org
www.oca.pa.gov

May 12, 2025

Via Electronic Filing

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission
v.
Valley Energy, Inc.
Docket No. R-2025-3054393

Dear Secretary Homsher:

Attached for electronic filing, please find the Office of Consumer Advocate's Formal Complaint and Public Statement in this proceeding. Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectfully submitted,

/s/ Melanie Joy El Atieh
Melanie Joy El Atieh, Esq.
Deputy Consumer Advocate
PA Attorney I.D. # 209323
Email: melatieh@paoca.org

Enclosures

cc: The Honorable Charles E. Rainey, Jr. (email only: crainey@pa.gov)
Paul Diskin, TUS (email only: pdiskin@pa.gov)
Daniel Searfoorce, TUS (email only: dsearfoorc@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2025-3054393
 :
 Valley Energy, Inc. :
 :

I hereby certify that I have this day filed electronically on the Commission’s electronic filing system and served a true copy of the following document, the Office of Consumer Advocate’s Formal Complaint and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 12th day of May 2025.

SERVICE BY E-MAIL ONLY

Adeolu A. Bakare, Esq.
Matthew L. Garber, Esq.
Rebecca Kimmel, Esq.
Lauren Huff, Paralegal
Lisa Charleton, Administrative
McNees Wallace & Nurick LLC
100 Pine Street
Harrisburg, PA 17108-1166
abakare@mcneeslaw.com
MGarber@mcneeslaw.com
rkimmel@mcneeslaw.com
LHuff@mcneeslaw.com
LCharleton@mcneeslaw.com
Counsel for Company

Pamela Polacek
Chief Legal & Regulatory Officer
C&T Enterprises, Inc.
ppolacek@ctenterprises.org
Company

Adam J. Williams, Esq.
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
adawilliam@pa.gov
Counsel for I&E

Steven C. Gray, Esq.
Rebecca Lyttle, Esq.
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
relyttle@pa.gov
Counsel for OSBA

/s/ Melanie Joy El Atieh
Melanie Joy El Atieh, Esq.
Deputy Consumer Advocate
PA Attorney I.D. # 209323
E-Mail: MEIAtieh@paoca.org

Barrett C. Sheridan, Esq.
Assistant Consumer Advocate
PA Attorney I.D. # 61138
E-Mail: BSheridan@paoca.org

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: 717-783-5048
Fax: 717-783-7152

Dated: May 12, 2025

Ryan Mordan, Esq.
Assistant Consumer Advocate
PA Attorney I.D. # 335679
Email: RMorden@paoca.org

Counsel for:
Darryl A. Lawrence
Acting Consumer Advocate

PENNSYLVANIA PUBLIC UTILITY COMMISSION

FORMAL COMPLAINT

1. COMPLAINANT INFORMATION

Darryl A. Lawrence, Acting Consumer Advocate

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Dauphin County

Phone: 717-783-5048

2. FULL NAME OF UTILITY COMPANY:

Valley Energy, Inc.
Docket No. R-2025-3054393

3. TYPE OF UTILITY:

Gas

4. COMPLAINT:

- A. On April 30, 2025, Valley Energy, Inc. (Valley, or the Company) filed Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 2 (Supplement No. 69) with the Pennsylvania Public Utility Commission (Commission), to become effective June 29, 2025. A full suspension by the Commission would delay the increase until January 31, 2026. Through its proposed tariffs, Valley proposes to increase distribution rates to collect additional annual distribution revenues in the amount of \$1,626,000, a 25.1% increase over distribution revenues at present rates. The proposed rate increase is based on a fully projected future test year (FPFTY) ending December 31, 2026.
- B. As of December 31, 2024, Valley served approximately 7,420 customers, of which 6,486 were residential customers with the remaining being commercial, industrial, or transportation customers.
- C. The Company provides gas distribution service to customers in the Boroughs of Athens, Monroe, Sayre, South Waverly and Towanda; the Townships of Asylum, Athens, Monroe, North Towanda, Towanda, Ulster, and Wysox all in Bradford County.

- D.** According to the customer notices included in Valley's filing, a residential customer using 76 Ccf per month would see an 18% increase in their monthly bill increase. However, Valley's customer notices understate the bill impact to residential customers by including the Gas Cost Rate rate, which is a rate not at issue in this proceeding. According to information in Valley's filing, a residential customer using 76 Ccf per month would see a 29.66% increase in their monthly bill for distribution charges, or an increase of \$12.03, from \$40.54 to \$52.57. The OCA is investigating the basis for the proposed rate increases and estimated bill increases to ensure that they are consistent with applicable standards and will produce just and reasonable and not unduly discriminatory rates.
- E.** The proposed gas distribution rate changes noted above do not reflect the changes that will be experienced by every customer; rather they only reflect changes for customers using what Valley has identified as "typical" usage for residential customers. In the OCA's experience, the increases reflected above (and on the notices sent to customers) often underestimate the impact of the rate increase for many customers. For example, based on the information the Company submitted, a customer that uses 117, 150, 200, or 250 Ccf per month will see a 31.61%, 32.54%, 33.46%, and 34.05% increase, respectively, in distribution charges on their monthly bill.
- F.** The Company is proposing to increase the residential customer charge, which is a charge a customer pays no matter how little or how much gas they consume, from \$12.35 to \$14.00, a 13.36% increase. The OCA is investigating the basis for and calculation of the proposed customer charge to determine if it is consistent with applicable standards and will produce just and reasonable and not unduly discriminatory rates.
- G.** The Company has not conducted a cost of service study for this proceeding. The Company is proposing an across the board increase. On a distribution only basis, the proposed increase to the residential class appears to be 29.56 %. The OCA is investigating the basis for and calculation of the cost of service allocation to ensure that they are consistent with applicable standards and will produce just and reasonable and not unduly discriminatory rates.
- H.** For ratemaking purposes, Valley proposes a return on equity of 11.65% resulting in an overall rate of return of 8.27%. The request for an 11.65% return on equity includes the Company's request for a Size Adjustment and a Performance Factor Adjustment. The Company also proposes utilizing a capital ratio of 48.94% common equity and 51.06% debt for ratemaking purposes.

The proposed rate of return appears to be excessive and, if accepted would result in rates that are unjust and unreasonable in violation of chapter 13 of the Pennsylvania

Public Utility Code, 66 Pa. C.S. Section 1301, *et seq.*, sound ratemaking principles, and public policy. The proposed capital structure also will be examined by the OCA to ensure it will produce rates that are just and reasonable consistent with Chapter 13 of the Pennsylvania Public Utility Code, 66 Pa. C.S. Section 1301, *et seq.*, sound ratemaking principles, and public policy.

- I. In reaching a decision on whether to grant Valley a rate increase as well as its various rule and tariff changes, the Public Utility Commission must give “due consideration to the interests of consumers.” 71 Pa. Stat. Ann. §309-5(2).
- J. A preliminary examination of Valley’s general rate increase request indicates that the rates requested may not be just and reasonable and otherwise may be in violation of the law.

5. RELIEF

The Acting Consumer Advocate respectfully requests that the Commission take the following actions:

- A. Suspend and investigate the operation of the proposed tariff supplement, Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 2 pursuant to Section 1308(d) of the Public Utility Code. 66 Pa. C.S. §1308(d);
- B. Enter a suspension order at the next scheduled Public Meeting following the date of this Complaint, which is May 22, 2025, in order to expedite this matter being assigned to the Office of Administrative Law Judge, which would allow the commencement of necessary procedural steps for purposes of developing a reasonable procedural schedule in this matter;
- C. Direct the Office of Administrative Law Judge to use the January 15, 2026, Public Meeting as the deadline for a final Commission determination in this matter and for purposes of setting a deadline for a Recommended Decision and developing a litigation schedule in this matter;
- D. Consolidate all complaints filed against the proposed increase;
- E. Ensure that Valley has provided appropriate and adequate notice in accordance with the Public Utility Code and the Commission’s Regulations;
- F. Hold full evidentiary hearings examining the reasonableness of Valley current rates and its proposed increases;
- G. After providing the public with adequate notice, and as early in the proceeding as possible, hold in-person public input hearings in Valley’s service territory, as well as by telephone or virtually, in order to provide Valley’s customers with an opportunity to be heard on the record;

- H. Deny inclusion into rate base of any plant that is not reasonably projected to be used and useful within the FPFTY, deny any charges or changes contained in the proposal which would result in unjust and unreasonable rates, or cannot be fully justified by Valley, or otherwise are contrary to the Public Utility Code, sound ratemaking principles, and public policy; and
- I. Grant such other relief that the Commission may deem appropriate.

6. VERIFICATION AND SIGNATURE

I, Darryl A. Lawrence, Acting Consumer Advocate, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. §4904 (relating to unsworn falsification to authorities).

/s/Darryl A. Lawrence
Signature

05/12/2025
Date

7. Legal Representation

Barrett C. Sheridan, Assistant Consumer Advocate, PA Bar No. 61138
Melanie J. El Atieh, Deputy Consumer Advocate, PA Bar No. 209323
Ryan Morden, Assistant Consumer Advocate, PA Bar No. 335679

555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Dauphin County

Phone: 717-783-5048

E-mail: BSheridan@paoca.org
MElAtieh@paoca.org
RMorden@paoca.org

PUBLIC STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE

PURSUSANT TO 71 P.S. SECTION 309-4(e)

Act 161 of the Pennsylvania General Assembly, 71 Pa. C.S. §309-2, as enacted July 9, 1976, authorizes the Consumer Advocate to represent the interests of consumers before the Pennsylvania Public Utility Commission (Commission). In accordance with Act 161, and for the following reasons, the Acting Consumer Advocate determined to file a Formal Complaint and participate in the proceedings before the Commission involving the proposed gas distribution utility rate increase by Valley Energy, Inc. (Valley or the Company).

On April 30, 2025, Valley filed a general rate increase request seeking the Commission's approval to increase its overall operating revenue by approximately \$1.6 million per year, or 25.1%, over the amount of annual revenues at present rates. According to the customer notice included in Valley's filing, a residential customer using 76 Ccf per month would see a 29.66% increase in their monthly bill for distribution charges, or an increase by \$12.03, from \$40.54 to \$52.57. The Company is proposing to increase the residential customer charge, which is a charge a customer pays no matter how little or how much gas they consume, from \$12.35 to \$14.00, a \$13.36% increase. On a distribution only basis, the proposed increase to the residential class appears to be 29.56 %.

The objective of the Acting Consumer Advocate in filing this complaint is to protect the interests of Valley customers. The Acting Consumer Advocate will seek to ensure that Valley is permitted to implement only rates that are fully justified, just and reasonable, not unduly discriminatory, and otherwise consistent with sound ratemaking principles and the Public Utility Code, Commission regulations and orders, and case law. The Acting Consumer Advocate submits that Valley's current rates and its proposed rates may be unjustifiable and unlawful based upon information filed by Valley in support of its claim.