



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, HARRISBURG, PA 17120

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

May 30, 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.
Pike County Light & Power Company – Gas
Docket No. R-2024-3052357
I&E Pre-Served Testimony, Exhibits, and Verifications

Dear Secretary Homsher:

Enclosed for electronic filing please find the Bureau of Investigation and Enforcement's Pre-Served Testimony, Exhibits, and Verifications in the above-captioned proceeding. The following documents were admitted into the record via Administrative Law Judges Marta Guhl and Alphonso Arnold III's Order Granting Joint Stipulation and Admitting Evidence that was issued on May 29, 2025:

Zachari Walker:	I&E Statement No. 1	I&E Exhibit No. 1
Christopher Keller:	I&E Statement No. 2	I&E Exhibit No. 2
Ethan Cline:	I&E Statement No. 3	I&E Exhibit No. 3
Andrew Hiorth:	I&E Statement No. 4	I&E Exhibit No. 4

Ethan H. Cline: I&E Statement No. 3-SR

Verifications for Zachari Walker, Christopher Keller, Ethan Cline, and Andrew Hiorth

Copies of this letter are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

Michael A. Podskoch, Jr.
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 330132
(717) 783-6151
mpodskoch@pa.gov

MAP/ac
Enclosures

cc: Administrative Law Judge Marta Guhl (CL&COS only – via email – mguhl@pa.gov)
Administrative Law Judge Alphonso Arnold III (CL&COS only – via email – alphonarno@pa.gov)
Per Certificate of Service (CL&COS only – via email)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2024-3052357
	:	
Pike County Light & Power Company – Gas	:	

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Letter Regarding Pre-Served Testimony, Exhibits, and Verifications** dated May 30, 2025, in the manner and upon the persons listed below.

Served via Electronic Mail Only

Whitney E. Snyder, Esq.
Thomas J. Sniscak, Esq.
Erich W. Struble, Esq.
HMS Legal LLP
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
wesnyder@hmslegal.com
tjsniscak@hmslegal.com
ewstruble@hmslegal.com
Counsel for
Pike County Light & Power Company

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

Melanie Joy El Atieh, Esq.
Darryl A. Lawrence, Esq.
Jacob Guthrie, Esq.
Ryan Morden, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAPikeBRC2024@paoca.org



Michael A. Podskoch, Jr.
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 330132
(717) 783-6151
mpodskoch@pa.gov

I&E Statement No. 1
Witness: Zachari Walker

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - GAS

Docket No. R-2024-3052357

Direct Testimony

of

Zachari Walker

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

RATE BASE

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1 **INTRODUCTION**

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

3 A. My name is Zachari Walker, and my business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 17120.
6

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

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission or
9 PUC) in the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility
10 Financial Analyst.
11

12 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

13 A. My education and employment background is attached as Appendix A.
14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for representing the public interest in rate and other
17 proceedings before the Commission. I&E's analysis in the proceeding is based on
18 its responsibility to represent the public interest. This responsibility requires the
19 balancing of the interests of the ratepayers, the regulated utility, and the regulated
20 community as a whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my direct testimony is to review the base rate filing of Pike County
3 Light and Power Company – Gas (Pike Gas or Company), and recommend
4 adjustments to the Company’s proposed operating and maintenance (O&M)
5 expenses and rate base for the future test year (FTY) ending September 30, 2025.

6
7 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

8 A. Yes. I&E Exhibit No. 1 contains schedules that support my direct testimony.
9

10 **Q. WHAT ARE THE TEST YEARS USED BY THE COMPANY IN THIS**
11 **PROCEEDING?**

12 A. Pike Gas uses the twelve months ended September 30, 2024, as the historic test
13 year (HTY) and the twelve months ending September 30, 2025, as the FTY.
14

15 **Q. PLEASE SUMMARIZE THE COMPANY’S REQUESTED REVENUE**
16 **INCREASE.**

17 A. The Company’s base rate case was filed on December 30, 2024, with a total
18 requested increase of \$905,900¹ to the claimed present rate revenues of
19 \$2,259,200 resulting in an overall revenue requirement of \$3,165,100.²

¹ Pike Gas Statement No. 2, p. 5.

² Pike Gas Exhibit G-4, Summary, p. 1.

1 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS.**

2 A. The following table summarizes my recommended adjustments:

	<u>Pike Gas FTY Claim</u>	<u>I&E Recommended Allowance</u>	<u>I&E Adjustment</u>
<u>O&M Expenses:</u>			
Rate Case Expense	\$9,400	\$6,800	(\$2,600)
Intercompany Charges	\$787,977	\$750,177	(\$37,800)
Excess ADIT Expense	\$0	\$8,303	<u>\$8,303</u>
Total O&M Adjustments			<u>(\$32,097)</u>
<u>Rate Base Adjustments:</u>			
Deferred Debits	\$34,700	\$0	(\$34,700)
Deferred Credits	\$4,400	\$6,029	\$1,629
Accum. Deferred Income Taxes	(\$245,100)	(\$255,900)	<u>(\$10,800)</u>
Total Rate Base Adjustments			<u>(\$43,871)</u>

3

4

5 **SUMMARY OF I&E OVERALL POSITION**

6 **Q. WHAT IS I&E'S TOTAL RECOMMENDED REVENUE REQUIREMENT?**

7 A. I&E's total recommended revenue requirement for Pike Gas is \$3,097,877. This
8 recommended revenue requirement represents an increase of \$838,677 to the
9 claim for present rate revenues of \$2,259,200. This total recommended allowance
10 incorporates my adjustments made in this testimony to O&M expenses and rate
11 base, and those made in the testimonies of I&E witnesses Christopher Keller³ and
12 Ethan Cline.⁴

³ I&E Statement No. 2.

⁴ I&E Statement No. 3.

A calculation of the I&E recommended revenue requirement is shown in the table below:

Pike County Light & Power Company - Gas R-2024-3052357		TABLE I INCOME SUMMARY			
	9/30/25	INVESTIGATION & ENFORCEMENT			
	Proforma	[-----]			
	Present Rates	Adjustments	Present Rates	Allowances	Proposed
	\$	\$	\$	\$	\$
Operating Revenue	2,259,200	0	2,259,200	838,677	3,097,877
Deductions:					
O&M Expenses	1,829,100	-32,097	1,797,003	2,348	1,799,351
Depreciation	333,100	-34,900	298,200		298,200
Taxes, Other	27,700	0	27,700	0	27,700
Income Taxes:					
Current State	-52,010	40,682	-11,328	66,823	55,495
Current Federal	-124,942	98,378	-26,564	161,596	135,032
Deferred Taxes	-14,412	0	-14,412		-14,412
ITC	0	0	0		0
Total Deductions	1,998,536	72,063	2,070,599	230,767	2,301,366
Income Available	260,664	-72,063	188,601	607,910	796,511
Rate Base	10,679,042	-1,094,071	9,584,971	0	9,584,971
Rate of Return	2.44%		1.97%		8.31%

RATE CASE EXPENSE

**Q. DESCRIBE THE NATURE AND TYPES OF EXPENDITURES
TYPICALLY ALLOWED AS PART OF A REGULATED UTILITY'S
OVERALL RATE CASE EXPENSE.**

A. The nature and types of individual expenditures that comprise a regulated utility's allowable claim for rate case expense are those directly incurred to compile, present, and defend a utility's request for a base rate increase before the Commission. The actual expenditures and estimated costs typically found in an

allowable rate case expense claim include legal fees for outside counsel, fees to outside consultants, and the cost of printing, document assembly, and postage.

Q. HOW HAS THE COMMISSION TRADITIONALLY TREATED RATE CASE EXPENSE FOR RATEMAKING PURPOSES?

A. The Commission has historically stated that it considers prudently incurred rate case expense as an ongoing expense, occurring at irregular intervals, related to the rendering of utility service. Thus, it is necessary to normalize rate case expense for ratemaking purposes. The Commission has also cited the importance of considering the involved utility's history regarding the frequency of rate case filings as an essential element in determining the normalized level of rate case expense for ratemaking purposes.

Q. HOW IS THE FREQUENCY OF RATE CASE FILINGS DETERMINED?

A. The frequency is determined by calculating the average number of months between the filing dates of a utility's recently filed base rate cases.

1 **Q. PIKE GAS REFERENCES ITS RATE CASE EXPENSE CLAIM AS AN**
2 **AMORTIZED COST.⁵ BRIEFLY DISCUSS THE CONCEPT OF**
3 **AMORTIZATION.**

4 A. Amortization is an accounting procedure that writes off a non-recurring or
5 infrequently recurring expense over a reasonable period of years by expensing a
6 pro rata share based on the selected amortization period. Although a claim for an
7 unrecovered *normalized* expense would be disallowed if requested in a subsequent
8 base rate case, an amortized expense allowance could be claimed in a succeeding
9 rate case if there is a remaining unamortized balance.

10
11 **Q. IS THE COMPANY’S PROPOSED AMORTIZATION TREATMENT**
12 **PROPER?**

13 A. No. The Company’s rate case expense claim should be normalized rather than
14 amortized.

15
16 **Q. WHAT IS NORMALIZATION?**

17 A. Normalization is a ratemaking concept that describes the transformation of an
18 operating expense that recurs at irregular intervals into a “normal” annual test year
19 allowance. Normalization specifically addresses the prospective recovery of an
20 ongoing expense that recurs sporadically. Normalized expenses are no different

⁵ Pike Gas Statement No. 2, p. 42.

1 than other O&M expenses in that the utility is given the opportunity to achieve full
2 recovery.

3
4 **Q. WHAT IS THE COMPANY'S CLAIM FOR RATE CASE EXPENSE?**

5 A. Pike Gas is claiming a rounded FTY rate case expense claim of \$9,400.⁶
6

7 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

8 A. The Company's claim is based on anticipated rate case expenses of \$250,000, of
9 which 15% is attributed to gas operations yielding a total rate case expense claim
10 of \$37,500 ($\$250,000 \times 0.15$).⁷ Pike Gas is proposing to amortize the total rate
11 case expense over four years, which is the anticipated interval between the instant
12 proceeding and the Company's next base rate case filing. The Company contends
13 this is consistent with the period of time between its previous base rate case filing
14 and the instant filing.⁸ The result is the Company's proposed FTY claimed rate
15 case expense of \$9,400.⁹
16

17 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?**

18 A. No.

⁶ Pike Gas Exhibit G-4, Schedule 5.

⁷ *Id.*

⁸ I&E Exhibit No. 1, Schedule 1, p. 2.

⁹ Pike Gas Exhibit G-4, Schedule 5.

Q. WHAT IS YOUR RECOMMENDATION FOR RATE CASE EXPENSE?

A. I recommend an allowance of \$6,800 for rate case expense, or a reduction of \$2,600 (\$9,400 - \$6,800) to the Company's claim.

Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?

A. First, I recommend that Pike Gas be required to normalize its rate case expense as opposed to amortizing it, since the Commission recognizes rate case expense as an ongoing expense occurring at irregular intervals, related to the rendering of utility service. As such, rate case expense is subject to normalization for ratemaking purposes and expensing amounts for prior proceedings should not be allowed.

Next, the Company's historic filing frequency does not support a four-year recovery period for rate case expense. Pike Gas' three most recent base rate case filing dates and corresponding details for the current filing are as follows:

Docket No.	Date Filed	Filing Interval
R-2024-3052357	December 30, 2024	50 months
R-2020-3022134	October 26, 2020	81 months
R-2013-2397353	January 17, 2014	66 months
R-2008-2046520	July 17, 2008	

Including the current rate case, filed on December 30, 2024, the average historic filing frequency is 66 months $[(66 \text{ months} + 81 \text{ months} + 50 \text{ months}) \div 3]$. Therefore, I recommend the 66-month average historic filing frequency be used as the normalization period, consistent with the Commission's emphasis on the

1 importance of considering the utility's history of rate case filings when
2 determining the normalization period of rate case expenses. Normalizing the total
3 claims over the average historic filing frequency of 66 months yields my
4 recommended FTY allowance of \$6,800 $[(\$37,500 \div 66 \text{ months}) \times 12 \text{ months}]$ for
5 rate case expense. My recommended FTY allowance represents a reduction of
6 \$2,600 (\$9,400 - \$6,800) to the Company's FTY claimed rate case expense.
7

8 **Q. HAVE OTHER UTILITIES BEEN GRANTED A NORMALIZATION**
9 **PERIOD BASED ON SPECULATION OF FUTURE RATE CASE**
10 **FILINGS?**

11 A. Yes. In 2012, the Commission granted PPL Electric Utilities Corporation (PPL)
12 permission to normalize its rate case expense over a 24-month period based on the
13 expected timing of future base rate case filings.¹⁰ That base rate case was filed on
14 March 30, 2012; however, PPL did not file its next rate case until March 31, 2015,
15 which was 36 months after the 2012 rate case filing. I&E's recommended
16 normalization period in the 2012 PPL proceeding was a 32-month interval based
17 on the Company's historic filing frequency.¹¹ I&E's recommendation in that
18 instance produced a much more accurate result than the Company's stated future
19 intention to file a rate case.

¹⁰ *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, pp. 47-48 (Order Entered December 28, 2012).

¹¹ I&E Statement No. 2, pp. 13-14 at Docket No. R-2012-2290597.

1 **Q. ARE THERE ANY RECENT COMMISSION DECISIONS THAT**
2 **SUPPORT YOUR RECOMMENDATION FOR A RATE CASE FILING**
3 **INTERVAL BASED ON HISTORIC FILING FREQUENCY?**

4 A. Yes. The following six cases resulted in the Commission using each utility's
5 historic average filing frequency.

6 First, in a base rate case filed by Emporium Water Company, the
7 Commission adopted I&E's recommended historic filing frequency finding in
8 favor of I&E's recommended five-year normalization based on historic average
9 filing frequency that was rounded down from 64 months.¹²

10 Second, in a 2016 base rate case filed by the City of DuBois the
11 Commission agreed with I&E's recommendation to use an historic filing
12 frequency finding in favor of I&E's recommended 64-month normalization which
13 matched the actual historic filing frequency.¹³

14 Third, in Columbia Gas of Pennsylvania, Inc.'s (Columbia) 2020 base rate
15 case filing, the Commission held that the normalization period should align with
16 the frequency of historic filings rather than Columbia's stated intent to file its
17 subsequent rate case.¹⁴

¹² *Pa. PUC v. Emporium Water Company*, Docket No. R-2014-2402324, p. 50 (Order Entered January 28, 2015).

¹³ *Pa. PUC v. City of DuBois - Bureau of Water*, Docket No. R-2016-2554150, pp. 65-66 (Order Entered March 28, 2017); *PA PUC v. City of DuBois - Bureau of Water*, Docket No. R-2016-2554150, p. 13 (Order Entered May 18, 2017).

¹⁴ *Pa. PUC v. Columbia Gas*, Docket No. R-2020-3018835, Opinion and Order, pp. 78-79 (Order Entered February 19, 2021).

1 Fourth, in PECO Energy Company – Gas Division’s (PECO Gas) 2020
2 base rate filing, the Commission granted I&E’s recommended five-year
3 normalization period rather than PECO Gas’ claimed based on a three-year period
4 because the Commission determined a normalization period based on actual
5 historic filing frequency is more reliable than future speculation.¹⁵

6 Fifth, in a base rate case filed by Philadelphia Gas Works’ (PGW) in 2023,
7 the Commission agreed with I&E’s recommended 53-month normalization period
8 rather than PGW’s claim based on a three-year period because the Commission
9 granted a normalization period based on actual historic filing frequency and not
10 based on PGW’s future intention to file a rate case.¹⁶

11 Finally, in the most recent base rate case filed by the Columbia Water
12 Company in 2023, the Commission held that the normalization period should align
13 with the historic filing frequency rather than that company’s intent to file its next
14 rate case, and that the intent to file a base rate case does not justify deviating from
15 the Commission’s practice of relying on historic filing frequency.¹⁷

¹⁵ *Pa. PUC v. PECO Energy Company (Gas Division)*, Docket No. R-2020-3018929, Opinion and Order, p. 119 (Order Entered June 22, 2021).

¹⁶ *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933, Opinion and Order, pp. 65-66 (Order Entered November 9, 2023).

¹⁷ *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258, Opinion and Order, p. 34 (Order Entered January 18, 2024).

1 **Q. GIVEN THESE COMMISSION ORDERS AND THE COMPANY'S**
2 **FILING HISTORY, IS THE CLAIMED 48-MONTH RECOVERY PERIOD**
3 **REASONABLE?**

4 A. No. The Company has not demonstrated that it will file its next base rate case
5 within 48 months of the instant filing. Therefore, as explained above, normalizing
6 the total claims over the average historic filing frequency of 66 months is more
7 appropriate.

8
9 **INTERCOMPANY CHARGES**

10 **Q. BRIEFLY DESCRIBE THE COMPANY'S CLAIM FOR INTERCOMPANY**
11 **CHARGES.**

12 A. Pike Gas' claim for the Intercompany Charges account consists of various
13 administrative and operating expenses allocated from its parent company that are
14 not reflected in other schedules.¹⁸

15
16 **Q. WHAT IS THE COMPANY'S CLAIM FOR INTERCOMPANY**
17 **CHARGES?**

18 A. It is unclear what amount the Company is claiming for gas operations for
19 Intercompany Charges for the FTY. In its testimony, Pike Gas describes the
20 adjustment to the Intercompany Charges HTY expense amount to determine the

¹⁸ Pike Gas Statement No. 2, p. 43.

1 FTY expense level.¹⁹ However, in that description Pike Gas does not state
2 whether the HTY amount of \$780,117, or the inflation-adjusted FTY claim of
3 \$787,977 (\$780,177 + \$7,800),²⁰ is attributed entirely to the Company's gas
4 operations. Although it seems unreasonable that the entire \$787,977 amount
5 could be included in the cost of service for gas operations given that the amount
6 for Other Operation and Maintenance Expense totals \$696,600 when fully
7 adjusted,²¹ the Company has included the full \$7,800 CPI inflation factor
8 adjustment²² for Intercompany Charges in the cost of service for gas operations.²³
9 Also, in response to I&E-RE-19, Part A, when a breakdown of the HTY expense
10 allocated to gas operations was requested, Pike Gas did not correct the \$780,117
11 expense amount.²⁴

12 While I am not suggesting that this proves the entire expense amount,
13 grown by the CPI inflation factor, is included in the cost of service for gas
14 operations, the Company has not indicated an FTY claim amount other than the
15 \$787,977 amount.

16
17 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

18 **A.** The Company's claim is based on the HTY Intercompany Charges of \$780,177,

¹⁹ Pike Gas Statement No. 2, p. 43.

²⁰ Pike Gas Exhibit G-4, Schedule 6.

²¹ Pike Gas Exhibit G-4, Summary, p. 1, column 6.

²² Pike Gas Exhibit G-4, Schedule 6.

²³ Pike Gas Exhibit G-4, Summary, p. 1, column 3, reference 6.

²⁴ I&E Exhibit No. 1, Schedule 2.

1 forecasted to increase by a CPI inflation factor of 1.0%.²⁵ The Company states the
2 increase for inflation is \$7,800,²⁶ thus yielding the FTY claim is \$787,977²⁷ for
3 Intercompany Charges.
4

5 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR**
6 **INTERCOMPANY CHARGES?**

7 A. No.
8

9 **Q. WHAT IS YOUR RECOMMENDATION FOR INTERCOMPANY**
10 **CHARGES?**

11 A. I recommend an allowance of \$750,177 (\$787,977 - \$37,800)²⁸ for Intercompany
12 Charges, or a reduction of \$37,800 (\$787,977 - \$750,177) to the Company's
13 claim.
14

15 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

16 A. My recommendation consists of two adjustments: (1) removal of the CPI inflation
17 increase; and (2) removal of the M&T credit card bank charges as explained in
18 more detail below.

²⁵ Pike Gas Exhibit G-4, Schedule 6.

²⁶ *Id.*

²⁷ Pike Gas Exhibit G-3, Schedule 3, p. 2.

²⁸ This recommended allowance is subject to change upon clarification of Pike Gas' FTY claim for Intercompany Charges.

1 **General Inflation Factor Increase**

2 **Q. DID THE COMPANY CLAIM A BLANKET INFLATION ADJUSTMENT**
3 **FOR INTERCOMPANY CHARGES?**

4 A. Yes.

5
6 **Q. BRIEFLY EXPLAIN THE NATURE OF A BLANKET INFLATION**
7 **ADJUSTMENT.**

8 A. A blanket inflation factor adjustment is an attempt to project an estimated increase
9 in expenses that are inflation-sensitive, for which known and measurable changes
10 are not determined.

11
12 **Q. WHAT BLANKET INFLATION ADJUSTMENT HAS PIKE GAS APPLIED**
13 **TO INTERCOMPANY CHARGES?**

14 A. As stated above, the Company has applied an inflation adjustment based on a CPI
15 General Inflation Factor of 1.0% to HTY non-payroll related expenses allocated
16 from its parent company, resulting in a rounded increase of \$7,800 (\$780,177 x
17 0.01) for Intercompany Charges. This produces an FTY claim of \$787,877
18 (\$780,177 + \$7,800).²⁹

²⁹ Pike Gas Exhibit G-4, Schedule 6.

1 **Q. DO YOU AGREE WITH THE COMPANY'S INFLATION ADJUSTMENT?**

2 A. No. I recommend the entire inflation adjustment of \$7,800 be disallowed.

3
4 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

5 A. First, in response to I&E-RE-4-D, concerning forecasted O&M expense claims,
6 the Company asserted that the forecasted O&M expense increases were evaluated
7 and forecasted based on merit and future known and measurable changes, yet
8 offered no further explanation beyond the existing schedules included in the
9 filing.³⁰

10 The use of an inflation factor to increase the HTY intercompany allocated
11 costs to determine the FTY expense amount is in direct contradiction to evaluating
12 and forecasting expense levels based on merit and future known and measurable
13 changes. Thus, the unsupported increase to Intercompany Charges of \$7,800
14 using a blanket adjustment for inflation should be disallowed for ratemaking
15 purposes.

16
17 **Q. ARE THERE ANY OTHER CASES THAT SUPPORT YOUR**
18 **RECOMMENDATION?**

19 A. Yes. Previously, the Commission denied a blanket increase in the 2019 Wellsboro
20 Electric Company base rate case, where Wellsboro applied a 3% blanket inflation

³⁰ I&E Exhibit No. 1, Schedule 3.

1 adjustment (general price level adjustment) to the FTY expenses to estimate an
2 FPFTY expense claim, and the Commission stated that:

3 [T]he Company did not demonstrate that making this blanket
4 adjustment to each expense claim directly relates to the actual
5 costs expected to be incurred in each expense account in the
6 FPFTY.³¹

7 Additionally, in Aqua Pennsylvania's 2021 base rate case, the Commission denied
8 a general price level adjustment to expenses, which was neither targeted nor
9 specific. Specifically, in its Order that adopted the portion of the Administrative
10 Law Judge's Recommended Decision recommending denial of a general inflation
11 adjustment, the Commission stated:

12 [T]hat allowing Aqua to apply a general inflation adjustment
13 to a block of expenses could incentivize less accurate tracking
14 of expenses and a less rigorous approach to controlling costs
15 for those expenses.³²

16 Finally, the Commission also denied Philadelphia Gas Works' (PGW) use of a
17 general inflation adjustment, in PGW's 2023 base rate case, to determine FPFTY
18 levels of expenses when separate and specific costs could not be determined,
19 stating:

20 [A]n inflation adjustment cannot be applied broadly and does
21 not meet the "known and reasonable" standard for increasing
22 each FTY expense claim in the FPFTY.³³

³¹ *Pa. PUC v. Wellsboro Electric Company*, Docket No. R-2019-3008208, Opinion and Order, p. 40 (Order Entered April 29, 2020).

³² *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket No. R-2021-3027385, Opinion and Order, pp. 116-117 (Order Entered May 16, 2022).

³³ *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933, Opinion and Order, p. 72 (Order Entered November 9, 2023).

1 Considering these Commission Orders, Pike Gas has not demonstrated that its
2 proposed inflation adjustment to all affected non-labor related intercompany
3 expenses would meet the “known and reasonable” standard for increasing such
4 expenses.

5
6 **M&T Credit Card Charges**

7 **Q. BRIEFLY DESCRIBE THE CLAIM FOR M&T CREDIT CARD**
8 **CHARGES.**

9 A. Pike Gas included a claim of \$200,000 for M&T credit card charges. In response
10 to I&E-RE-28, Part A, the Company states the transaction is an intercompany
11 reclassification representing an intercompany transfer that is not expected to occur
12 again.³⁴

13 As stated above, it is unclear what the Company’s actual FTY
14 Intercompany Charges claim is. Likewise, it is not evident what amount is
15 claimed for reclassification of M&T credit charges. However, it seems unlikely
16 that the entire \$200,000 transaction is included in the FTY claim for gas
17 operations. Therefore, in the absence of a definitive amount claimed in the FTY, I
18 am using an allocation to gas operations of 15% to determine the related claim, in
19 accordance with the ratio of net plant used to allocate other common costs

³⁴ I&E Exhibit No. 1, Schedule 4, p. 1.

1 between gas and electric operations.³⁵ Thus, the calculated FTY claim included
2 for the nonrecurring M&T credit card charges is \$30,000 (\$200,000 x 0.15).
3

4 **Q. DO YOU AGREE WITH THE INCLUSION OF NONRECURRING M&T**
5 **CREDIT CARD CHARGES IN THE COMPANY'S CLAIM?**

6 A. No.
7

8 **Q. WHAT IS YOUR RECOMMENDATION FOR M&T CREDIT CARD**
9 **CHARGES?**

10 A. I recommend that the entire amount of \$30,000 (\$200,000 x 0.15) be disallowed
11 for ratemaking purposes.
12

13 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

14 A. First, my recommendation to exclude the M&T credit card charges is based on the
15 historic transaction not being expected to occur again. Additionally, in response to
16 I&E-RE-28, Pike Gas did not provide support for why the transaction is
17 appropriate for ratemaking purposes or why it is necessary for the provision of
18 safe and reliable natural gas service.³⁶

19 The Company must explain why expenses are necessary for the provision
20 of safe and reliable natural gas service and for why it is appropriate to include

³⁵ Pike Gas Statement No. 2, pp. 20-21.

³⁶ I&E Exhibit No. 1, Schedule 4, p. 1.

specific expenses for ratemaking purposes. Pike Gas has not provided support for either requirement.

Given that the transaction is not expected to occur again and lack of support, as noted above, I recommend the entire amount presumed attributable to gas operations of \$30,000 be disallowed.

Summary of Intercompany Charges Recommendation

Q. SUMMARIZE YOUR RECOMMENDATION FOR INTERCOMPANY CHARGES.

A. My recommendation is a combined reduction of \$37,800 (\$7,800 + \$30,000) to the Company's claim for Intercompany Charges, representing my recommended disallowance of: (1) the 1.0% inflation adjustment; and (2) reclassification of nonrecurring M&T credit card charges of \$30,000. The sum of these two adjustments produces my recommended allowance of \$750,177 (\$797,877 - \$37,800) to Pike Gas' Intercompany Charges claim.

DEFERRED DEBITS

Q. WHAT HAS THE COMPANY INCLUDED IN ITS DEFERRED DEBITS CLAIM?

A. Pike Gas has included unamortized rate case expense net of income tax in its rate

base claim for deferred debits.³⁷

Q. WHAT IS THE COMPANY'S CLAIM FOR DEFERRED DEBITS?

A. Pike Gas' claim for deferred debits net of income tax is \$34,700.³⁸

Q. WHAT IS THE BASIS FOR THE COMPANY'S DEFERRED DEBITS CLAIM?

A. Pike Gas started with a deferred debit balance as of September 30, 2024, of \$22,854 for prior rate case costs, added the total rate case cost of \$37,500 for the instant proceeding, then subtracted an FTY amortization of \$12,349. The Company adjusted all these figures to determine a net after-tax claim of \$34,700³⁹ which is an increase to rate base.⁴⁰

Q. DID THE COMPANY SPECIFICALLY IDENTIFY ANY RATEMAKING PRACTICE, PROCEDURE, LAW, OR REGULATION RELIED UPON TO MAKE SUCH A CLAIM FOR DEFERRED DEBITS IN RATE BASE?

A. No.

³⁷ Pike Gas Exhibit G-3, Schedule 6.

³⁸ *Id.*

³⁹ Pike Gas Exhibit G-3, Schedule 6.

⁴⁰ Pike Gas Exhibit G-3, Summary, p. 1.

1 **Q. DO YOU AGREE WITH THE COMPANY’S CLAIM FOR DEFERRED**
2 **DEBITS?**

3 A. No.
4

5 **Q. WHAT IS YOUR RECOMMENDATION FOR DEFERRED DEBITS?**

6 A. I recommend the entire claim of \$34,700 be disallowed for ratemaking purposes.
7

8 **Q. PLEASE EXPLAIN WHY IT IS NOT APPROPRIATE TO INCLUDE**
9 **DEFERRED RATE CASE COSTS IN RATE BASE.**

10 A. Pike Gas has accounted for its FTY rate case expense claim of \$9,400 on Pike Gas
11 Exhibit G-4, Schedule 5. In determining that amount, the Company recommended
12 amortizing this expense as opposed to normalizing it as discussed previously in
13 this testimony. The Company’s deferred debits claim for rate case costs is the total
14 rate case expense claim of \$37,500.⁴¹ If the Company were allowed to include
15 deferred rate case costs in rate base along with capturing an amount on the
16 expense side, it would earn a return on and a return of rate case expense. Any
17 allowance for return on an expense, in addition to a return of such an expense, is
18 not an appropriate ratemaking practice. As stated in the Rate Case Expense
19 section above, the appropriate treatment for such expense is normalization rather
20 than amortization. Normalization does not include a remaining balance nor allow

⁴¹ Pike Gas Exhibit G-3, Schedule 6.

1 for a remaining balance to be captured in rate base as normalization is prospective
2 recovery towards future rate cases, not recovery of the rate case costs in the
3 current proceeding.
4

5 **DEFERRED CREDITS AND CORRESPONDING EXPENSE ADJUSTMENT**

6 **Q. WHAT HAS THE COMPANY INCLUDED IN DEFERRED CREDITS?**

7 A. The Company has included excess accumulated deferred income taxes (excess
8 ADIT) net of income tax in rate base represented as a negative deduction, or
9 increase, to the Company's rate base claim.⁴²
10

11 **Q. WHAT IS THE COMPANY'S CLAIM FOR DEFERRED CREDITS?**

12 A. The Company's claim for deferred credits net of income tax is \$4,400.⁴³
13

14 **Q. WHAT IS THE COMPANY'S BASIS FOR INCLUDING DEFERRED**
15 **CREDITS IN RATE BASE?**

16 A. Pike Gas is amortizing the deferred Tax Cuts and Jobs Act (TCJA) protected
17 balance over fifty years and the deferred TCJA non-protected balance over five
18 years as agreed upon in the prior rate case settlement agreement.⁴⁴

⁴² Pike Gas Exhibit G-3, Summary, p. 1.

⁴³ Pike Gas Exhibit G-3, Schedule 7.

⁴⁴ *Pa. Public Utility Commission et. al v. Pike County Light & Power Company – Gas*, Docket No. R-2020-3022134, ALJ Recommended Decision, p. 8 (Dated May 5, 2021) and Final Order, p. 2 (Order Entered June 23, 2021).

1 **Q. DO YOU AGREE WITH THE COMPANY’S CLAIM FOR DEFERRED**
2 **CREDITS?**

3 A. No.
4

5 **Q. WHAT IS YOUR RECOMMENDATION FOR DEFERRED CREDITS?**

6 A. I recommend an allowance of \$6,029, or an increase of \$1,629 (\$6,029 - \$4,400),
7 which represents an increase to rate base for the total excess ADIT amount (not net
8 of income tax).⁴⁵
9

10 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

11 A. My recommendation is based on the prior Administrative Law Judge (ALJ)
12 Recommended Decision that indicates: (1) “the unamortized [protected TCJA]
13 balance will continue to reduce rate base in future proceedings until the balance is
14 fully returned to ratepayers”; and (2) “the unamortized [non-protected TCJA]
15 balance will continue to increase rate base in future proceedings until the balance
16 is fully returned to ratepayers.”⁴⁶ Therefore, I recommend that the net total
17 balance, not the amount net of tax, should be reflected in rate base similar to the
18 treatment of routine accumulated deferred income taxes.

⁴⁵ Pike Gas Exhibit G-3, Schedule 7.

⁴⁶ *Pa. Public Utility Commission et. al v. Pike County Light & Power Company – Gas*, Docket No. R-2020-3022134, ALJ Recommended Decision, p. 8 (Dated May 5, 2021) and Final Order, p. 2 (Order Entered June 23, 2021).

1 **Q. AS THIS DEFERRED CREDIT IS AMORTIZED, IS THERE ANY OTHER**
2 **IMPACT TO RATES THAT SHOULD BE ADDRESSED?**

3 A. Yes. The corresponding side of this entry should be an increase to the expense
4 side of the revenue requirement. The Company has recorded the deferred credits
5 side of the annual amortization amount of \$8,303; however, the corresponding
6 expense increase is not reflected in the filing. Therefore, an additional adjustment
7 is necessary.

8
9 **Q. WHAT IS THE CORRESPONDING EXPENSE ADJUSTMENT?**

10 A. I recommend an increase to operating expenses of \$8,303 (-\$288 protected +
11 \$8,591 non-protected) for the excess ADIT expense as explained above and in the
12 prior ALJ Recommended Decision which states as follows for the protected and
13 nonprotected portions:⁴⁷

14 The Company will amortize the Protected TCJA balance over
15 fifty-years as a credit to expense at the rate of \$288 per annum.

16 The Company will amortize the Non-Protected TCJA balance
17 over five-years as a charge to expense at the rate of \$8,591 per
18 annum.
19

20 **ACCUMULATED DEFERRED INCOME TAXES (ADIT)**

21 **Q. WHAT IS ADIT?**

22 A. In a rate filing, ADIT generally represents the difference between accelerated

⁴⁷ *Pa. Public Utility Commission et. al v. Pike County Light & Power Company – Gas*, Docket No. R-2020-3022134, ALJ Recommended Decision, p. 8 (Dated May 5, 2021).

1 depreciation methods used for income tax purposes and book depreciation
2 methods used for ratemaking purposes. The balance is typically reflected as an
3 offset to a utility's base claim.
4

5 **Q. WHAT IS THE COMPANY'S CLAIM FOR ADIT?**

6 A. The Company's claim for ADIT is \$245,100, which is a negative offset to utility
7 plant, or a reduction, to rate base.⁴⁸
8

9 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?**

10 A. No.
11

12 **Q. WHAT DO YOU RECOMMEND FOR ADIT?**

13 A. I recommend an allowance of \$255,900 or an increase of \$10,800 (\$245,100 +
14 \$10,800) to ADIT, representing a decrease to rate base.
15

16 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

17 A. My recommendation aligns with I&E witness Ethan Cline's direct testimony
18 related to the removal of post-FTY rate base additions and retirements,
19 accumulated depreciation, and corresponding depreciation expense.⁴⁹ Since those
20 Company claims are unsupported, as described by Mr. Cline, this corresponding

⁴⁸ Pike Gas Exhibit G-3, Schedule 9.

⁴⁹ I&E Statement No. 3.

adjustment to ADIT is necessary as it is related to the tax to book timing differences for depreciation for that same post-FTY plant.

INTEREST EXPENSE

Q. WHAT IS THE COMPANY’S CLAIM FOR INTEREST EXPENSE?

A. The Company is claiming \$769,959 for interest expense.⁵⁰

Q. WHAT IS THE BASIS FOR THE COMPANY’S CLAIM?

A. The Company based its claim for interest expense on a recent long-term debt cost of 7.21% reflected in the Third Quarter 2024 distribution system improvement charge (DSIC) filing, and it applies that long-term debt cost rate to the entire rate base claim.⁵¹

Q. DO YOU AGREE WITH THE COMPANY’S CLAIM FOR INTEREST EXPENSE?

A. No.

Q. WHAT IS YOUR RECOMMENDATION FOR INTEREST EXPENSE?

A. I recommend an allowance of \$327,806, or a reduction of \$442,153 (\$769,959 - \$327,806) to the Company claim.

⁵⁰ Pike Gas Exhibit G-4, Schedule 10, p. 1.

⁵¹ *Pike County Light & Power Company – Gas*, Distribution System Improvement Charge, Docket No. M-2024-3051357, p. 7. (Effective October 1, 2024) and Pike Exhibit G-4, Schedule 10, p. 3.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. My recommendation reflects all I&E adjustments to rate base described herein and
3 in the direct testimony of I&E witness Ethan Cline, and that adjusted rate base is
4 multiplied by the Company's claimed weighted debt cost of 3.42% as claimed in
5 the rate filing as follows:⁵²

		Rate of Return	
Per Company	Capital		Weighted
	Structure %	Cost Rate	Cost %
Total Debt	49.36	0.0695	3.43
Long Term Debt	40.72	0.0680	2.77
Short Term Debt	8.64	0.0758	0.66
Preferred Stock	0.00	0.0000	0.00
Common Equity	50.63	0.1020	5.16
TOTAL	0.00		8.59

6
7
8 **Q. PLEASE SHOW YOUR CALCULATION FOR INTEREST EXPENSE.**

9 A. Subject to the acceptance of all I&E recommended adjustments to rate base made
10 herein and in I&E Statement No. 3 by Ethan Cline, my interest expense
11 calculation and the resulting impacts on income taxes are as follows:

⁵² Pike Gas Exhibit G-2, Schedule 3.

Interest Synchronization		
		AMOUNT
		\$
Company Rate Base		10,679,042
I&E RB Adj.		(1,094,071)
I&E Rate Base		9,584,971
Weighted Debt Cost		3.42
I&E Interest Expense		327,806
Less Co. Int. Claim		769,959
Net Interest for State Tax		(442,153)
State Income Tax Rate (%)		7.99
Adjustment to State Income Taxes		35,328
Net Int. for Federal Tax		(406,825)
Tax Factor (%)		21.0
Adj to Federal Taxes		85,433

Q. IS YOUR INTEREST EXPENSE RECOMMENDATION A FINAL RECOMMENDATION?

A. No. All adjustments to the Company's rate base claim must be continually brought together in the Administrative Law Judge's Recommended Decision and again in the Commission's Final Order. This process, known as iteration, effectively prevents the determination of a precise calculation until all adjustments have been made to the Company's claim.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Zachari Walker

Professional and Educational Background

Experience:

Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania

March 2021 to Present:

Fixed Utility Financial Analyst, Bureau of Investigation and Enforcement

Bridgestone Retail Operations LLC, Nashville, Tennessee

December 2014 to July 2020:

Business Manager

Conducted in-depth operations analysis to determine key performance indicators, corresponding trends, and opportunities for business growth. Promoted business efforts through public teambuilding events, customer recognition and celebrations, and offsite visits with community leaders and vendor partners. Designed development goals and implementation plans with up to 11 team members including plan reassessment dates and goal tracking.

Education/Professional Development:

Bridging the Gap, Holly Ridge, North Carolina, 2021

Business Analyst Blueprint Training Program, 36 PD hours

Stevenson University, Stevenson, Maryland, 2014

Bachelor of Science, *magna cum laude*, Business Administration

Concentration in Finance

Professional Affiliations:

International Institute of Business Analysis (IIBA), Pickering, Ontario, Canada

Utility-Related Trainings & Other Courses/Webinars:

Pennsylvania Public Utility Commission Rate School 2022, January 18-February 8, 2022

Michigan State University Institute of Public Utilities Accounting and Ratemaking Course 2021, September 14-16, 2021

NARUC Staff Subcommittee on Accounting & Finance, Spring 2021 Virtual Conference, April 6-8, 2021

Testimony Submitted:

R-2024-3047824	Aqua Pennsylvania Wastewater, Inc.
R-2024-3047822	Aqua Pennsylvania, Inc.
R-2024-3046523	Duquesne Light Company
R-2024-3045966	Philadelphia Gas Works – 1307(f)
R-2023-3042805	Community Utilities of Pennsylvania, Inc. – Wastewater Division
R-2023-3042804	Community Utilities of Pennsylvania, Inc. – Water Division
R-2023-3037933	Philadelphia Gas Works
R-2023-3035730	National Fuel Gas Distribution Corporation
R-2022-3032369	Citizens' Electric - Lewisburg
R-2022-3032806	The York Water Company – Wastewater Division
R-2022-3031340	The York Water Company – Water Division
R-2021-3030218	UGI Utilities, Inc. – Gas Division
R-2021-3026682	City of Lancaster – Bureau of Water
R-2021-3026116	Borough of Hanover – Hanover Municipal Water Works
R-2021-3025207	Community Utilities of Pennsylvania Inc. – Wastewater Division
R-2021-3025206	Community Utilities of Pennsylvania Inc. – Water Division

Casework Not Requiring Testimony:

R-2023-3041575	Conneaut Lake Park Water Corporation, Inc.
R-2023-3040285	PECO Energy Co. – Gas Operations 1037(f)
R-2022-3032250	PECO Energy Co. – Gas Operations 1307(f)

I&E Exhibit No. 1
Witness: Zachari Walker

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - GAS

Docket No. R-2024-3052357

Exhibit to Accompany

the

Direct Testimony

of

Zachari Walker

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

RATE BASE

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES TO
BUREAU OF INVESTIGATION & ENFORCEMENT’S DATA REQUESTS SET RE
NOS. 1-11**

I&E-RE-5-D Provide the following regarding rate case-related expenses:

- A. The docket number, date of filing, and method of resolution (i.e., settlement or litigation) for each of the last three base rate cases filed with the Pennsylvania Public Utility Commission (PUC or Commission).
- B. Requested rate case expense and actual rate case expense incurred for each of the base rate cases listed in response to Part A above.
- C. Copies of all current outside service contract agreements for rate case-related services.
- D. Invoices/receipts for the rate case expenses incurred to date for the current filing and continue to provide updated invoices as rate case expenses are incurred.
- E. Identify any claimed expenses attributable to prior rate case proceedings included in the Gas Division’s current rate case expense claim.
- F. A detailed explanation for the basis for why PCLP Gas is using a 4-year amortization period to recover rate case expenses.
- G. A detailed explanation for why it is appropriate to use amortization rather than normalization to recover rate case expenses.
- H. Identify any claimed rate case-related expenses allocated to the Gas Division from the Parent Company providing a detailed breakdown and explanation of the allocation method along with any formulas used to determine the allocation.

RESPONSE: Pike County Light & Power Company (Gas) has only filed one rate case since the Company was acquired in 2016 by Corning Energy Corporation. case number R-2020-3022134 was filed on October 26, 2020. The prior rate case ended with a Joint Petition for Settlement filed on April 9, 2021, by Pike County Light and Power Company (Gas), the Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate, which was accepted by the Pennsylvania Public Utility Commission on June 17, 2021.

In the last rate case, Pike County Light & Power Company estimated rate case expenses of \$150,000 between gas and electric, of which 15% was allocated to gas, in the amount of \$22,500 (rounded). The actual amount of rate case expenses totaled \$371,017.16, of which \$308,964.20 was the total for Pike Electric, and \$62,052.96 for Pike Gas.

For the 2024 rate cases we are utilizing HMS Legal as our counsel, and Exhibits produced by accounting personnel Matthew Lenns and Charles Lenns from management, and external consultants Mario DiValentino, Michael Morganti and Paul Normand. Refer to attached confidential quotes for expenses incurred so far for Michael Morganti/Paul Normand, and the fee quote from our counsel, HMS Legal, which

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES TO
BUREAU OF INVESTIGATION & ENFORCEMENT’S DATA REQUESTS SET RE
NOS. 1-11**

considers a fully litigated proceeding. Please note that these are the current estimates, which will be updated as we receive invoices for the duration of the case. For the 2024 rate case we have submitted via our testimony and in Exhibit G-4, Schedule 5 anticipated rate case expenses of \$250,000, of which 15% has been allocated to Pike of \$37,500.

The Company is not including any prior rate case expense in the current rate case expense claim.

Pike County Light & Power Company is utilizing a four-year amortization period consistent with the previous rate case for the current case because once Corning Energy Company f/k/a Corning Natural Gas Holding Company acquired Pike, Pike filed a rate case within approximately 4 years (October 2020) and Pike’s second rate case under Corning Energy Company was filed approximately 4 years from the first (December 30, 2024). The Company considers four years an appropriate period to recover costs associated with the current rate case because Pike anticipates that it will continue filing base rate cases every four years going forward.

The Company has currently not received full invoices from the current rate case. The Company will supplement this response with invoices when available.

PROVIDED BY: Matthew Lennox, Controller

DATE: January 27, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES TO
BUREAU OF INVESTIGATION & ENFORCEMENT’S DATA REQUESTS SET RE
NOS. 12-22**

I&E-RE-19 Reference PCLP Gas Exhibit G-4, Schedule 6 concerning intercompany allocations. Provide the following:

- A. A breakdown for the \$780,117 expense allocated to gas operations.
- B. The Microsoft Excel spreadsheet titled ‘Intercompany Activity’ in live format.
- C. A detailed explanation for why each allocated expense included in the intercompany allocations is necessary for the provision of safe and reliable gas service.
- D. A detailed explanation with supporting documentation for why PCLP Gas used a CPI factor of 1.0% to escalate the intercompany allocations costs.

RESPONSE: Refer to the “G-4 Revenue Requirement – Final” Excel attachment provided for the electronic version of the exhibit, with all schedules and linked support tabs. The \$780,117 allocated expense is broken down in the “Intercompany Activity” tab by primary and secondary classification. These include various operating costs, auditing fees, IT consulting & software costs, seminars/trainings, telecommunication and fuel costs. These costs are all attributable to shared services, to meet PAPUC reporting requirements, and as such allocations of these costs are needed to satisfy all reporting, which impacts customer service and safety.

PROVIDED BY: Matthew Lenns, Controller, and Charles Lenns, Senior Vice President & Chief Financial Officer

DATE: February 14, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES TO
BUREAU OF INVESTIGATION & ENFORCEMENT’S DATA REQUESTS SET RE
NOS. 1-11**

I&E-RE-4-D Provide the following concerning forecasted O&M expense claims:

- A. Confirm or deny that each expense claim is evaluated and forecasted based on its individual merit and future known and measurable changes.
- B. Confirm or deny that a blanket inflation adjustment, general price level adjustment, general increase, or any similar inflation adjustment mechanism was not applied to multiple expense forecasts in the FTY.
- C. If any expense claim or group of expense claims were forecasted using a blanket inflation adjustment, or similar adjustment mechanism, provide the corresponding expense account names, forecasted amounts, inflation factor used, and the basis for each adjustment.
- D. A detailed explanation including supporting documentation for why it is appropriate to use inflation as a basis to determine expense forecasts for ratemaking purposes.

RESPONSE: Please refer to the “G-4 Revenue Requirement – Final” Excel file provided. If you look on the “Exhibit G-4 Summary Page 1” tab, you will note that the forecasted O&M expense increases are referenced items #3a, 3b, 4, 5, 6 and 7, and we have provided detailed commentary in our direct testimony. The increases are in the areas of salary and wage increases, new employee hire expense allocable to Pike Gas, fringe benefits increases, amortization of new rate case fees and expenses, intercompany allocations and a reduction of uncollectible expenses. Each of these specific increases were evaluated and forecasted based on merit and future known and measurable changes. The Company did not utilize blanket inflation adjustments. Please refer to the corresponding numbered schedules in line with our noted references for additional details.

PROVIDED BY: Matthew Lennox, Controller

DATE: January 27, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT’S
INTERROGATORIES, SET RE, NOS. 27-29**

- I&E-RE-28** Reference the “Intercompany Activity” tab of PCLP Gas’ “G-4 Revenue Requirement – Final” Excel attachment provided in response to I&E-RE-19. State the purpose for the transaction(s), and include a detailed explanation for why each transaction is appropriate to be allocated to PCLP Gas, for ratemaking purposes, and necessary for the provision of safe and reliable natural gas service for the following:
- A. The “M&T Credit Card Charges” transaction of \$200,000.
 - B. The “Informational Advertising” transaction “6/13-8/12/24 Overages” transaction of \$60.75 paid to supplier “Alert Media, Inc.”
 - C. The various transactions to “NYSEG” totaling \$444.92.
 - D. The “Smell Tests” transaction of \$79.10.
 - E. Transactions described as variations of “Late Charge”, “Late Fee”, and “Overage” paid to Crickler Vending Co., Inc., Pitney Bowes Global Financial, FEDEX, Pitney Bowes Purchase Power, and Swift Office Equipment, Inc. totaling \$167.30.
 - F. The transactions paid to the Northeast Gas Association, totaling \$1,147.38. Additionally, state why it is appropriate to include these costs in addition to the expenses paid in accounts 911002 and 917002 to the same supplier.

RESPONSE: The M&T labeled item is an intercompany reclass between Pike and Corning Natural Gas, and is mislabeled as a bank fee. This was a one-time intercompany transfer for a balance that was booked in the wrong GL account, and is not expected to occur again. The informational advertising for Alert Media, Inc., we use this vendor for communications to our customers for emergency outages. The amount in question was for an additional run of an outage notice, and is an updated billing for that period of time. For NYSEG charges, these are the allocated portions of the electric bills at our corporate office, and a portion of it is allocable to Pike for all staff, tasks and work performed at the corporate office on Pike’s behalf. The smell test transaction of \$79.10 is from our vendor Sensonics Inc, which we utilize this company to continue to test and qualify our staff to determine that they can detect gas odors, both staff and supervisors. They administer the tests, and this is done at all of our gas companies, including Pike Gas. The transactions with any late charges or late fee classifications, those are various late fees on the timing of receipt of invoices and the payments to the vendors beyond the due dates listed on the invoices. The Northeast Gas Association amounts listed in intercompany activity are for the safety program costs, qualifications testing and metrics for safety services bought at the corporate level, and this is the piece allocated down to Pike. These are separate from the dues paid directly by Pike.

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT’S
INTERROGATORIES, SET RE, NOS. 27-29**

PROVIDED BY: Matthew Lennox, Controller

DATE: March 3, 2025

I&E Statement No. 2
Witness: Christopher Keller

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Direct Testimony

of

Christopher Keller

Bureau of Investigation and Enforcement

Concerning:

Rate of Return

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1 **INTRODUCTION**

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

3 A. My name is Christopher Keller. My business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 17120.
6

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

8 A. I am employed by the Pennsylvania Public Utility Commission (Commission) in
9 the Bureau of Investigation & Enforcement (I&E) as a Fixed Utility Financial
10 Analyst.
11

12 **Q. SUMMARIZE YOUR EDUCATION AND EMPLOYMENT HISTORY.**

13 A. An outline of my education and employment history is attached as Appendix A.
14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for protecting the public interest in proceedings before the
17 Commission. I&E's analysis in this proceeding is based on its responsibility to
18 represent the public interest. This responsibility requires balancing the interests of
19 ratepayers, the regulated utility, and the regulated community as a whole.
20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to review the base rate filing of Pike County Light

1 & Power Company (Gas) (Pike Gas or Company) and make recommendations
2 regarding the Company's rate of return, including capital structure, cost of short-
3 term debt, cost of long-term debt, the cost of equity, and the overall fair rate of
4 return for the future test year (FTY) ending September 30, 2025.

5
6 **Q. DOES YOUR TESTIMONY INCLUDE AN EXHIBIT?**

7 A. Yes. I&E Exhibit No. 2 contains schedules that support my direct testimony.
8

9 **BACKGROUND**

10 **Q. WHAT IS THE GENERAL DEFINITION OF RATE OF RETURN IN THE**
11 **CONTEXT OF A BASE RATE CASE?**

12 A. Rate of return is one of the components of the revenue requirement formula. Rate
13 of return is the amount of revenue an investment generates in the form of net
14 income. It is typically expressed as a percentage of the amount of an asset base at
15 a particular point in time, which in base rate proceedings, is the projected rate base
16 balance at the end of the fully projected future test year (FPFTY).
17

18 **Q. WHAT IS THE REVENUE REQUIREMENT FORMULA?**

19 A. The revenue requirement formula used in base rate cases is as follows:

20
$$RR = E + D + T + (RB \times ROR)$$

21 Where:

22 $RR =$ Revenue Requirement

23 $E =$ Operating Expenses

1 D = Depreciation Expense

2 T = Taxes

3 RB = Rate Base

4 ROR = Overall Rate of Return

5 In the above formula, the rate of return is expressed as a percentage. The
6 calculation of that percentage is independent of the determination of the
7 appropriate rate base value for ratemaking purposes. As such, the appropriate total
8 dollar return is dependent upon the proper computation of the rate of return and
9 the proper valuation of the Company's rate base.

10

11 **Q. WHAT CONSTITUTES A FAIR AND REASONABLE OVERALL RATE OF**
12 **RETURN?**

13 A. A fair and reasonable overall rate of return is one that will allow the utility an
14 *opportunity* to recover those costs prudently incurred by all classes of capital used
15 to finance the rate base during the prospective period in which its rates will be in
16 effect.

17 The *Bluefield Water Works & Improvements Co. v. Public Service Comm. of*
18 *West Virginia*, 262 U.S. 679, 692-93 (1923), and the *Federal Power Commission et*
19 *al v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) cases set forth the principles
20 that are generally accepted by regulators throughout the country as the appropriate
21 criteria for measuring a fair rate of return:

1. A utility is entitled to a return similar to that being earned by other enterprises with corresponding risks and uncertainties, but not as high as those earned by highly profitable or speculative ventures.
2. A utility is entitled to a return level reasonably sufficient to assure financial soundness.
3. A utility is entitled to a return sufficient to maintain and support its credit and raise necessary capital.
4. A fair return can change (increase or decrease) along with economic conditions and capital markets.

Q. EXPLAIN HOW THE OVERALL RATE OF RETURN IS TRADITIONALLY CALCULATED IN BASE RATE PROCEEDINGS.

A. In base rate proceedings, the overall rate of return is traditionally calculated using the weighted average cost of capital method. To calculate the weighted average cost of capital, a company's capital structure must first be determined by comparing the percentage of each capitalization component, which has financed rate base, to total capital. Next, the effective cost rate of each capital structure component must be determined. The historical component of the cost rate of debt can be computed accurately, and any future debt issuances are based on estimates. The cost rate of common equity is not fixed and is more difficult to measure. Because of this difficulty, a proxy group is used as discussed later in this testimony. Next, each capital structure component percentage is multiplied by its

1 corresponding effective cost rate to determine the weighted capital component cost
2 rate. The I&E table in the “*I&E Position*” section below demonstrates the
3 interaction of each capital structure component and its corresponding effective
4 cost rate. Finally, the sum of the weighted cost rates produces the overall rate of
5 return. This overall rate of return is multiplied by the rate base to determine the
6 return portion of a company’s revenue requirement.
7

8 **COMPANY’S RATE OF RETURN CLAIM**

9 **Q. WHO IS THE COMPANY’S RATE OF RETURN WITNESS?**

10 A. Pike Gas witnesses Charles Lenns, Senior Vice President and Chief Financial
11 Officer of Corning Energy Corporation (CEC) and Matthew Lenns, Controller of
12 CEC, provide combined testimony under the title “Accounting Panel.”
13 Throughout its direct testimony,¹ the Accounting Panel provides its
14 recommendations for the claimed capital structure, cost of debt, and cost of
15 common equity for the Company.
16

17 **Q. PLEASE SUMMARIZE THE COMPANY’S RATE OF RETURN CLAIM.**

18 A. The Accounting Panel recommends the following rate of return for the Company
19 based on its FTY ending September 30, 2025:²

¹ Pike Gas Statement No. 2.

² Pike Gas Statement No. 2, p. 24, lines 1-4 and Pike Gas Exhibit G-2, Schedule 3.

Type of Capital	Summary of Cost of Capital		Weighted Cost
	Ratio	Cost Rate	
Pike County Light & Power (Gas)			
Long-Term Debt	40.73% ³	6.80%	2.77%
Short-Term Debt	8.64%	7.58%	0.66%
Common Equity	50.63%	10.20%	5.16%
Total	100.00%		8.59%

Q. WHAT IS THE BASIS FOR THE COMPANY’S RATE OF RETURN CLAIM?

A. The Accounting Panel did not attempt to perform a detailed cost of equity analysis specific to the Company or to reflect current market conditions. Instead, it based the 10.20% cost of equity recommendation on the approved return on equity (ROE) for the distribution system improvement charge (DSIC) found in the second quarter 2024 Commission’s Quarterly Earnings Summary Report of 10.15%,⁴ which the Company rounded up to 10.20%.⁵

³ 0.01% was added to the long-term debt ratio to account for rounding.

⁴ PA Public Utility Commission, Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities for the Year Ended June 30, 2024, approved at Public Meeting on October 10, 2024 at Docket No. M-2024-3051104.

⁵ Pike Gas Statement No. 2, p. 23, lines 11-21.

I&E POSITION

Q. PLEASE SUMMARIZE YOUR RATE OF RETURN RECOMMENDATION.

A. I recommend the following rate of return for the Company:⁶

Type of Capital	Summary of Cost of Capital		Weighted Cost
	Ratio	Cost Rate	
Pike County Light & Power (Gas)			
Long-Term Debt	40.73% ⁷	6.80%	2.77%
Short-Term Debt	8.64%	7.58%	0.66%
Common Equity	50.63%	9.66%	4.89%
Total	100.00%		8.32%

PROXY GROUP

Q. WHAT IS A PROXY GROUP AS USED IN BASE RATE CASES?

A. A proxy group is a set of companies that have similar traits in comparison to the subject utility. This group of companies acts as a benchmark for determining the subject utility's rate of return in a base rate case.

Q. WHAT ARE THE REASONS FOR USING A PROXY GROUP?

A. A proxy group's cost of equity is used as a benchmark to satisfy the long-established guideline of utility regulation that seeks to provide the subject utility

⁶ I&E Exhibit No. 2, Schedule 1.

⁷ 0.01% was added to the long-term debt ratio to account for rounding.

1 with the opportunity to earn a return similar to that of enterprises with
2 corresponding risks and uncertainties.

3 A proxy group is typically utilized since the use of data exclusively from
4 one company may be less reliable. The lower reliability occurs because the data
5 for one company may be subject to events that can cause short-term anomalies in
6 the marketplace. The rate of return on common equity for a single company could
7 become distorted in these circumstances and would therefore not be representative
8 of similarly situated companies. Therefore, a proxy group has the effect of
9 smoothing out potential anomalies associated with a single company.

10
11 **Q. WHAT CRITERIA DID YOU USE IN SELECTING YOUR GAS**
12 **INDUSTRY PROXY GROUP?**

13 A. The criteria for my proxy group was designed to select companies that are
14 representative of Pike Gas. I applied the following criteria to Value Line's Natural
15 Gas Utility company group:

- 16 1. Fifty percent or more of the company's revenues must be generated from
17 the regulated gas utility industry.
- 18 2. The company's stock must be publicly traded.
- 19 3. Investment information for the company must be available from more than
20 one source, which includes Value Line.
- 21 4. The company must not be currently involved in an announced merger or the
22 target of an acquisition.

1 5. The company must have four consecutive years of historic earnings data.

2 6. The company must be operating in a state that has a deregulated gas utility
3 market.

4
5 **Q. WHAT PROXY GROUP DID YOU USE IN YOUR ANALYSIS?**

6 A. I include the following seven companies in my proxy group:⁸

Atmos Energy Corp.	ATO
Chesapeake Utilities	CPK
NiSource Inc	NI
New Jersey Resources	NJR
Northwest Natural Gas Co.	NWN
ONE Gas Inc.	OGS
Spire Inc.	SR

7
8
9 **Q. DID THE ACCOUNTING PANEL USE A PROXY GROUP IN ITS**
10 **ANALYSIS?**

11 A. No. The Accounting Panel did not utilize a proxy group, nor did it provide an
12 analysis specific to the Company or to reflect current market conditions to
13 determine its cost of equity recommendation. As mentioned earlier in my
14 testimony, the Accounting Panel relied on the approved ROE for the DSIC found
15 in the second quarter 2024 Commission's Quarterly Earnings Summary Report.

⁸ I&E Exhibit No. 2, Schedule 2.

CAPITAL STRUCTURE

Q. WHAT IS A CAPITAL STRUCTURE?

A. A capital structure represents how a firm has financed its rate base with different sources of funds. The primary funding sources are long-term debt and common equity. A capital structure may also include preferred stock and/or short-term debt.

Q. WHAT IS THE COMPANY'S CLAIMED CAPITAL STRUCTURE?

A. The Company's claimed capital structure is summarized in the table below:⁹

Type of Capital	Ratio
Long-Term Debt	40.73% ¹⁰
Short-Term Debt	8.64%
Common Equity	<u>50.63%</u>
Total	<u>100.00%</u>

Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIMED CAPITAL STRUCTURE?

A. The Accounting Panel states that the claimed "capital structure reflects the proportions of the actual capital being used in the utility's business plus a projected debt financing."¹¹

⁹ Pike Gas Statement No. 2, p. 21, lines 9-17.

¹⁰ 0.01% was added to the long-term debt ratio to account for rounding.

¹¹ Pike Gas Statement No. 2, p. 22, lines 6-8.

1 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
2 **CAPITAL STRUCTURE?**

3 A. I recommend using the Company's claimed capital structure as presented in the
4 table above.

5
6 **Q. WHAT IS THE BASIS FOR YOUR CAPITAL STRUCTURE**
7 **RECOMMENDATION?**

8 A. The Accounting Panel asserts that Pike County Light & Power Company is one
9 company that operates both a gas and electric utility as a single business entity and
10 has not developed individual capital structures for gas and electric.¹² Therefore,
11 since any attempt to fabricate separate capital structures would be nothing more
12 than speculation, I recommend using the Company's claimed capital structure as it
13 falls within the range of my proxy group's 2023 (most recent available) capital
14 structures. The average capital structure of my proxy group for the past five years
15 consists of long-term debt ratios ranging from 38.19% to 56.62%, short-term debt
16 ratios ranging from 1.46% to 13.16%, and equity ratios ranging from 34.74% to
17 59.95%, with an overall five-year average of 46.21% for long-term debt, 8.61%
18 for short-term debt, and 45.18% for common equity.¹³

¹² I&E Exhibit No. 2, Schedule 2.

¹³ I&E Exhibit No. 2, Schedule 3.

1 **COST OF LONG-TERM DEBT**

2 **Q. WHAT IS THE COMPANY'S CLAIMED COST RATE OF LONG-TERM**
3 **DEBT?**

4 A. The Company's claimed long-term debt cost rate is 6.80% for the FTY.¹⁴

5
6 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
7 **COST RATE OF LONG-TERM DEBT?**

8 A. I recommend using the Company's long-term debt cost rate of 6.80%.

9
10 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION TO USE THE**
11 **COMPANY'S COST RATE OF LONG-TERM DEBT?**

12 A. Although this falls outside my proxy group's implied long-term debt cost range of
13 2.24% to 5.57%, with an average implied long-term debt cost of 4.28% for 2023¹⁵
14 and is above the Mergent Bond Record average yield of 5.54% for the period
15 January 2024 through December 2024 for A-rated public utility bonds,¹⁶ I
16 recommend the Company's cost rate of long-term debt be used as the data used to
17 determine the long-term debt cost range does not take into account the recent
18 inflation and the current interest rate environment.

¹⁴ Pike Gas Exhibit G-2, Schedule 3.

¹⁵ I&E Exhibit No. 2, Schedule 4.

¹⁶ I&E Exhibit No. 2, Schedule 5.

1 **COST OF SHORT-TERM DEBT**

2 **Q. WHAT IS THE COMPANY'S CLAIM FOR THE COST RATE OF SHORT-**
3 **TERM DEBT?**

4 A. The Company's proposed cost rate of short-term debt is 7.58%.¹⁷

5
6 **Q. WHAT IS THE BASIS FOR THE COMPANY'S PROPOSED COST RATE**
7 **OF SHORT-TERM DEBT?**

8 A. The Accounting Panel claims this cost rate is based on the line of credit rate
9 currently in effect.¹⁸

10
11 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S**
12 **COST RATE OF SHORT-TERM DEBT?**

13 A. I recommend using the Company's claimed short-term debt cost rate of 7.58% for
14 this proceeding as it appears reasonable and is based on the current actual line of
15 credit rate.

¹⁷ Pike Gas Statement No. 2, p. 22, lines 19-20.

¹⁸ Pike Gas Exhibit G-2, Schedule 3, Footnote (a).

COST OF COMMON EQUITY

Common Methods

Q. WHAT METHODS ARE COMMONLY PRESENTED BY UTILITIES IN DETERMINING THE COST OF COMMON EQUITY?

A. Four methods commonly presented to estimate the cost of common equity are the Discounted Cash Flow (DCF) Method, the Capital Asset Pricing Model (CAPM), the Risk Premium (RP) Method, and the Comparable Earnings (CE) Method.

Q. WHAT IS THE THEORETICAL BASIS FOR THE DCF METHOD?

A. The DCF method is the “dividend discount model” of financial theory, which maintains that the value (price) of any security or commodity is the discounted present value of all future cash flows. The DCF method assumes that an investor’s value of a financial asset is determined by its earning power, or its ability to generate future cash flows.

Q. WHAT IS THE THEORETICAL BASIS FOR THE CAPM?

A. The CAPM describes the relationship of a stock’s investment risk and its market rate of return. It identifies the rate of return investors expect so that it is comparable with returns of other stocks of similar risk. This method hypothesizes that the investor-required return on a company’s stock is equal to the return on a “risk free” asset plus an equity premium reflecting the company’s investment risk. In the CAPM, two types of risk are associated with a stock: (1) firm-specific risk

(unsystematic risk); and (2) market risk (systematic risk), which is measured by a firm's beta. The CAPM allows for investors to receive a return only for bearing systematic risk. Unsystematic risk is assumed to be diversified away, and therefore, does not earn a return.

Q. WHAT IS THE THEORETICAL BASIS FOR THE RP METHOD?

A. The theoretical basis for the RP method is a simplified version of the CAPM. The RP method's theory is that common stock is riskier than debt, thus, investors require a higher expected return on stocks than bonds. In the RP approach, the cost of equity is made up of the cost of debt and a risk premium. While the CAPM uses the market risk premium, it also directly measures the systematic risk of a company group through the use of beta. The RP method does not measure the specific risk of a company.

Q. WHAT IS THE THEORETICAL BASIS FOR THE CE METHOD?

A. The CE method utilizes the concept of opportunity cost. This means that investors will likely dedicate their capital to the investment offering the highest return with similar risk to alternative investments. Unlike the DCF, CAPM, and the RP methods, the CE method is not market-based and relies upon historic accounting data. Similar to the RP method, CE method does not measure the specific risk of a company. The most problematic issue with the CE method is determining what constitutes comparable companies.

1 **Q. WHAT METHOD DO YOU RECOMMEND USING TO DETERMINE AN**
2 **APPROPRIATE COST OF COMMON EQUITY FOR PIKE GAS?**

3 A. I recommend using the DCF method as the primary method to determine the cost
4 of common equity. Additionally, I provide a CAPM analysis to be used as a
5 comparison, not as a check, to the DCF results. The Commission has historically
6 relied primarily upon the DCF results in base rate proceedings, including as
7 recently as 2017, 2018, 2020, and 2021.¹⁹

8
9 **Q. PLEASE EXPLAIN WHY YOU CHOSE TO USE THE DCF AS THE**
10 **PRIMARY METHOD IN YOUR ANALYSIS.**

11 A. I have used the DCF for a variety of reasons. First, the DCF is appealing to
12 investors as it is based upon the concept that the receipt of dividends in addition to
13 the expected appreciation is the total return requirement determined by the
14 market.²⁰ Second, the use of a growth rate and expected dividend yield are also
15 strengths of the DCF, as this recognizes the time value of money and is forward-
16 looking. Third, the use of the utilities' own, or in this case, the proxy group's
17 stock prices and growth rates directly in the calculation also causes the DCF to be

¹⁹ *Pa. PUC v. City of DuBois – Bureau of Water*, Docket No. R-2016-2554150 (Order Entered March 28, 2017). *See generally* Disposition of Cost Rate Models, pp. 96-97; *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018). *See generally* Disposition of Cost of Common Equity, p. 119; *Pa. PUC v. Wellsboro Electric Company*, Docket No. R-2019-3008208 (Order Entered April 29, 2020). *See generally* Disposition of Primary Methodology to Determine ROE, pp. 80-81; *Pa. PUC v. Citizens Electric Company of Lewisburg, PA*, Docket No. R-2019-3008212 (Order Entered April 29, 2020). *See generally* Disposition of Cost of Common Equity, pp. 91-92; *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 (Order Entered February 19, 2021). *See generally* Disposition of Cost of Common Equity, p. 131; *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order Entered June 22, 2021). *See generally* Disposition of Return of Rate on Common Equity, p. 171.

²⁰ David C. Parcell, “The Cost of Capital – A Practitioner’s Guide,” 2020 Edition, p. 153.

1 industry and company specific. Finally, current inflationary and economic trends
2 are most certainly reflected in a stock's price, which is used in determining the
3 dividend yield, and by analysts who generate forecasted earnings growth rates.
4 Therefore, the DCF contains the most up-to-date projected information of any
5 model and is the superior method for determining the rate of return for the current
6 economic market because it measures the cost of equity directly.

7
8 **Q. PLEASE EXPLAIN WHY YOU CHOSE TO USE THE CAPM AS A**
9 **COMPARISON TO THE DCF IN YOUR ANALYSIS.**

10 A. I have included a CAPM analysis only as a comparison, and not as a basis, for my
11 recommendation because both the CAPM and the DCF include inputs that allow
12 the results to be specific to the utility industry. However, the CAPM is based on
13 the performance of U.S. Treasury bonds and the performance of the market as
14 measured through the S&P 500 and is company-specific only through the use of
15 beta. Beta reflects a stock's volatility relative to the overall market, thereby
16 incorporating an industry-specific aspect to the CAPM, but only as a measure of
17 how reactive the industry is compared to the market as a whole. Although changes
18 in the utility industry are more likely to be accurately reflected in the DCF, which
19 uses the companies' actual prices, dividends, and growth rates, I have also
20 included the results of my CAPM analysis because changes in the market, whether
21 as a whole or specific to the utility industry, can affect the outcome of each
22 method in different ways. Although I have provided the results of the CAPM as a

comparison, and not as a check, it does have several disadvantages and should not be given comparable weight to the DCF method.

Q. EXPLAIN THE DISADVANTAGES OF THE CAPM.

A. Beta, which is the only company-specific variable in the CAPM model, measures the *historical* volatility of a stock compared to the *historical* overall market return. Reliance on historical values is especially problematic now given the recent impacts of the COVID-19 pandemic and subsequent interest rate environment on economic conditions. Therefore, the DCF method is the superior method for determining the rate of return for the current economic market and measuring the cost of equity directly. The CAPM, and similarly the RP method, are less reliable indicators because they measure the cost of equity indirectly and risk premiums vary depending on the debt and equity being compared.

Q. IS THERE ANY ACADEMIC EVIDENCE THAT QUESTIONS THE CREDIBILITY OF THE CAPM MODEL?

A. Yes. An article, “Market Place; A Study Shakes Confidence in the Volatile-Stock Theory,” which appeared in the *New York Times* on February 18, 1992, summarized a CAPM study conducted by professors Eugene F. Fama and Kenneth R. French.²¹ Their study examined the importance of beta, CAPM’s risk

²¹ Berg, Eric N. “Market Place; A Study Shakes Confidence in the Volatile-Stock Theory,” *The New York Times*, February 18, 1992, *nytimes.com*, March 23, 2016.

1 factor, in explaining returns on common stock. In CAPM theory a stock with a
2 higher beta should have a higher expected return. However, they found that the
3 model did not do well in predicting actual returns and suggested the use of more
4 elaborate multi-factor models.

5 A more recent article, “The Capital Asset Pricing Model: Theory and
6 Evidence,” which appeared in the *Journal of Economic Perspectives*, states that
7 “the attraction of the CAPM is that it offers powerful and intuitively pleasing
8 predictions about how to measure risk and the relation between expected return
9 and risk. Unfortunately, the empirical record of the model is poor - poor enough
10 to invalidate the way it is used in applications.”²² As a result, I conclude that the
11 CAPM’s relevance to the investment decision making process does not carry over
12 into the regulatory rate setting process.

13
14 **Q. PLEASE EXPLAIN WHY YOU HAVE CHOSEN TO EXCLUDE THE RP**
15 **METHOD FROM YOUR ANALYSIS.**

16 A. The RP method is excluded because it is a simplified version of the CAPM and is
17 subject to the same faults explained above. More importantly, unlike the CAPM,
18 the RP method does not recognize company-specific risk through beta.

²² Fama, Eugene F. and French, Kenneth R., “The Capital Asset Pricing Model: Theory and Evidence.” *Journal of Economic Perspectives* (2004): Volume 18, Number 3, pp. 25-46.

1 **Q. EXPLAIN WHY YOU HAVE CHOSEN TO EXCLUDE THE CE METHOD**
2 **IN YOUR ANALYSIS.**

3 A. The CE method is excluded because the choice of which companies are
4 comparable is highly subjective, and it is debatable whether historic accounting
5 values are representative of the future. Moreover, its historical usage in this
6 regulatory forum has been minimal.

7
8 **Q. ARE THERE ANY RECENT COMMISSION ORDERS THAT DEVIATE**
9 **FROM THE USE OF THE DCF AS THE PRIMARY METHOD IN**
10 **DETERMINING A COMPANY’S RETURN ON EQUITY?**

11 A. Yes. The Commission indicated in Aqua Pennsylvania, Inc.’s (Aqua) 2021 base
12 rate case order that its method “for determining Aqua’s ROE shall utilize both
13 I&E’s DCF and CAPM methodologies”²³ and that “I&E’s DCF and CAPM
14 produce a range of reasonableness for the ROE ...”,²⁴ which deviates from the
15 historical Commission practice of primarily relying on the DCF. Additionally, the
16 Commission’s Columbia Water Company (Columbia Water) base rate case order
17 relied on the results of I&E’s DCF and CAPM analyses for determining Columbia
18 Water’s ROE.²⁵ Finally, in the most recent Pennsylvania-American Water

²³ *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2021-3027385 & R-2021-3027386, p. 154 (Order Entered May 16, 2022).

²⁴ *Id.* at p. 178.

²⁵ *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258, p. 105 (Order Entered January 18, 2024).

1 Company (PAWC) case, the Commission agreed with the ALJ's recommended
2 ROE which was based on the average of I&E's DCF and CAPM analyses.²⁶

3
4 **Q. SHOULD THE COMMISSION'S USE OF THE CAPM AS A CEILING FOR**
5 **A "RANGE OF REASONABLENESS" APPLY IN THIS PROCEEDING?**

6 A. No. In a report issued by Regulatory Research Associates, a group within S&P
7 Global Market Intelligence,²⁷ Aqua's return on equity of 10.00% is stated as being
8 above the national average for water utility base rate cases and above the
9 Distribution System Improvement Charge (DSIC) authorized by the Commission
10 of 9.80%²⁸ for water and wastewater utilities based on a period ended March 31,
11 2022. The above referenced report also states that the average return on equity for
12 water utility base rate cases that have been completed during the first four months
13 of 2022 was 9.63% and for the twelve months ended April 30, 2022 was 9.53%
14 which are well below the 10.00% return on equity authorized by the Commission
15 for Aqua. Although this is related to the water utility industry only, it
16 demonstrates the problem associated with using the CAPM as a ceiling for
17 determining a utility's return on equity.

²⁶ *Pa. PUC v. Pennsylvania-American Water Company*, Docket Nos. R-2023-30433189 & R-2023-3043190, p. 194 (Order Entered July 22, 2024).

²⁷ Regulatory Research Associates, "Commission authorizes management performance bonus for Aqua Pennsylvania," *S&P Global Market Intelligence*, May 16, 2022. [CIQ Pro: RRA Regulatory Focus: Commission authorizes management performance bonus for Aqua Pennsylvania \(spglobal.com\)](https://www.spglobal.com/regulatory-focus/articles/2024/01/23/commission-authorizes-management-performance-bonus-for-aqua-pennsylvania) (Accessed January 23, 2024).

²⁸ PA Public Utility Commission, Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities for the Year Ended March 31, 2022, approved at Public Meeting on August 4, 2022 at Docket No. M-2022-3032561.

In the Columbia Water order, the Commission noted that I&E’s DCF and CAPM produced a range of reasonableness for the ROE from 7.84% to 11.09% and approved an ROE of 9.75% as reasonable and appropriate for that company, which is based upon consideration of a variety of factors such as increasing inflation leading to increases in interest rates and capital costs.²⁹ I respectfully disagree with the Commission’s basis (current inflation and interest rates) for determining Columbia Water’s ROE of 9.75%. While I cannot dispute the recent economic conditions with respect to increased interest rates and government bond yields, it is important to note that all companies, including regulated utilities, are impacted by high interest rates. Notably, per the most recent monthly Blue Chip Financial Forecasts,³⁰ the 2025-2026 inflation rates by two measures are forecasted to be between 2%-3%, as shown in the table below, which is much less than experienced inflation in recent years:

	Q1	Q2	Q3	Q4	Q1	Q2
	2025	2025	2025	2025	2026	2026
Consumer Price Index	2.60%	2.60%	2.50%	2.60%	2.70%	2.50%
PCE Price Index	2.30%	2.40%	2.40%	2.50%	2.50%	2.30%

I believe these forecasted lower inflation rates will have the effect of reducing potential inflation and interest rate risks in capital costs during the FTY, when Pike Gas’ rates will be in effect.

²⁹ *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258, pp.108-109 (Order Entered January 18, 2024).

³⁰ Blue Chip Financial Forecasts Vol. 44, No. 1, December 30, 2024.

1 Additionally, it is important to note that unlike unregulated companies,
2 public utilities may file rate cases to address unforeseen or increased expenses
3 and/or revenue shortfalls due to changes in market conditions.

4 Lastly, as I explained above, the CAPM should not be used as a primary
5 method, and it should only be used as a comparison and not as a check of the DCF
6 or to establish a “reasonable range” due to the concerns I stated above. Therefore,
7 I disagree with providing the CAPM comparable weight to the DCF method.

8
9 **SUMMARY OF THE COMPANY’S RESULTS**

10 **Q. WHAT ARE THE RESULTS OF THE COMPANY’S COST OF EQUITY**
11 **ANALYSES?**

12 A. To reiterate, the Accounting Panel declined to provide a detailed cost of equity
13 analysis for the Company. Instead, it simply recommends a 10.20% cost of equity
14 which it attempts to rationalize by explaining that the approved ROEs for DSIC
15 purposes found in the Commission’s Quarterly Earnings Summary Report are
16 appropriate for Pike Gas’ ROE in this proceeding.

17
18 **I&E RECOMMENDATION**

19 **Q. WHAT IS YOUR RECOMMENDED COST OF COMMON EQUITY FOR**
20 **PIKE GAS?**

21 A. Based upon my analysis, I recommend a cost of common equity of 9.66%.³¹

³¹ I&E Exhibit No. 2, Schedule 1.

1 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

2 A. My recommendation is based on the use of the DCF method. As explained above,
3 I used my CAPM result only to present to the Commission a comparison and not
4 as a check to my DCF results. My DCF analysis uses a spot dividend yield, a 52-
5 week dividend yield, and earnings growth forecasts.

6
7 **Discounted Cash Flow**

8 **Q. PLEASE EXPLAIN YOUR DCF ANALYSIS.**

9 A. My analysis employs the constant growth DCF model as portrayed in the
10 following formula:

11
$$K = D_1/P_0 + g$$

12 Where:

13 K = Cost of equity

14 D₁ = Dividend expected during the year

15 P₀ = Current price of the stock

16 g = Expected growth rate

17 When a forecast of D₁ is not available, D₀ (the current dividend) must be adjusted
18 by one half of the expected growth rate to account for changes in the dividend paid
19 in period one. As forecasts for each company in my proxy group were available
20 from Value Line, no dividends were adjusted for the purpose of my analysis.

Q. PLEASE EXPLAIN HOW YOU DEVELOPED THE DIVIDEND YIELDS USED IN YOUR DCF ANALYSIS.

A. A representative dividend yield must be calculated over a time frame that avoids the problems of both short-term anomalies and stale data series. For my DCF analysis, the dividend yield calculation places equal emphasis on the most recent spot and the 52-week average dividend yields. The following table summarizes my dividend yield computations for the proxy group:³²

Seven- Company Proxy Group	Dividend Yield
Spot	3.52%
52-week Average	3.72%
Average	3.62%

Q. WHAT INFORMATION DID YOU RELY UPON TO DETERMINE YOUR EXPECTED GROWTH RATE?

A. I have used five-year projected growth rate estimates from S&P, Zacks, and Value Line.

Q. WHAT WERE THE RESULTS OF YOUR FORECASTED EARNINGS GROWTH RATES?

A. The expected average growth rates for my proxy group ranged from 2.95% to

³² I&E Exhibit No. 2, Schedule 6.

8.27% with an overall average of 6.04%.³³

Q. WHAT IS THE RESULT OF YOUR DCF ANALYSIS BASED ON YOUR RECOMMENDED DIVIDEND YIELD AND GROWTH RATE?

A. The results of my DCF analysis is calculated as follows:³⁴

$$\begin{array}{rclclcl} K & = & D_1/P_0 & + & g \\ 9.66\% & = & 3.62\% & + & 6.04\% \end{array}$$

Capital Asset Pricing Model

Q. PLEASE EXPLAIN YOUR CAPM ANALYSIS.

A. My analysis employs the traditional CAPM as portrayed in the following formula:

$$K = R_f + \beta(R_m - R_f)$$

Where:

K = Cost of equity

R_f = Risk-free rate of return

R_m = Expected rate of return on the overall stock market

β = Beta measures the systematic risk of an asset

R_m - R_f = Equity Risk Premium (ERP)

³³ I&E Exhibit No. 2, Schedule 7.

³⁴ I&E Exhibit No. 2, Schedule 8.

1 **Q. WHAT IS BETA AS EMPLOYED IN YOUR CAPM ANALYSIS?**

2 A. Beta is a measure of the systematic risk of a stock in relation to the rest of the
3 stock market. A stock's beta is estimated by calculating the linear regression of a
4 stock's return against the return on the overall stock market. The beta of a stock
5 with a price pattern identical to that of the overall stock market will equal one. A
6 stock with a price movement that is greater than the overall stock market will have
7 a beta that is greater than one and would be described as having more investment
8 risk than the market. Conversely, a stock with a price movement that is less than
9 the overall stock market will have a beta of less than one and would be described
10 as having less investment risk than the overall stock market.

11
12 **Q. HOW DID YOU DETERMINE BETA FOR YOUR CAPM ANALYSIS?**

13 A. In estimating an equity cost rate for my proxy group of seven natural gas
14 companies, I used the average of the betas for the companies as provided in the
15 Value Line Investment Survey. The average beta for my proxy group is 0.90.³⁵

16
17 **Q. WHAT RISK-FREE RATE OF RETURN HAVE YOU USED FOR YOUR**
18 **FORECASTED CAPM ANALYSIS?**

19 A. I used the risk-free rate of return (R_f) from the projected yield on 10-year Treasury
20 Notes. While the yield on the short-term T-Bill is a more theoretically correct
21 parameter to represent a risk-free rate of return, it can be extremely volatile. The

³⁵ I&E Exhibit No. 2, Schedule 9.

1 volatility of short-term T-Bills is directly influenced by Federal Reserve policy. At
2 the other extreme, the 30-year Treasury Bond exhibits more stability but is not
3 risk-free. Long-term Treasury Bonds have substantial maturity risk associated
4 with market risk and the risk of unexpected inflation. Long-term treasuries
5 normally offer higher yields to compensate investors for these risks. As a result, I
6 used the yield on the 10-year Treasury Note because it mitigates the shortcomings
7 of the other two alternatives. Additionally, the Commission has historically agreed
8 with I&E and recognized the 10-year Treasury Note as the superior measure of the
9 risk-free rate of return.³⁶

10 The forecasted yield on the 10-year Treasury Note, as seen in Blue Chip
11 Financial Forecasts, is trending downward from 4.30% in the second quarter of
12 2025 to 4.20% in the second quarter of 2026, and it is forecasted to be 4.00% from
13 2026-2030. For my CAPM analysis, I used 4.23%, which is the average of all the
14 yield forecasts I observed.³⁷

15
16 **Q. HOW DID YOU DETERMINE THE RETURN ON THE OVERALL**
17 **STOCK MARKET IN YOUR FORECASTED CAPM ANALYSIS?**

18 **A.** To arrive at a representative expected return on the overall stock market, I

³⁶ *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, Docket No. R-2017-2640058 (Order Entered October 25, 2018). *See generally* Disposition of Capital Asset Pricing Model (CAPM), p. 99; *Pa. PUC v. Aqua Pennsylvania, Inc.*, Docket Nos. R-2021-3027385 & R-2021-3027386, p. 154 (Order Entered May 16, 2022); *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258 (Order Entered January 18, 2024). *See generally* Disposition of Cost of Common Equity, pp. 107-108; *Pa. PUC v. Pennsylvania-American Water Company*, Docket Nos. R-2023-3043189 & R-2023-3043190 (Order Entered July 22, 2024). *See generally* Disposition of Capital Asset Pricing Model (CAPM), pp. 171-172.

³⁷ I&E Exhibit No. 2, Schedule 10.

observed Value Line's 1700 stocks and the historical returns of the S&P 500. Value Line expects its universe of approximately 1700 stocks to have an average yearly return of 11.83% over the next three to five years based on a forecasted dividend yield of 2.10% and a yearly index appreciation of 45%. The S&P 500 Index has had an average return of 12.29% over the past 99 years (1926-2024).³⁸ I have averaged these two figures which results in an estimated market return of 12.06%.³⁹

Q. WHAT IS THE COST OF EQUITY RESULT FROM YOUR CAPM ANALYSIS USING A FORECASTED OVERALL MARKET RETURN?

A. The result of my analysis is as follows:⁴⁰

$$\begin{array}{rccccccc} K & = & R_f & + & \beta(R_m - R_f) \\ 11.28\% & = & 4.23\% & + & 0.90 (12.06\% - 4.23\%) \end{array}$$

Q. HAVE YOU PROVIDED AN ADDITIONAL CAPM ANALYSIS?

A. Yes. I have provided an additional CAPM analysis using Kroll's (formerly Duff & Phelps) recommended U.S. Equity Risk Premium (ERP) paired with the 20-year U.S. Treasury yield. Kroll is a trusted and publicly available source that bases

³⁸ I&E Exhibit No. 2, Schedule 11.

³⁹ I&E Exhibit No. 2, Schedule 12.

⁴⁰ I&E Exhibit No. 2, Schedule 13.

1 their recommended ERP on current and forecasted economic and financial market
2 conditions.

3
4 **Q. WHAT IS KROLL’S CURRENT RECOMMENDED ERP?**

5 A. As of June 5, 2024, Kroll recommends an ERP of 5.0%.

6
7 **Q. WHAT IS THE CURRENT 20-YEAR U.S. TREASURY YIELD?**

8 A. As of March 5, 2025, the 20-Year U.S. Treasury yield was 4.55%.

9
10 **Q. WHAT IS THE COST OF EQUITY RESULT FROM YOUR CAPM**
11 **ANALYSIS USING KROLL’S RECOMMENDED ERP AND THE 20-YEAR**
12 **U.S. TREASURY YIELD?**

13 A. The result of my analysis is as follows:⁴¹

$$\begin{array}{rccccccc} & K & = & R_f & + & & \beta(ERP) \\ 14 & 9.05\% & = & 4.55\% & + & & 0.90 (5.0\%) \end{array}$$

15

⁴¹ I&E Exhibit No. 2, Schedule 13.

1 **Q. WHAT IS THE RESULT OF YOUR CAPM ANALYSIS BASED ON THE**
2 **AVERAGE OF USING A FORECASTED OVERALL MARKET RETURN**
3 **AND USING KROLL'S RECOMMENDED ERP AND 20-YEAR**
4 **TREASURY YIELD?**

5 A. The average of my CAPM analyses is 10.16% $((11.28\% + 9.05\%) \div 2)$.⁴²

6
7 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING YOUR**
8 **CAPM ANALYSIS?**

9 A. Yes. As discussed earlier in my testimony, and as I&E has historically reasoned,
10 my recommended cost of equity is based upon my DCF analysis. My CAPM
11 analyses are only presented to the Commission as a comparison and not for
12 recommendation purposes as the inputs are highly subjective, and other than beta,
13 not company or industry specific.

14
15 **Q. IS IT NECESSARY OR APPROPRIATE TO APPLY THE CAPM WITH**
16 **SIMILAR WEIGHT TO THE DCF WHEN DETERMINING A SPECIFIC**
17 **RETURN ON EQUITY DUE TO RECENT INFLATIONARY TRENDS?**

18 A. No. My use of the DCF as a primary method in determining an appropriate return
19 on equity already sufficiently takes inflationary trends into consideration. As
20 mentioned above, the DCF includes a spot stock price in the dividend yield
21 calculation and analysts who generate forecasted earnings growth almost certainly

⁴² I&E Exhibit No. 2, Schedule 13.

1 take inflation into consideration as well, so it contains the most up-to-date
2 projected information of any model. In other words, the inputs of the DCF capture
3 all known economic factors, including inflation.
4

5 **CRITIQUE OF THE ACCOUNTING PANEL'S PROPOSED COST OF EQUITY**

6 **Q. DO YOU AGREE WITH THE ACCOUNTING PANEL'S PROPOSED**
7 **COST OF EQUITY?**

8 A. No. As discussed earlier in my testimony, the Accounting Panel did not attempt to
9 perform a detailed cost of equity analysis specific to the company or to reflect
10 current market conditions. The Accounting Panel relied on the approved ROEs for
11 DSIC purposes found in the second quarter of 2024 of the Commission's Quarterly
12 Earnings Summary.
13

14 **Q. SHOULD THE COMMISSION CONSIDER THE AUTHORIZED DSIC**
15 **RATE ON THE QUARTERLY EARNINGS SUMMARY REPORT AS THE**
16 **APPROPRIATE COST OF EQUITY IN THIS PROCEEDING?**

17 A. No. It is my understanding that the Commission's authorized return on equity for
18 DSIC purposes is set higher than the Commission staff-calculated return on equity
19 as an incentive for companies to invest in improving or replace deteriorating
20 infrastructure while reducing regulatory lag. To suggest the cost of equity be at
21 the DSIC rate in this base rate proceeding is inappropriate and not in the public
22 interest. Additionally, the DSIC rate establishes a benchmark above which a

1 utility company is considered “overearning.” As such, the DSIC rate does not
2 serve as a proper measurement of a subject utility’s cost of equity in a rate case
3 proceeding. In fact, 66 Pa. C.S. § 1358(b)(3) states the following:

4 The distribution system improvement charge shall be reset at
5 zero if, in any quarter, data filed with the commission in the
6 utility’s most recent annual or quarterly earnings report show
7 that the utility will earn a rate of return that would exceed the
8 allowable rate of return used to calculate its fixed costs under
9 the distribution system improvement charge.

10 Finally, in the most recent base rate proceeding for Peoples Natural Gas
11 Company, LLC, the Commission’s Vice Chair Kimberly Barrow noted in her
12 statement:

13 The quarterly DSIC calculations are for the targeted and
14 discrete purpose of the DSIC investment, not setting an overall
15 return on equity for a company. The DSIC quarterly numbers
16 are a solid proxy utilized to incent DSIC investment; however,
17 they were not designed or meant to substitute the myriad of
18 inputs submitted to the record during a litigated base rate
19 proceeding. Notably, as highlighted by I&E, the DSIC rate
20 establishes a benchmark that is meant to cap or curb utility
21 overearnings. It is not meant to serve as a measurement for the
22 cost of equity in a base rate case proceeding.⁴³
23

24 **OVERALL RATE OF RETURN RECOMMENDATION**

25 **Q. WHAT IS THE COMPANY’S PROPOSED COST OF EQUITY AND** 26 **OVERALL RATE OF RETURN?**

27 **A.** The Company recommends a cost of equity of 10.20% and an overall rate of

⁴³ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2023-3044549 (Order Entered September 12, 2024). Statement of Vice Chair Kimberly Barrow.

1 return of 8.59%.⁴⁴

2
3 **Q. WHAT IS I&E'S RECOMMENDED COST OF EQUITY AND OVERALL**
4 **RATE OF RETURN?**

5 A. I&E Exhibit No. 2, Schedule 1, shows the calculation of an appropriate cost of
6 equity to be 9.66% with an overall rate of return for the Company to be 8.32%.

7
8 **Q. DO YOU HAVE ANY FINAL COMMENTS REGARDING THE**
9 **COMPANY'S PROPOSED RETURN ON EQUITY?**

10 A. Yes. First, a report issued by Regulatory Research Associates, a group within S&P
11 Global Market Intelligence, shows that the average return on equity authorized for
12 gas utilities was 9.72% for cases decided in 2024, which was based on 44 rate
13 cases across the nation.⁴⁵ Pike Gas' request is 48 basis points above this average.
14 It is also important to note here that Pennsylvania is a deregulated state, which
15 would indicate less risk.

16 Second, a very recent paper from the American Economic Liberties
17 Project⁴⁶ written in January 2025 expresses many good points explaining how and
18 why the returns on equity for investor-owned utilities are irrationally high. A few
19 of the points this paper argues is that (1) over the past decade, utilities have been

⁴⁴ Pike Gas Exhibit G-2, Schedule 3.

⁴⁵ Regulatory Research Associates, "Major energy rate case decisions in the US – January-December 2024, Quarterly update on decided rate cases," *S&P Global Market Intelligence*, February 4, 2025.

⁴⁶ Mark Ellis, "Rate of Return Equals Cost of Capital: A Simple, Fair Formula to Stop Investor-Owned Utilities From Overcharging the Public," *American Economic Liberties Project*, January 2025.

1 awarded ROEs that are roughly double what is “just and reasonable,” (2) although
2 regulated utilities enjoy lower risk than the market as a whole, authorized ROEs
3 are notably higher than what is projected for the overall market, and (3) the author
4 challenges the usefulness of the RP and CE methods used in calculating ROEs and
5 notes that in 2022, the Federal Energy Regulatory Commission began to prohibit
6 the use of these models.

7 Third, as discussed earlier in my testimony, Pike Gas’ requested return on
8 common equity is 5 basis points higher than the Commission’s approved DSIC
9 rate of 10.15%⁴⁷ for natural gas companies. My understanding is that the DSIC
10 rate is designed to encourage its use and to incentivize accelerated pipeline
11 replacement and infrastructure upgrades to bring the existing aging infrastructure
12 closer to meeting safety and reliability requirements in between base rate filings.
13 Additionally, the DSIC rate establishes a benchmark above which a utility
14 company is considered “overearning.” To recommend a cost of equity that is
15 above the DSIC rate in this base rate proceeding is inappropriate and not in the
16 public interest.

17 Finally, I believe it is important to consider the impact of what Pike Gas’
18 excessive return on equity request of 10.20% would have on rates. Any additional
19 basis points beyond the I&E recommended ROE of 9.66% based on a DCF

⁴⁷ PA Public Utility Commission, Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities for the Year Ended September 30, 2024, p. 23, approved at Public Meeting on February 6, 2025 at Docket No. M-2025-3053025.

1 (market-determined) result are unnecessary and will put an enormous burden on
2 ratepayers.

3

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

5 A. Yes.

Professional and Educational Experience
Christopher Keller

Professional Experience

January 2014 to Present
Fixed Utility Financial Analyst
Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania
Bureau of Investigation & Enforcement

September 2008 to January 2014
Insurance Company Financial Analyst
Pennsylvania Insurance Department, Harrisburg, Pennsylvania
Bureau of Licensing & Financial Analysis

Education and Training

FAI Utility Finance and Accounting for Financial Professionals, Boston, MA
May 21-23, 2014

York College of Pennsylvania, York, Pennsylvania
Master of Business Administration, Finance Concentration, 2008
Bachelor of Science, Accounting, 2006

Testimony Submitted

I have testified and/or submitted testimony in the following proceedings:

- Docket No. A-2022-3033138 – Aqua Pennsylvania Wastewater, Inc. – Acquisition of the Wastewater System Assets of the City of Beaver Falls (1329)
- Docket No. P-2024-3051313 – Rock Spring Water Company (529 Investigation)
- Docket No. R-2024-3047822 – Aqua Pennsylvania, Inc. (ROR)
- Docket No. R-2024-3047824 – Aqua Pennsylvania Wastewater, Inc. (ROR)
- Docket No. M-2023-3042180 - Venango Water Company, Sugarcreek Water Company, West Hickory Water Company, Plumer Water Company, Fryburg Water Company, Cooperstown Water Company, and Blaine E. Rhodes Sewer Company (529 Investigation)
- Docket No. R-2024-3048828 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2024-3046932 – PECO Energy Company – Gas Division (O&M)
- Docket No. R-2024-3046523 – Duquesne Light Company (ROR)
- Docket No. R-2023-3044549 – Peoples Natural Gas Company LLC (O&M)
- Docket No. R-2023-3040258 – Columbia Water Company (O&M and ROR)
- Docket No. R-2023-3040290 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2022-3037368 – UGI Utilities, Inc. – Electric Division (O&M)
- Docket No. R-2022-3035730 – National Fuel Gas Distribution Corporation (O&M)
- Docket No. R-2022-3031340 – York Water Company – Water (ROR)

**Professional and Educational Experience
Christopher Keller**

Testimony Submitted (Continued)

I have testified and/or submitted testimony in the following proceedings:

- Docket No. R-2022-3032806 – York Water Company – Wastewater (ROR)
- Docket No. R-2022-3032300 – Valley Energy, Inc. (ROR)
- Docket No. R-2022-3031704 – Borough of Ambler – Water Department (ROR)
- Docket No. R-2022-3032242 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2022-3031211 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. A-2021-3026132 – Aqua Pennsylvania Wastewater, Inc. – Acquisition of the Wastewater Collection and Conveyance System Assets of East Whiteland Township (1329)
- Docket No. P-2021-3030012 – Metropolitan Edison Company (DSP)
- Docket No. P-2021-3030013 – Pennsylvania Electric Company (DSP)
- Docket No. P-2021-3030014 – Pennsylvania Power Company (DSP)
- Docket No. R-2024-3046932 – PECO Energy Company – Gas Division (ROR)
- Docket No. P-2021-3030021 – West Penn Power Company (DSP)
- Docket No. R-2021-3026116 – Borough of Hanover – Water (ROR)
- Docket No. R-2021-3025206 – Community Utilities of Pennsylvania – Water Division (ROR)
- Docket No. R-2021-3025207 – Community Utilities of Pennsylvania – Wastewater Division (ROR)
- Docket No. R-2021-3025652 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2021-3024750 – Duquesne Light Company (O&M and ROR)
- Docket No. R-2021-3024296 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. R-2020-3018929 – PECO Energy Company – Gas Division (ROR)
- Docket No. P-2020-3020914 – Twin Lakes Utilities, Inc. (529 Proceeding)
- Docket No. R-2020-3018835 – Columbia Gas of Pennsylvania, Inc. (ROR)
- Docket No. R-2020-3019680 – UGI Utilities, Inc. (1307(f))
- Docket No. P-2020-3019356 – PPL Electric Utilities Corporation (DSP)
- Docket No. R-2019-3015162 – UGI Utilities, Inc. – Gas Division (ROR)
- Docket No. R-2019-3010955 – City of Lancaster – Sewer Fund (O&M)
- Docket No. R-2019-3009647 – UGI Utilities, Inc. – Gas Division (1307(f))
- Docket No. R-2018-3006818 – Peoples Natural Gas Company LLC (O&M)
- Docket No. R-2018-3000124 – Duquesne Light Company (O&M)
- Docket No. R-2018-3001631 – UGI Central Penn Gas, Inc. (1307(f))
- Docket No. R-2018-3001632 – UGI Penn Natural Gas, Inc. (1307(f))
- Docket No. R-2018-3001633 – UGI Utilities, Inc. (1307(f))
- Docket No. R-2018-2645938 – Philadelphia Gas Works (1307(f))
- Docket No. P-2017-2637855 – Metropolitan Edison Company (DSP)
- Docket No. P-2017-2637857 – Pennsylvania Electric Company (DSP)
- Docket No. P-2017-2637858 – Pennsylvania Power Company (DSP)

**Professional and Educational Experience
Christopher Keller**

Testimony Submitted (Continued)

I have testified and/or submitted testimony in the following proceedings:

- Docket No. P-2017-2637866 – West Penn Power Company (DSP)
- Docket No. R-2017-2602627 – UGI Central Penn Gas, Inc. (1307(f))
- Docket No. R-2017-2602638 – UGI Utilities, Inc. (1307(f))
- Docket No. R-2017-2586783 – Philadelphia Gas Works (O&M)
- Docket No. R-2017-2587526 – Philadelphia Gas Works (1307(f))
- Docket No. I-2016-2526085 – Delaware Sewer Company (529 Proceeding)
- Docket No. R-2016-2531550 – Citizens' Electric Company (O&M)
- Docket No. R-2016-2531551 – Wellsboro Electric Company (O&M)
- Docket No. R-2016-2537349 – Metropolitan Edison Company (CWC and CAP)
- Docket No. R-2016-2537352 – Pennsylvania Electric Company (CWC and CAP)
- Docket No. R-2016-2537355 – Pennsylvania Power Company (CWC and CAP)
- Docket No. R-2016-2537359 – West Penn Power Company (CWC and CAP)
- Docket No. R-2016-2543311 – UGI Central Penn Gas, Inc. (1307(f))
- Docket No. R-2015-2518438 – UGI Utilities, Inc. – Gas Division (CWC and USP)
- Docket No. P-2015-2511333 – Metropolitan Edison Company (DSP)
- Docket No. P-2015-2511351 – Pennsylvania Electric Company (DSP)
- Docket No. P-2015-2511355 – Pennsylvania Power Company (DSP)
- Docket No. P-2015-2511356 – West Penn Power Company (DSP)
- Docket No. R-2015-2468056 – Columbia Gas of Pennsylvania, Inc. (O&M)
- Docket No. P-2014-2404341 – Delaware Sewer Company (529 Investigation)
- Docket No. R-2014-2452705 – Delaware Sewer Company (O&M)
- Docket No. R-2014-2428304 – Borough of Hanover – Water (O&M)
- Docket No. R-2014-2419774 – Wellsboro Electric Company (Customer Choice Support Charge)
- Docket No. R-2014-2420279 – UGI Central Penn Gas, Inc. (1307(f))

Assisted with the Following Cases

- Docket No. R-2017-2631441 – Reynolds Water Company (ROR)
- Docket No. R-2016-2580030 – UGI Penn Natural Gas, Inc. (ROR)
- Docket No. R-2014-2462723 – United Water Pennsylvania (CWC)
- Docket No. R-2014-2428742 – West Penn Power Company (CWC)
- Docket No. R-2014-2428743 – Pennsylvania Electric Company (CWC)
- Docket No. R-2014-2428744 – Pennsylvania Power Company (CWC)
- Docket No. R-2014-2428745 – Metropolitan Edison Company (CWC)
- Docket No. R-2013-2397353 – Pike County Light & Power Company (Gas) (O&M)
- Docket No. R-2013-2397237 – Pike County Light & Power Company (Electric) (O&M)

I&E Exhibit No. 2
Witness: Christopher Keller

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Exhibit to Accompany

the

Direct Testimony

of

Christopher Keller

Bureau of Investigation and Enforcement

Concerning:

Rate of Return

I&E				
Summary of Cost of Capital				
	Ratio		Cost Rate	Weighted Cost
	Pike County Light & Power (Gas)			
Long-Term Debt	40.73%	(a)	6.80%	2.77%
Short-Term Debt	8.64%		7.58%	0.66%
Common Equity	50.63%		9.66%	4.89%
Total	100.00%			8.32%

(a) 0.01% was added to the long-term debt ratio to account for rounding.

PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S Page 1 of 1
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT’S DATA
REQUESTS SET RR NOS. 1-6

I&E-RR-1-D Reference Pike Gas Exhibit G-2, Schedule 1. Provide the actual capital structures for Pike Gas operations only, independent from the combined gas and electric operations of Pike County Light and Power Company for years ended September 30, 2022 and September 30, 2023.

RESPONSE: Pike notes that Pike is one company that operates both a gas and electric utility as a single business entity. The exhibit presented is the capital structure for Pike County Light & Power Company, both gas and electric. The Company has not developed individual capital structures for gas versus electric. The Company has separated rate base and cost of equity rate of return between gas and electric.

PROVIDED BY: Matthew Lennox, Controller

DATE: January 16, 2025

I&E Exhibit No. 2
Schedule 3
Page 1 of 1

Proxy Group Capital Structure

	2023		2022		2021		2020		2019		Average
<u>Atmos Energy Corp</u>											
Long-term Debt	\$ 6,833.663	38.08%	\$ 5,944.948	38.23%	\$ 5,124.950	39.33%	\$ 4,732.850	41.07%	\$ 3,529.452	36.22%	38.59%
Short-Term Debt	241.933	1.35%	184.967	1.19%	-	0.00%	-	0.00%	464.915	4.77%	1.46%
Common Equity	10,870.064	60.57%	9,419.091	60.58%	7,906.889	60.67%	6,791.203	58.93%	5,750.223	59.01%	59.95%
	17,945.660	100.00%	15,549.006	100.00%	13,031.839	100.00%	11,524.053	100.00%	9,744.590	100.00%	100.00%
<u>Chesapeake Utilities</u>											
Long-term Debt	1,197.625	45.65%	590.780	36.34%	558.474	35.93%	518.371	37.26%	450.064	35.75%	38.19%
Short-Term Debt	179.853	6.86%	202.157	12.43%	221.634	14.26%	175.644	12.63%	247.371	19.65%	13.16%
Common Equity	1,246.104	47.50%	832.801	51.23%	774.130	49.81%	697.085	50.11%	561.577	44.60%	48.65%
	2,623.582	100.00%	1,625.738	100.00%	1,554.238	100.00%	1,391.100	100.00%	1,259.012	100.00%	100.00%
<u>NiSource Inc</u>											
Long-term Debt	11,081.300	50.57%	9,555.500	55.09%	9,211.300	60.71%	9,249.700	63.25%	7,907.800	53.48%	56.62%
Short-Term Debt	3,048.600	13.91%	1,761.900	10.16%	560.000	3.69%	503.000	3.44%	1,773.200	11.99%	8.64%
Common Equity	7,783.500	35.52%	6,028.900	34.76%	5,400.800	35.60%	4,872.200	33.31%	5,106.700	34.53%	34.74%
	21,913.400	100.00%	17,346.300	100.00%	15,172.100	100.00%	14,624.900	100.00%	14,787.700	100.00%	100.00%
<u>New Jersey Resources Corp</u>											
Long-term Debt	2,916.040	56.52%	2,623.784	53.93%	2,303.527	53.43%	2,354.496	54.45%	1,537.177	49.36%	53.54%
Short-Term Debt	252.100	4.89%	423.950	8.71%	377.300	8.75%	125.350	2.90%	25.450	0.82%	5.21%
Common Equity	1,990.735	38.59%	1,817.210	37.35%	1,630.862	37.82%	1,844.692	42.66%	1,551.717	49.82%	41.25%
	5,158.875	100.00%	4,864.944	100.00%	4,311.689	100.00%	4,324.538	100.00%	3,114.344	100.00%	100.00%
<u>Northwest Natural Gas Co.</u>											
Long-term Debt	1,502.602	52.24%	1,325.132	48.03%	1,124.055	45.90%	940.702	44.08%	806.796	44.28%	46.91%
Short-Term Debt	89.780	3.12%	258.200	9.36%	389.500	15.91%	304.525	14.27%	149.100	8.18%	10.17%
Common Equity	1,283.838	44.64%	1,175.441	42.61%	935.146	38.19%	888.733	41.65%	865.999	47.53%	42.92%
	2,876.220	100.00%	2,758.773	100.00%	2,448.701	100.00%	2,133.960	100.00%	1,821.895	100.00%	100.00%
<u>ONE Gas Inc.</u>											
Long-term Debt	2,174.701	43.24%	2,679.143	46.07%	3,707.778	56.60%	1,613.228	37.83%	1,314.064	33.18%	43.38%
Short-Term Debt	88.500	1.76%	552.000	9.49%	494.000	7.54%	418.225	9.81%	516.500	13.04%	8.33%
Common Equity	2,765.877	55.00%	2,584.426	44.44%	2,349.532	35.86%	2,233.311	52.37%	2,129.390	53.77%	48.29%
	5,029.078	100.00%	5,815.569	100.00%	6,551.310	100.00%	4,264.764	100.00%	3,959.954	100.00%	100.00%
<u>Spire Inc.</u>											
Long-term Debt	3,624.200	49.95%	3,032.200	45.62%	2,992.800	49.22%	2,482.100	45.88%	2,082.600	40.62%	46.26%
Short-Term Debt	955.500	13.17%	1,037.500	15.61%	672.000	11.05%	648.000	11.98%	743.200	14.50%	13.26%
Common Equity	2,675.300	36.88%	2,576.500	38.77%	2,416.200	39.73%	2,280.300	42.15%	2,301.000	44.88%	40.48%
	7,255.000	100.00%	6,646.200	100.00%	6,081.000	100.00%	5,410.400	100.00%	5,126.800	100.00%	100.00%
<u>Five-Year Average Capital Structure</u>											
Long-term Debt	46.21%		Maximum	56.62%	Minimum	38.19%					
Short-Term Debt	8.61%		Minimum	1.46%	Maximum	13.26%					
Common Equity	45.18%		Minimum	34.74%	Maximum	59.95%					
	100.00%										

Source:
Compustat (S&P Global Market Intelligence - Data Management Solutions)
Yearly data updates typically provided late April of each year
(data in millions)

	2023		
	Interest Charges	Long-Term Debt	Debt Cost
Atmos Energy Corp	\$ 153.09	\$ 6,833.66	2.24%
Chesapeake Utilities	32.85	1,197.63	2.74%
NiSource Inc	514.90	11,081.30	4.65%
New Jersey Resources Corp	126.56	2,916.04	4.34%
Northwest Natural Gas Co.	76.57	1,502.60	5.10%
ONE Gas Inc.	121.04	2,174.70	5.57%
Spire Inc.	194.30	3,624.20	5.36%
	Range:	Low	2.24%
		High	5.57%
		Average	4.28%

Source:

Compustat (S&P Global Market Intelligence - Data Management Solutions)

Yearly data updates typically provided late April of each year

(data in millions)

Mergent Bond Record A-Rated Public Utility Bond Yields	
Month	Yield
January 2024	5.48%
February 2024	5.56%
March 2024	5.55%
April 2024	5.79%
May 2024	5.74%
June 2024	5.61%
July 2024	5.64%
August 2024	5.38%
September 2024	5.20%
October 2024	5.41%
November 2024	5.55%
December 2024	5.58%
Average	5.54%

Source:
Mergent Bond Record
January 2025

Dividend Yields of Seven Company Proxy Group

Company	Atmos Energy Corp	Chesapeake Utilities	NISource Inc	New Jersey Resources Corp	Northwest Natural Gas Co.	ONE Gas Inc.	Spire Inc.
Symbol	ATO	CPK	NI	NJR	NWN	OGS	SR
Div	3.48	2.64	1.12	1.76	1.96	2.68	3.16
52-wk low	110.46	98.25	24.80	39.44	34.82	57.74	56.36
52-wk high	152.65	134.20	38.83	51.95	44.25	78.89	73.64
Spot Price	141.69	120.87	37.78	46.62	39.86	70.17	69.50
Spot Div Yield	2.46%	2.18%	2.96%	3.78%	4.92%	3.82%	4.55%
52-wk Div Yield	2.65%	2.27%	3.52%	3.85%	4.96%	3.92%	4.86%
Average	2.55%	2.23%	3.24%	3.81%	4.94%	3.87%	4.70%

	Average
Spot Div Yield	3.52%
52-wk Div Yield	3.72%
Average	3.62%

Source: Barrons January 23, 2025
Value Line November 22, 2024

Five-Year Growth Estimate Forecast for Proxy Group

<u>Company</u>	<u>Symbol</u>	S&P	Zacks	Value Line	Average
		Source			
Atmos Energy Corp	ATO	7.51%	7.00%	7.00%	7.17%
Chesapeake Utilities	CPK	8.12%	NA	6.50%	7.31%
NiSource Inc	NI	7.80%	7.50%	9.50%	8.27%
New Jersey Resources Corp	NJR	5.60%	NA	5.00%	5.30%
Northwest Natural Gas Co.	NWN	4.83%	NA	6.50%	5.67%
ONE Gas Inc.	OGS	2.45%	2.90%	3.50%	2.95%
Spire Inc.	SR	6.50%	5.80%	4.50%	5.60%
Average		6.12%	5.80%	6.07%	<u>6.04%</u>

Sources date:

(From Internet)

January 23, 2025 and November 22, 2024

Expected Market Cost Rate of Equity
Using Data for the Proxy Group of Seven Natural Gas Companies
5-Year Forecasted Growth Rates

<u>Time Period</u>		Adjusted Dividend Yield (1)	Growth Rate (2)	Expected Return on Equity (3=1+2)
(1)	52-Week Average Ending: January 23, 2025	3.72%	6.04%	9.76%
(2)	Spot Price Ending: January 23, 2025	<u>3.52%</u>	<u>6.04%</u>	<u>9.56%</u>
(3)	Average:	<u>3.62%</u>	<u>6.04%</u>	<u>9.66%</u>

Sources: Value Line November 22, 2024
Barrons January 23, 2025

<u>Company</u>	<u>Beta</u>
Atmos Energy Corp	0.90
Chesapeake Utilities	0.85
NiSource Inc	0.95
New Jersey Resources Corp	1.00
Northwest Natural Gas Co.	0.85
ONE Gas Inc.	0.85
Spire Inc.	0.90
Average beta for CAPM	<u>0.90</u>

Source:

Value Line

November 22, 2024

Risk-Free Rate <u>Treasury note 10-yr Note</u>	<u>Yield</u>
2Q 2025	4.30
3Q 2025	4.30
4Q 2025	4.30
1Q 2026	4.30
2Q 2026	4.20
2026-2030	4.00
Average	<u>4.23</u>

Source:
Blue Chip
December 30, 2024 & November 27, 2024

S&P 500 Historical Return

Year	Return
2024	25.02
2023	26.29
2022	-18.11
2021	28.71
2020	18.4
2019	31.49
2018	-4.38
2017	21.83
2016	11.96
2015	1.38
2014	13.69
2013	32.39
2012	16
2011	2.11
2010	15.06
2009	26.46
2008	-37
2007	5.49
2006	15.79
2005	4.91
2004	10.88
2003	28.68
2002	-22.1
2001	-11.89
2000	-9.1
1999	21.04
1998	28.58
1997	33.36
1996	22.96
1995	37.58
1994	1.32
1993	10.08
1992	7.62
1991	30.47
1990	-3.1
1989	31.69
1988	16.61
1987	5.25
1986	18.67
1985	31.73
1984	6.27
1983	22.56
1982	21.55
1981	-4.91
1980	32.42
1979	18.44
1978	6.56
1977	-7.18
1976	23.84
1975	37.2
1974	-26.47
1973	-14.66
1972	18.98

I&E Exhibit No. 2

Schedule 11

Page 1 of 2

1971	14.31
1970	4.01
1969	-8.5
1968	11.06
1967	23.98
1966	-10.06
1965	12.45
1964	16.48
1963	22.8
1962	-8.73
1961	26.89
1960	0.47
1959	11.96
1958	43.36
1957	-10.78
1956	6.56
1955	31.56
1954	52.62
1953	-0.99
1952	18.37
1951	24.02
1950	31.71
1949	18.79
1948	5.5
1947	5.71
1946	-8.07
1945	36.44
1944	19.75
1943	25.9
1942	20.34
1941	-11.59
1940	-9.78
1939	-0.41
1938	31.12
1937	-35.03
1936	33.92
1935	47.67
1934	-1.44
1933	53.99
1932	-8.19
1931	-43.34
1930	-24.9
1929	-8.42
1928	43.61
1927	37.49
1926	11.62

Average	<u>12.29</u>
----------------	---------------------

Source:

https://www.slickcharts.com/sp500/returns#google_vignette

Accessed on January 23, 2025

Required Rate of Return on Market as a Whole Forecasted

	<u>Dividend Yield</u>	+	<u>Growth Rate</u>	=	<u>Expected Market Return</u>
Value Line Estimate	2.10%		9.73%	(a)	11.83%
S&P 500 Historical Return					12.29%
Average Expected Market Return				=	<u>12.06%</u>

(a) $((1+45\%)^{.25}) - 1$ Value Line forecast for the 3 to 5 year index appreciation is 45%

Sources:

S&P 500 Historical Rate	1926-2024	12.29%
Value Line Dividend Yield	1/24/2025	2.10%
Value Line Appreciation Yield	1/24/2025	45.00%

CAPM with Forecasted Return

Re Required return on individual equity security
Rf Risk-free rate
Rm Required return on the market as a whole
Be Beta on individual equity security

$$Re = Rf + Be(Rm - Rf)$$

Rf	=	4.23
Rm	=	12.06
Be	=	0.90
Re	=	<u><u>11.28</u></u>

Sources: Value Line November 22, 2024
Blue Chip December 30, 2024 & November 27, 2024

CAPM Using Kroll ERP & 20-Year U.S. Treasury

Re Required return on individual equity security
Rf Risk-free rate
ERP Equity Risk Premium
Be Beta on individual equity security

$$Re = Rf + Be(ERP)$$

Rf	=	4.55
ERP	=	5.00
Be	=	0.90
Re	=	<u><u>9.05</u></u>

Sources: Value Line November 22, 2024
Kroll June 5, 2024
CNBC December 9, 2024

Average CAPM Result 10.16

I&E Statement No. 3
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Weather Normalization Adjustment

Rate Base

Depreciation Expense

Forfeited Discounts

Cost of Service

Customer Charges

Revenue Allocation

Scale Back

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1 **INTRODUCTION**

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

3 A. My name is Ethan H. Cline. My business address is 400 North Street, Harrisburg,
4 PA 17120.

5
6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by the Pennsylvania Public Utility Commission (“Commission”) in
8 the Bureau of Investigation and Enforcement (“I&E”) as a Fixed Utility Valuation
9 Engineer.

10
11 **Q. WHAT IS YOUR EDUCATION AND PROFESSIONAL BACKGROUND?**

12 A. My education and professional background are set forth in Appendix A, which is
13 attached.

14
15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for protecting the public interest in proceedings before the
17 Commission. The I&E analysis in the proceeding is based on its responsibility to
18 represent the public interest. This responsibility requires the balancing of the
19 interests of ratepayers, the regulated utility, and the regulated community as a
20 whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to present I&E's recommendations concerning
3 Pike County Light & Power Company's (Gas) ("Pike Gas" or "Company")
4 proposed rate increase of \$905,900 per year, or an approximately 35.8% increase
5 over present rates. My testimony will address the Company's plant in service,
6 accumulated depreciation, plant in service - common, accumulated depreciation -
7 common, rate base, annual depreciation expense, other operating revenue, cost of
8 service, proposed revenue, customer cost analysis, customer charges, revenue
9 allocation, and a scale back if the Commission grants less than the full increase
10 requested.

11
12 **Q. DOES YOUR TESTIMONY INCLUDE AN EXHIBIT?**

13 A. Yes. I&E Exhibit No. 3 accompanies this direct testimony.
14

15 **BACKGROUND**

16 **Q. WHAT IS A FUTURE TEST YEAR AND HOW IS IT USED BY A**
17 **COMPANY IN A RATE PROCEEDING?**

18 A. A future test year ("FTY") is a twelve-month period selected by a utility for
19 ratemaking purposes to utilize both historic and projected annualized and
20 normalized financial information. An FTY is used in order to allow for the time it
21 takes to adjudicate a rate proceeding by permitting a utility to select a future time
22 period upon which to base its financial information. This is necessary so that the

1 rates set by the Commission reflect up-to-date and synchronized financial
2 information. By using an FTY, a utility makes a projected, annualized, and
3 normalized estimate of future revenues and expenses and a corresponding measure
4 of value at the end of the future test year.

5
6 **Q. WHAT TEST YEAR HAS PIKE GAS SELECTED FOR USE IN THIS**
7 **PROCEEDING?**

8 A. Pike Gas has selected an FTY ending September 30, 2025.
9

10 **WEATHER NORMALIZATION ADJUSTMENT**

11 **Q. WHAT IS A WEATHER NORMALIZATION ADJUSTMENT?**

12 A. A Weather Normalization Adjustment (“WNA”) is a mechanism that adjusts a
13 customer’s bill, either increasing or decreasing, based on a calculation of actual
14 Heating Degree Days (“HDDs”) compared to a projected, normalized HDD.
15

16 **Q. IS THE COMPANY PROPOSING A WNA?**

17 A. Yes. As stated on page 15 of Pike Gas Statement No. 2, the Company is
18 proposing to “implement a WNA mechanism that adjusts billings on a monthly
19 billing basis as the bill is being calculated and issued.”¹

¹ Pike Gas Statement No. 2, p. 15, lines 15-17.

1 **Q. HOW DOES THE COMPANY PROPOSE TO IMPLEMENT THE**
2 **PROPOSED WNA?**

3 A. The Company is proposing to apply the WNA mechanism only to residential
4 customers during the months of October through May that adjusts billings on a
5 monthly billing basis as the bill is being calculated and issued.²
6

7 **Q. WHAT POLICY GOALS DOES PIKE GAS CLAIM REGARDING THE**
8 **WNA?**

9 A. The Company described its policy goals regarding the WNA as follows: “1. avoid
10 extreme volatility in customer bills which may negatively impact customer ability
11 to manage utility costs and which is a benefit OCA and the Commission have
12 recognized in the past, and 2. better manage cash at the Company during warm
13 periods when volumes delivered are low but costs still occur at normal levels.”³
14

15 **Q. WHAT DO YOU RECOMMEND REGARDING THE COMPANY’S WNA**
16 **PROPOSAL?**

17 A. I recommend the Commission reject the Company’s WNA proposal for the
18 reasons I discuss below.

² Pike Gas Statement No. 2, p. 15, lines 20-22 through p. 16, lines 1-6.

³ Response to OCA-II-1, attached as I&E Exhibit No. 3, Schedule 1.

1 **Q. DO YOU AGREE THAT CUSTOMERS' ABILITY TO MANAGE UTILITY**
2 **COSTS IS A BENEFIT?**

3 A. Yes, I do. However, I do not believe that the WNA is the only program that can
4 be used to promote the ability for customers to manage utility costs. For example,
5 the Company's existing budget billing program is a better method for bill
6 management than a WNA because budget billing allows a customer to pay a
7 consistent bill each month without adding additional cost to the bill that the WNA
8 would.

9
10 **Q. DO YOU BELIEVE THAT THE COMPANY'S CLAIMED NEED TO**
11 **BETTER MANAGE CASH DURING WARM PERIODS WHEN**
12 **VOLUMES DELIVERED ARE LOW BUT COSTS STILL OCCUR AT**
13 **NORMAL LEVELS IS A VIABLE REASON TO PROPOSE A WNA?**

14 A. No. The ability of a company to manage its cash levels during warm periods is
15 simply part of doing business as a Natural Gas Distribution Company ("NGDC").
16 In Pennsylvania, a utility is provided with the opportunity to earn its authorized
17 revenue requirement; it is not a guarantee. Utilities in Pennsylvania have been
18 granted several means to increase their ability to recover their costs and invest in
19 their systems such as the Distribution System Improvement Charge ("DSIC") and
20 the Fully Projected Future Test Year ("FPFTY"). The fact that the Company has
21 opted to not make use of all of the resources available to it, such as the FPFTY,
22 does not support its claimed need for a WNA.

1 **Q. WHAT IS THE HISTORY OF NATURAL GAS DISTRIBUTION**
2 **COMPANIES (“NGDCS”) UTILIZING THE WNA IN PENNSYLVANIA?**

3 A. In Pennsylvania, the following NGDCs are currently employing a WNA with a
4 3% deadband: Columbia Gas of Pennsylvania (“Columbia”), UGI Utilities, Inc. –
5 Gas Division (“UGI Gas”), National Fuel Gas Corporation (“NFG”), and Peoples
6 Natural Gas Company, LLC (“Peoples”). Philadelphia Gas Works (“PGW”) is
7 currently employing a WNA with a 1% deadband. Finally, the Commission
8 recently denied the request for a WNA by Philadelphia Energy Company – Gas
9 Division (“PECO Gas”) at Docket No. R-2024-3046932.⁴

10
11 **Q. DO YOU HAVE ANY EXAMPLES OF THE REVENUE IMPACT THAT**
12 **THE WNA HAS HAD ON THE CUSTOMERS OF SOME OF THE ABOVE**
13 **REFERENCED NGDCS?**

14 A. Yes. As part of the creation of the WNA, the NGDCs agreed to provide annual
15 reports depicting the WNA revenue adjustments charged to customers. The
16 following table is a summary of those reports for UGI Gas⁵, Columbia⁶, and
17 PGW⁷.

⁴ *Pa. PUC v. PECO Energy Company – Gas*, Docket No. R-2024-3046932 (Order Entered December 12, 2024).

⁵ Report submitted to UGI Gas Docket No. R-2021-3030218, attached as I&E Exhibit No. 3, Schedule 2, p. 3.

⁶ Report submitted to Columbia Docket No. R-2021-3024296, attached as I&E Exhibit No. 3, Schedule 3.

⁷ Report submitted to PGW Docket No. R-2017-2586783, attached as I&E Exhibit No. 3, Schedule 4.

NGDC	Report Period	Total WNA Adjustment
PGW	September 1, 2022 – August 31, 2023	\$32,396,102
Columbia	November 2023 – May 2024	\$36,341,357
UGI Gas	November 2023 – March 2024	\$32,640,457

Despite reflecting separate time periods, each adjustment represents a significant amount of revenue being billed to customers above and beyond their normally billed revenue. As I discuss further below, this represents an expectation that customers pay for a service that they are not receiving.

Q. WHAT ARE THE ALTERNATIVE RATEMAKING FACTORS SET FORTH BY THE COMMISSION IN ITS STATEMENT OF POLICY ON 66 PA. CS. § 1330 AT 52 PA. CODE § 69.3302?

A. The alternative ratemaking factors set forth by the Commission in its statement of policy on 66 Pa. C.S. § 1330 at 52 Pa. Code § 69.3302 (“Statement of Policy”), as outlined by the Commission in its Final Policy Statement Order at Docket No. M-2015-2518883, includes a list of fourteen questions for utilities to answer when they propose alternative ratemaking mechanisms, including revenue decoupling. In my opinion, it is important that as many of these questions as are applicable to each proposal are answered so that the Commission may determine if the alternative ratemaking proposal will result in just and reasonable rates.

1 **Q. DID THE COMPANY DEMONSTRATE THAT THE PROPOSED WNA**
2 **SATISFIES THE STATEMENT OF POLICY?**

3 A. No. The Company did not directly address the Statement of Policy as part of its
4 WNA proposal.

5
6 **Q. WHICH OF THE FOURTEEN QUESTIONS WILL YOU ADDRESS IN**
7 **YOUR ANALYSIS OF THE JUSTNESS AND REASONABLENESS OF**
8 **THE COMPANY'S WNA PROPOSAL?**

9 A. I will address the following questions:

10 (1) How the ratemaking mechanism and rate design align revenues with
11 cost causation principles as to both fixed and variable costs.

12 (5) How the ratemaking mechanism and rate design limit or eliminate
13 disincentives for the promotion of efficiency programs.

14 (6) How the ratemaking mechanism and rate design impact customer
15 incentives to employ efficiency measures and distributed energy sources.

16 (12) Whether the alternative ratemaking mechanism and rate design include
17 appropriate consumer protections.

18 (13) Whether the alternative ratemaking mechanism and rate design are
19 understandable to customers.

1 **Q. DOES THE WNA ALIGN REVENUES WITH COST CAUSATION**
2 **PRINCIPLES AS TO BOTH FIXED AND VARIABLE COSTS?**

3 A. No. The Company considers all delivery costs recovered in base rates as fixed
4 costs.⁸ The fact that the Company ignores the existence of variable costs shows
5 that it gave no consideration of the cost causation principles as to both fixed and
6 variable costs in the design and function of the WNA. The purpose of the WNA is
7 to recover revenue for the Company when warmer-than-normal weather
8 conditions reduce the revenue generated from the usage rates. As such, by
9 charging more in the bill through the WNA when usage is down, the Company is
10 suggesting that customers pay for a product that they are not receiving. This
11 stands directly opposed to cost of service and cost causation principles.

13 **Q. WHAT EFFECT DOES THE PROPOSED WNA HAVE ON CUSTOMER**
14 **EFFICIENCY AND CONSERVATION?**

15 A. The introduction of a WNA would serve as a disincentive to customer efficiency
16 and conservation efforts. The purpose of promoting efficiency measures is to
17 encourage customers to invest in more energy efficient appliances, thus reducing
18 their usage and conserving the finite natural gas resources. The benefit to the
19 customers from paying a higher cost to purchase the more expensive energy
20 efficient appliances would be severely eroded with the introduction of the WNA

⁸ Response to OCA-II-3, attached as I&E Exhibit No. 3, Schedule 5.

1 that would both eliminate customers' ability to control their gas bill through lower
2 usage and minimize the savings to customers from the lower level of usage.

3
4 **Q. DO YOU BELIEVE THAT THE COMPANY'S PROPOSED WNA**
5 **INCLUDES APPROPRIATE CUSTOMER PROTECTIONS?**

6 A. No. The proposed WNA includes zero customer protections. The Company has
7 stated that it has not proposed a cap on bill impacts and does not believe a cap is
8 necessary.⁹ The Company has also not conducted a survey or obtained opinions
9 from its customers regarding the interest in having a WNA.¹⁰

10
11 **Q. DO YOU BELIEVE THE WNA AS PROPOSED WILL LEAD TO**
12 **ADDITIONAL CUSTOMER CONFUSION?**

13 A. Yes. The Company provided a sample bill that shows that the WNA charge would
14 be presented on the bill as a line item with no further explanation.¹¹ First,
15 customers would need to look up the WNA calculation provided by the Company
16 in the tariff, which is as follows:

17
$$\text{WNF} = \text{Rate} \times (\text{HSF} \times (\text{NDD} - \text{ADD})) / (\text{BLF} + (\text{HSF} \times \text{ADD}))$$

18 Where: WNF = Weather Normalization Factor

19 Rate = Tailblock margin by service class

20 HSF = Heat Sensitivity Factor

⁹ Response to OCA-II-4, attached as I&E Exhibit No. 3, Schedule 6.

¹⁰ Response to OCA-II-8, attached as I&E Exhibit No. 3, Schedule 7.

¹¹ Response to OCA-II-18, attached as I&E Exhibit No. 3, Schedule 8.

1 NDD = Normal heating degree days for the billing period

2 ADD = Actual heating degree days for the billing period

3 BLF = Base Load Factor

4 This calculation by itself would be confusing for customers, however, the
5 Company stated that customers will only be provided the data making up the
6 calculation of their weather normalization adjustment upon request,¹² which
7 changes each month, making it even more burdensome and confusing for
8 customers to calculate the WNA adjustment on their bills. Additionally, the
9 Company has no formal prepared materials to educate its customer base.¹³
10 Therefore, customers will receive a bill with an additional line item charge where
11 they must request the data used to calculate that charge on a monthly basis, but no
12 explanation on how that calculation is actually performed beyond what is included
13 in the tariff. This would lead to a great deal of customer confusion and frustration.

14
15 **Q. WHAT DO YOU RECOMMEND REGARDING THE COMPANY'S**
16 **PROPOSED WNA?**

17 A. I recommend the WNA proposed by the Company be denied for the reasons
18 discussed above, which are consistent with the reasons the Commission
19 determined that PECO Gas' WNA request was unsupported and would not result

¹² Response to OCA-II-17, attached as I&E Exhibit No. 3, Schedule 9.

¹³ Response to OCA-II-21, attached as I&E Exhibit No. 3, Schedule 10.

1 in rates that are just and reasonable.¹⁴

2
3 **Q. DO YOU HAVE ANY CONDITIONAL RECOMMENDATIONS IF THE**
4 **COMMISSION APPROVES THE WNA PROPOSED BY THE COMPANY?**

5 A. Yes. If the Commission determines that the WNA should be approved, I
6 recommend that it be approved on the condition that a 3% deadband be included.

7
8 **Q. WHAT IS A DEADBAND?**

9 A. A deadband is a certain threshold in which the adjustment is not triggered if
10 Actual Heating Degree Days are within the deadband range from Normal Heating
11 Degree Days.

12
13 **Q. DO ANY OTHER PENNSYLVANIA NGDCS WITH A COMMISSION**
14 **APPROVED WNA UTILIZE A DEADBAND?**

15 A. Yes. As explained above, PGW has a WNA with a 1% deadband and Columbia,
16 NFG, UGI Gas, and People Gas each have a WNA with a 3% deadband.

17
18 **Q. DID THE COMPANY PROPOSE THAT A DEADBAND BE INCLUDED IN**
19 **THE WNA?**

20 A. No.

¹⁴ *Pa. PUC v. PECO Energy Company – Gas*, Docket No. R-2024-3046932, p. 101 (Order Entered December 12, 2024).

1 **Q. HAS THE COMMISSION DESCRIBED WHY A DEADBAND**
2 **COMPONENT IS APPROPRIATE WHEN A WNA IS UTILIZED?**

3 A. Yes. In the 2021 Columbia Order, when discussing the issue of a deadband, the
4 Commission determined that “without an extraordinary set of circumstances, there
5 is no need for Columbia to reconcile day-to-day temperature variations that are
6 part of normal business.”¹⁵ The Commission also agreed with the Administrative
7 Law Judge’s finding that “the 3% deadband is a reasonable provision, because it
8 allows for a range of what is considered ‘normal’ weather in which the Company’s
9 Commission-approved rates would be applied without adjustment.”¹⁶

10 Therefore, if the Commission ultimately approves Pike’s request for a
11 WNA, it should be approved with a 3% deadband.

12
13 **RATE BASE**

14 **Q. WHAT IS RATE BASE?**

15 A. Rate base is the depreciated original cost of a utility’s investment in plant
16 determined to be used and useful in the public service at the end of the test year
17 plus other additions and deductions that the Commission determines to be
18 necessary in order to keep the utility operating and providing safe and reliable
19 service to its customers.

¹⁵ *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835, p. 264 (Order Entered February 19, 2021).

¹⁶ *Id.*

1 **Q. HOW IS THE DEPRECIATED ORIGINAL COST PLANT IN SERVICE**
2 **AT THE END OF THE FUTURE TEST YEAR DETERMINED?**

3 A. The depreciated original cost is determined by subtracting the book reserve, which
4 is the accumulation of all prior annual depreciation expense and other items such
5 as salvage value, from the original cost of the plant in service that is used and
6 useful at the end of the future test year. The depreciated original cost of the plant
7 in service is determined by taking a “snapshot” look at the depreciated original
8 cost value of used and useful utility plant in service at a specific point in time.
9 That point in time for this base rate case is the end of the future test year.

10
11 **Q. WHAT OTHER ADDITIONS AND/OR DEDUCTIONS TO THE**
12 **DEPRECIATED ORIGINAL COST OF UTILITY PLANT ARE**
13 **APPROPRIATE WHEN DETERMINING THE ALLOWABLE RATE**
14 **BASE OF A UTILITY?**

15 A. Additions to the depreciated original cost of a utility’s investment in utility plant
16 used and useful in public service include materials and supplies and cash working
17 capital. Deductions include deferred tax credits, customer deposits, contributions
18 in aid of construction, and customer advances. Some additions are applicable only
19 to a specific utility or utility type.

1 **Q. WHAT IS THE DEPRECIATED ORIGINAL COST INVESTMENT**
2 **CLAIM IN THIS FILING?**

3 A. The depreciated original cost, or net plant, claimed by the Company is
4 \$10,543,242 as shown on Pike Gas Exhibit G-3, Summary p. 1. The additions to
5 the Company's claimed net plant are as follows:

- 6 1. Cash Working Capital.
- 7 2. Materials and Supplies.
- 8 3. Prepayments.
- 9 4. Deferred Debits (Net of Tax).

10 The deductions to its claimed depreciated original cost are:

- 11 1. Deferred Credits (Net of Tax).
- 12 2. Customer Deposits.
- 13 3. Accumulated Deferred Income Taxes.

14
15 **Q. HOW IS RATE BASE USED WITHIN THE RATEMAKING FORMULA?**

16 A. Rate base is one part of the financial equation used by the Commission, along with
17 allowable expenses and rate of return to determine the level of income a utility is
18 granted an opportunity to earn and the revenue level needed to achieve that return.

19 The equation used to determine the proper revenue requirement level is:

20
$$\text{Revenue Requirement} = (\text{Rate Base} \times \text{Rate of Return}) + \text{Allowable}$$

21
$$\text{Expenses.}$$

Each item in the revenue requirement equation is synchronized to the test year period. If the date of any of the items in this equation is changed, all the other necessary data that a utility must file in a rate proceeding, including the test year income statement, actual and projected customer levels and usage, cost of service study to determine expense responsibility among the various customer classes, and other financial information used to determine the utility's rate of return, must also be changed.

PLANT IN SERVICE

Q. WHAT IS THE TOTAL PLANT IN SERVICE CLAIMED BY THE COMPANY?

A. The Company is claiming \$11,496,742 of total gas plant in rate base (Pike Gas Exhibit G-3, Summary p. 1).

Q. DOES THE \$11,496,742 INCLUDE PLANT ADDITIONS PROJECTED TO TAKE PLACE DURING AND BEYOND THE FTY ENDING SEPTEMBER 30, 2025?

A. Yes. The Company's claimed plant in service of \$11,496,742 includes a claim for plant additions of \$4,020,642 which consists of projected plant additions less retirements through March 31, 2026. This \$4,020,642 includes \$1,250,000 of gas plant additions and \$60,800 of gas plant retirements from October 1, 2025,

1 through March 31, 2026.¹⁷

2
3 **Q. WHAT DO YOU RECOMMEND REGARDING THE PLANT ADDITIONS**
4 **PROJECTED TO OCCUR BETWEEN OCTOBER 1, 2025, AND MARCH**
5 **31, 2026?**

6 A. I recommend that the total \$1,250,000 of Post Future Test Year Plant Additions
7 (“PFTYPA”) together with the corresponding \$60,800 of Post Future Test Year
8 Retirements (“PFTYR”) be removed from the \$4,020,642 of projected net plant
9 additions for the FTY.

10
11 **Q. WHY DO YOU RECOMMEND THAT \$1,250,000 OF PFTYPA AND THE**
12 **CORRESPONDING \$60,800 OF PFTYR BE REMOVED FROM THE**
13 **\$4,020,642 NET PLANT ADDITIONS?**

14 A. As described above, the \$1,250,000 of plant additions will not be placed into
15 service until after the end of the FTY.¹⁸ For utility plant to be recovered in rates
16 through the use of a FTY, it must be “used and useful” by the end of the test year
17 selected by the Company to establish rates. Because this utility plant will not be
18 placed into service until after October 1, 2025, it necessarily cannot meet the
19 requirement of being used and useful. Therefore, allowing this plant in rate base

¹⁷ Pike Gas Exhibit G-3, Schedule 1, pp. 1-2.

¹⁸ *Id.* at p. 1.

will create a mismatch between plant in service and other rate making components such as revenue and expenses that are based upon the FTY.

Q. WHAT IS THE NET EFFECT OF REMOVING \$1,250,000 OF PFTYPA AND ADDING BACK \$60,800 OF PFTYR?

A. The net effect is a \$1,189,200 (\$1,250,000 - \$60,800) reduction to net plant in service.¹⁹

ACCUMULATED DEPRECIATION

Q. IF THE COMMISSION ACCEPTS YOUR RECOMMENDATION TO REMOVE \$1,250,000 OF PFTYPA NET OF \$60,800 OF PFTYR, SHOULD THERE BE A CORRESPONDING REDUCTION TO ACCUMULATED DEPRECIATION?

A. Yes. I recommend that accumulated depreciation be reduced by \$133,600.²⁰

Q. HOW DID YOU DETERMINE THE \$133,600 ADJUSTMENT TO ACCUMULATED DEPRECIATION?

A. Similar to the PFTYPA that are beyond the end of the FTY, the Company is claiming \$133,600 of accumulated depreciation that will be recorded in the six months beyond the end of the FTY. The \$133,600 increase in accumulated

¹⁹ I&E Exhibit No. 3, Schedule 11, column e, line 1.

²⁰ *Id.* at line 6.

1 depreciation was calculated by the Company to reduce rate base through March
2 31, 2026, which is six months beyond the end of the FTY.²¹ The \$133,600 is
3 approximately 50% of one year's worth of annual depreciation expense for this
4 six-month period. Therefore, like the PFTYPA, it is appropriate to remove
5 \$133,600 of the additional accumulated depreciation.

6
7 **PLANT IN SERVICE – COMMON**

8 **Q. DOES THE COMPANY HAVE PLANT USED BY BOTH ELECTRIC AND**
9 **GAS OPERATIONS?**

10 A. Yes. The Company has common plant that it allocated 85% to electric operations
11 and 15% to gas operations.²²

12
13 **Q. WHAT TOTAL COMMON PLANT IS THE COMPANY CLAIMING AND**
14 **HOW MUCH IS THE COMPANY REFLECTING IN RATE BASE?**

15 A. The Company is claiming approximately \$1,606,969 of common plant of which
16 approximately \$241,000 ($\$1,606,969 \times 0.15$) is reflected in rate base for gas
17 operations.²³

²¹ Pike Gas Exhibit G-4, Schedule 11, p. 1.

²² Pike Gas Exhibit G-3, Schedule 1, p. 2.

²³ *Id.*

1 **Q. DOES THE \$241,000 INCLUDE PLANT ADDITIONS PROJECTED TO**
2 **TAKE PLACE DURING AND AFTER THE END OF THE FTY**
3 **SEPTEMBER 30, 2025?**

4 A. Yes. The Company's claimed common plant allocated to gas of \$241,000
5 includes projected plant additions less retirements through March 31, 2026. This
6 \$241,000 includes \$30,000 of plant additions and \$17,300 of retirements of
7 common plant allocated to gas from October 1, 2025, through March 31, 2026.²⁴
8

9 **Q. WHAT DO YOU RECOMMEND REGARDING THE \$30,000 OF PLANT**
10 **ADDITIONS PROJECTED TO OCCUR BETWEEN OCTOBER 1, 2025,**
11 **AND MARCH 31, 2026?**

12 A. I recommend that \$30,000 of PFTYPA together with the corresponding \$17,300 of
13 PFTYR be removed from the \$241,000 of projected net common plant additions
14 for the FTY.
15

16 **Q. WHY DO YOU RECOMMEND THAT \$30,000 OF PFTYPA AND THE**
17 **CORRESPONDING \$17,300 OF PFTYR BE REMOVED FROM THE**
18 **\$241,000 NET COMMON PLANT ALLOCATED TO GAS ADDITIONS?**

19 A. As described above, the \$30,000 of plant additions will not be placed into service
20 until after the end of the September 30, 2025 FTY.²⁵

²⁴ *Id.*

²⁵ *Id.*

1 **Q. WHAT IS THE NET EFFECT OF REMOVING \$30,000 OF PFTYPA AND**
2 **ADDING BACK \$17,300 OF PFTYR?**

3 A. The net effect to common plant allocated to gas operations is a reduction of
4 \$12,700 (\$30,000 - \$17,300) from \$241,000 to \$228,300.²⁶

5
6 **ACCUMULATED DEPRECIATION – COMMON**

7 **Q. IF THE COMMISSION ACCEPTS YOUR RECOMMENDATION TO**
8 **REMOVE \$30,000 OF PFTYPA NET OF \$17,300 OF PFTYR OF**
9 **COMMON PLANT ALLOCATED TO GAS OPERATIONS, SHOULD**
10 **THERE BE A CORRESPONDING REDUCTION TO ACCUMULATED**
11 **DEPRECIATION?**

12 A. Yes. I recommend that accumulated depreciation related to common plant
13 allocated to gas operations be reduced by approximately \$18,100 from \$198,400
14 to \$180,300.²⁷

15
16 **Q. HOW DID YOU DETERMINE THE \$18,100 ADJUSTMENT TO**
17 **ACCUMULATED DEPRECIATION?**

18 A. Similar to the PFTYPA that are beyond the end of the FTY, the Company is
19 claiming \$18,100 of accrued depreciation that will be recorded in the six months
20 beyond the end of the FTY. The \$18,100 increase in common plant accumulated

²⁶ I&E Exhibit No. 3, Schedule 11, column e, line 2.

²⁷ *Id.* at line 7.

1 depreciation was calculated by the Company to reduce rate base through March
2 31, 2026, six months beyond the end of the FTY.²⁸ The \$18,100 is approximately
3 50% of one year's worth of common plant annual depreciation expense.
4 Therefore, if the Commission removes the \$30,000 of common PFTYPA, it is
5 reasonable not to include \$18,100 of this additional common accumulated
6 depreciation allocated to gas operations.
7

8 **TOTAL RATE BASE**

9 **Q. WHAT TOTAL RATE BASE IS THE COMPANY CLAIMING IN THIS**
10 **PROCEEDING?**

11 A. The Company's total base rate claim in this proceeding is \$10,679,042.²⁹
12

13 **Q. WHAT ADJUSTMENT TO RATE BASE DO YOU RECOMMEND?**

14 A. I recommend a reduction to the Company's claimed rate base of \$1,050,200 from
15 \$10,679,042 to \$9,361,642.³⁰
16

17 **Q. WHAT IS THE BASIS FOR THE \$1,050,200 ADJUSTMENT TO RATE**
18 **BASE?**

19 A. The basis for the \$1,050,200 adjustment is removing PFTYPA net of PFTYR and
20 adjustments to accumulated depreciation. Specifically, the \$1,050,200 is

²⁸ Pike Gas Exhibit G-4, Schedule 11, p. 1.

²⁹ Pike Gas Exhibit G-4, Summary, p. 1.

³⁰ I&E Exhibit No. 3, Schedule 11, line 19.

1 comprised of a \$1,201,900³¹ adjustment to net plant in service (reduction of
2 \$1,189,200 in gas plant and \$12,700 in allocated common plant) and decreases of
3 \$133,600 and \$18,100 in accumulated depreciation described above.³²

4
5 **ANNUAL DEPRECIATION EXPENSE**

6 **Q. WHAT IS ANNUAL DEPRECIATION EXPENSE?**

7 A. Annual depreciation expense is an operating expense that represents the loss of
8 service value of plant over the life of the plant.

9
10 **Q. WHAT ANNUAL DEPRECIATION EXPENSE IS THE COMPANY**
11 **CLAIMING?**

12 A. The Company is claiming approximately \$333,100 of annual depreciation
13 expense.³³

14
15 **Q. HOW DID THE COMPANY DETERMINE THE \$333,100 OF ANNUAL**
16 **DEPRECIATION EXPENSE?**

17 A. The Company compiled a spreadsheet starting with plant in service as of
18 September 30, 2024 and then determined amounts it claimed should be added and
19 subtracted to arrive at \$11,455,185 of total plant. Then the Company applied the

³¹ *Id.* at column e, line 5.

³² *Id.* at lines 5-9.

³³ Pike Gas Exhibit G-4, Summary, p. 1.

1 corresponding annual depreciation accrual rates to the gas plant and common plant
2 separately to arrive at the \$333,100 of annual depreciation expense.³⁴
3

4 **Q. WHAT ADJUSTMENT TO THE COMPANY'S \$333,100 CLAIM FOR**
5 **ANNUAL DEPRECIATION EXPENSE DO YOU RECOMMEND?**

6 A. I recommend that the Company's claimed annual depreciation expense be reduced
7 by \$34,900 from \$333,100 to \$298,200.
8

9 **Q. HOW DID YOU DETERMINE THE \$34,900 ADJUSTMENT TO ANNUAL**
10 **DEPRECIATION EXPENSE?**

11 A. I began with \$10,253,242 (\$10,024,942 + \$228,300) of total gas plant
12 recommended by I&E described above and multiplied it by the 2.908% composite
13 depreciation rate applicable to gas plant³⁵ to determine I&E's recommended
14 annual depreciation expense of approximately \$298,200 (\$10,253,284 X 0.02908).
15 The \$34,900 reduction is the difference between the Company's claimed \$333,100
16 annual depreciation expense and my recommended annual depreciation expense of
17 \$298,200.³⁶

³⁴ Pike Gas Exhibit G-4, Schedule 8.

³⁵ *Id.*

³⁶ I&E Exhibit No. 3, Schedule 12.

1 **Q. WHY DO YOU RECOMMEND THE \$34,900 ADJUSTMENT TO ANNUAL**
2 **DEPRECIATION EXPENSE?**

3 A. If the Commission accepts my recommendation to remove \$1,201,900 of net gas
4 plant to be installed after the end of the FTY, the corresponding \$34,900 of annual
5 depreciation expense should be removed from total annual depreciation expense.

6
7 **COST OF SERVICE**

8 **Q. WHAT IS A COST OF SERVICE STUDY (“COSS”)?**

9 A. A utility provides service to a defined set of customer classes that are different in
10 terms of demand and usage patterns. A COSS allocates or assigns a utility’s
11 revenue requirement based on those service differences. In other words, a COSS
12 is a formalized analysis of costs that attempts to assign to each customer or rate
13 class its proportionate share of the Company’s total cost of service (i.e., the
14 Company’s total revenue requirement). The results of such a study can be utilized
15 to determine the relative cost of service for each class and help determine the
16 individual class revenue requirements and, to the extent a particular class is above
17 or below the system average rate of return, show the additional revenues each
18 class receives or conversely the additional revenues that each class contributes to
19 the Company’s overall revenues. In addition to the relative provision of revenues,
20 a relative rate of return is also provided, which shows how the rate of return for
21 each class compares to the system average rate of return.

1 **Q. PLEASE DEFINE THE TERMS RATE OF RETURN AND RELATIVE**
2 **RATE OF RETURN?**

3 A. The rate of return is the Commission-authorized return on rate base that is
4 determined in a base rate proceeding. A relative rate of return indicates how the
5 rate of return of each customer class compares to the system-average rate of
6 return. In general, a relative rate of return that provides revenue equal to its cost to
7 serve would have a value of 1.0.

8
9 **Q. DID THE COMPANY PROVIDE A COSS IN THIS PROCEEDING?**

10 A. Yes. The Company performed and provided a series of COSS' in its filing
11 sponsored by Pike Gas witness Paul M. Normand on pages 5-6 of Pike Gas
12 Statement No. 1. Mr. Normand prepared an Embedded COSS under present and
13 proposed rates. He classified all of the costs in the COSS as either demand-related
14 or customer-related.³⁷

15
16 **Q. DID THE COMPANY PERFORM A COSS UTILIZING DATA FROM THE**
17 **FUTURE TEST YEAR ENDING SEPTEMBER 30, 2025?**

18 A. No. In its response to I&E-RS-12, the Company stated that it did not perform a
19 cost of service study utilizing future test year data based on assumption of 4% of

³⁷ Pike Gas Statement No. 1, p. 7.

1 growth across customer classes made evenly through the rate year would yield
2 results that would not be materially different from the historic test year.³⁸
3

4 **Q. DO YOU AGREE WITH THE COMPANY’S PROPOSED COSS**
5 **METHODOLOGY?**

6 A. No. I do not agree with the Company’s proposed COSS methodology of
7 classifying costs as either demand-related or customer-related.
8

9 **Q. WHAT COSS METHODOLOGY DO YOU RECOMMEND THE**
10 **COMMISSION USE TO ALLOCATE COSTS?**

11 A. I recommend the Commission base its allocation of costs on the peak and average
12 methodology that does not allocate the cost of mains on a customer basis.
13

14 **Q. WHAT IS THE MAIN DIFFERENCE BETWEEN ALLOCATING COSTS**
15 **BASED ON CUSTOMER-RELATED AND DEMAND-RELATED**
16 **(“CUSTOMER-DEMAND”) COSTS AND THE PEAK AND AVERAGE**
17 **METHODOLOGIES?**

18 A. The difference between the customer-demand and the peak and average
19 methodologies is in the way that each study allocates the costs of mains.
20 Consequently, the two methodologies yield different allocations for each rate
21 class.

³⁸ I&E Exhibit No. 3, Schedule 13.

1 The customer-demand methodology classifies distribution mains as
2 partially customer related and partially demand related. The customer portion of
3 mains is then allocated to the various customer classes based on the total number
4 of customers, while the demand portion of mains is allocated to classes based on
5 peak day contributions or demand.

6 The peak and average methodology, however, allocates distribution mains
7 to classes based partially on contributions to peak day demand and partially on
8 annual consumption (average demand).

9
10 **Q. WHY DO YOU RECOMMEND THE COMMISSION BASE ITS**
11 **ALLOCATION OF COSTS ON THE PEAK AND AVERAGE**
12 **METHODOLOGY THAT DOES NOT ALLOCATE THE COST OF MAINS**
13 **ON A CUSTOMER BASIS?**

14 A. My recommendation is based on the Commission’s consistent support of the Peak
15 and Average methodology due to the allocation of mains. This support was
16 recently affirmed in the 2021 Columbia Order at Docket No. R-2020-3018835,
17 where the Commission stated that “we remain of the opinion that although mains
18 serve customers, it is the throughput that determines the type of main investment
19 because it is the load that determines the main investment, not the number of
20 customers served. The existence of one customer, five customers, or ten
21 customers does not determine the amount of mains investment. Mains investment

1 is driven by the loads placed upon it, not by the number of customers served.”³⁹

2
3 **Q. DID THE COMPANY PROVIDE AN EXAMPLE OF ITS COSS THAT**
4 **ALLOCATES MAINS USING THE PEAK AND AVERAGE**
5 **METHODOLOGY?**

6 A. Yes. In its response to I&E-RS-11, the Company provided a schedule showing the
7 allocation of mains based on an allocation of 50% peak demand and 50% average
8 demand.⁴⁰

9
10 **Q. WHAT DO YOU RECOMMEND REGARDING THE PROPOSED COSS?**

11 A. Based on the Commission’s history of supporting the Peak and Average allocation
12 methodology discussed above, I recommend the Company’s proposed COSS
13 allocation be rejected and the provided Peak and Average allocation methodology
14 be used to determine revenue allocation and scale back. I will discuss both further
15 below.

16
17 **PROPOSED INCREASE**

18 **Q. WHAT INCREASE DID THE COMPANY REFLECT IN THE FILING?**

19 A. The Company showed different increases under proposed rates in various parts of
20 the filing and in response to discovery. Some of the differences can be attributed

³⁹ *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835, p. 217 (Order Entered February 19, 2021).

⁴⁰ I&E Exhibit No. 3, Schedule 14.

1 to rounding, but some of the differences result from inconsistency in the data
2 provided in the income statement and the original COSS. For example, on the
3 income statement in the filing, the Company reflected an increase to operating
4 revenues of \$905,900.⁴¹ Later, in the COSS on Pike Gas Exhibit G-6, Schedule
5 PMN-4-G, p. 2, the Company reflected an increase of \$942,350. The proof of
6 revenue summary on Pike Gas Exhibit G-8, p. 1 shows a “Redistributed Capped
7 Revenue” increase of \$930,231 while Pike Gas Exhibit G-8, pp. 12-13 shows an
8 increase to billed revenue including gas costs of \$885,306 and billed revenue
9 without gas costs of \$1,003,840. Finally, the calculated proof of revenue for base
10 revenues without gas costs on Pike Gas Exhibit G-8, pp. 3-4 shows an increase of
11 \$1,044,307, which I calculated by subtracting the total system revenues under
12 proposed rates of \$2,028,685 less the total system revenues under present rates of
13 \$984,378.

14
15 **Q. BASED UPON YOUR ANALYSIS, WHAT IS THE APPROPRIATE**
16 **PROPOSED REVENUE INCREASE?**

17 A. I believe the Company’s proposed increase should be \$905,900 because that is the
18 amount that was in the customer notice provided to Pike Gas’ customers on
19 December 20, 2024. The proof of revenue is generally the best source of total
20 revenue since it summarizes the projected and or annualized number of customers,
21 surcharges, and rates the customers will pay. However, because the proof of

⁴¹ Pike Gas Exhibit G-4, Summary, p. 1.

1 revenue in the filing is not consistent within itself, as described above, it is more
2 reasonable to base the Company's proposed increase on what information was
3 provided directly to customers, until further clarification is provided by the
4 Company. However, in no event should the increase be in excess of the \$905,900
5 presented in the customer notice.

6
7 **Q. WHY IS IT NECESSARY TO DETERMINE PROPOSED RATE**
8 **REVENUE AND THE CORRESPONDING INCREASE IN REVENUE?**

9 A. The Commission should be aware of the actual increase the Company is expected
10 to receive when making its determination of the appropriate revenue requirement
11 for this Company.

12
13 **REVENUE ALLOCATION**

14 **Q. WHAT IS THE DIFFERENCE IN REVENUE ALLOCATION BETWEEN**
15 **THE COMPANY'S PROPOSED COSS AND I&E'S RECOMMENDED**
16 **PEAK AND AVERAGE COSS?**

17 A. The difference in the revenue allocation under as filed proposed rates between the
18 Company's proposed COSS, the Company's proposed Peak and Average COSS,
19 and I&E's recommended adoption of the Company's Peak and Average ("P&A")
20 COSS are shown in the table below:

Rate Class	As Filed Present Revenue ⁴²	As Filed Proposed Increase ⁴³	As Filed Percent Increase	Difference	P&A Increase ⁴⁴	P&A Percent Increase
Res. Space Heating Rate 231	\$865,999	\$867,742	100.2%	(\$79,992)	\$787,750	91.0%
Res. Domestic Rate 631	\$26,410	\$42,861	162.3%	(\$7,830)	\$35,031	132.6%
Res. Other Rate 531 & 731	\$3,597	\$3,480	96.7%	(\$307)	\$3,173	88.2%
Gen. Service Commercial Rate 162	\$83,354	(\$14,767)	(17.7)%	\$41,993	\$27,226	32.7%
Commercial Space Heating Rate 331	\$110,825	\$43,034	38.8%	\$46,137	\$89,171	80.5%
Total Increase	\$1,090,185	\$942,350	86.4%	\$0	\$942,350	86.4%

1
2
3 **Q. WHAT ARE THE CLASS ALLOCATIONS UNDER PROPOSED RATES**
4 **USING THE PEAK AND AVERAGE COSS AT THE COMPANY'S**
5 **PROPOSED INCREASE OF \$905,320?**

6 A. The class allocations under proposing rates using the Peak and Average COSS at
7 the Company's proposed increase of \$905,320 are shown in the table below.

⁴² Pike Gas Exhibit G-6, Schedule PMN-2-G.

⁴³ Pike Gas Exhibit G-7.

⁴⁴ I&E Exhibit No. 3, Schedule 14, "Exhibit G-6, Schedule PMN-4-G, p. 4 of 60".

Rate Class	As Filed Present Revenue ⁴⁵	Company P&A Increase ⁴⁶	P&A Percent Increase	Difference	P&A Increase at \$905,320	Percent Increase
Res. Space Heating Rate 231	\$865,999	\$787,750	91.0%	(\$30,955)	\$756,795	87.4%
Res. Domestic Rate 631	\$26,410	\$35,031	132.6%	(\$1,377)	\$33,654	127.4%
Res. Other Rate 531 & 731	\$3,597	\$3,173	88.2%	(\$125)	\$3,048	84.7%
Gen. Service Commercial Rate 162	\$83,354	\$27,226	32.7%	(\$770)	\$26,156	31.4%
Commercial Space Heating Rate 331	\$110,825	\$89,171	80.5%	(\$3,504)	\$85,667	77.3%
Total Increase	\$1,090,185	942,350	86.4%	(\$37,030)	\$905,320	83.0%

1

2

3 **Q. WHAT IS GRADUALISM?**

4 A. Gradualism is a well-established ratemaking concept that seeks to limit the
5 immediate increases customers receive when rates are increased and implement
6 significant rate changes on a more gradual basis over time.

⁴⁵ Pike Gas Exhibit G-6, Schedule PMN-2-G.

⁴⁶ I&E Exhibit No. 3, Schedule 14, "Exhibit G-6, Schedule PMN-4-G, p. 4 of 60".

1 **Q. DOES THE COMPANY’S PROPOSED INCREASE VIOLATE THE**
2 **CONCEPT OF GRADUALISM?**

3 A. Yes. It is clear that class increases proposed by the Company violate the concept
4 of gradualism and could lead to rate shock and potentially cause unexpected
5 financial hardship for some ratepayers.

6
7 **Q. WHAT DO YOU RECOMMEND REGARDING THE RATE INCREASES**
8 **PROPOSED BY THE COMPANY?**

9 A. Absent the Commission reducing the requested increase to a level that does not
10 result in such significant increases, I recommend that the Company’s rate increase
11 be phased in over two years. That way, instead of a single overall increase of
12 83%, customers will have two increases of 41.5%, spaced one year apart. This
13 approach is less likely to cause ratepayers to experience rate shock. The phased in
14 rate increases by class are shown in the table below.

Rate Class	As Filed Present Revenue ⁴⁷	Phase One Increase	Phase One Percent Increase	Phase Two Increase	Phase Two Percent Increase
Res. Space Heating Rate 231	\$865,999	\$378,398	43.7%	\$378,397	43.7%
Res. Domestic Rate 631	\$26,410	\$16,827	63.7%	\$33,654	63.7%
Res. Other Rate 531 & 731	\$3,597	\$1,524	42.4%	\$3,048	42.4%
Gen. Service Commercial Rate 162	\$83,354	\$13,078	15.7%	\$26,156	15.7%
Commercial Space Heating Rate 331	\$110,825	\$42,834	38.7%	\$42,833	38.7%
Total Increase	\$1,090,185	452,661	41.5%	\$905,320	41.5%

CUSTOMER COST ANALYSIS—CUSTOMER CHARGES

Q. WHAT IS A CUSTOMER COST ANALYSIS AND HOW IS IT USED?

A. A customer cost analysis is a part of a COSS that is used to determine the appropriate fixed customer charges for the various classes and meter sizes. It includes customer costs only.

⁴⁷ Pike Gas Exhibit G-6, Schedule PMN-2-G.

1 **Q. WHY IS IT NECESSARY TO PERFORM A CUSTOMER COST**
2 **ANALYSIS?**

3 A. A fixed customer charge represents the revenue that the Company is guaranteed to
4 receive each month, regardless of the level of usage.

6 **Q. WHAT IS A DIRECT CUSTOMER COST?**

7 A. A direct customer cost is a cost that changes with the increase or decrease of a
8 single customer. These costs include the return dollars, taxes and depreciation
9 expense for plant used to serve individual customers including service lines, meters,
10 and regulators. The analysis can include specific customer expenses including meter
11 reading and billing costs.

13 **Q. WHAT IS AN INDIRECT CUSTOMER COST?**

14 A. An indirect customer cost is a customer-related cost that does not change with the
15 increase or decrease of a single customer. The Commission has allowed, in past
16 instances, certain indirect customer costs to be included in a customer cost
17 analysis and thus recovered in a customer charge. As an example, in previous
18 cases, the Commission has allowed the indirect cost of Employee Pension and
19 Benefits. However, these costs must be specifically identified in the COSS to be
20 properly included in the customer cost analysis.

1 **Q. DID PIKE GAS PROVIDE A SCHEDULE SHOWING WHAT IT**
2 **BELIEVES TO BE A CUSTOMER COST ANALYSIS TO SUPPORT THE**
3 **PROPOSED CUSTOMER CHARGE INCREASES IN THIS**
4 **PROCEEDING?**

5 A. Yes. Pike Gas claimed it presented a customer cost analysis in Pike Exhibit G-6,
6 Schedule PMN-5-G, Summary p. 4. However, the Company provided no testimony
7 supporting the components of its customer cost analysis.
8

9 **Q. WHAT IS THE RESULT OF THE COMPANY'S CUSTOMER COST**
10 **ANALYSIS FOR RESIDENTIAL CUSTOMERS?**

11 A. The result of its customer cost analysis for residential customers projects that the
12 monthly customer cost is approximately \$96.14 per month for residential customers
13 and approximately \$142.20 per month for Commercial customers.⁴⁸
14

15 **Q. DID THE COMPANY PROVIDE A PROPER CUSTOMER COST**
16 **ANALYSIS?**

17 A. No. The Company improperly included the cost of mains in its customer cost
18 analysis. As discussed above, the Commission has determined that the cost of mains
19 is not a customer cost and, therefore, should not be included in this analysis.⁴⁹

⁴⁸ Pike Gas Exhibit G-6, Schedule PMN-5-G, Summary, p. 4, line 24, columns a, e.

⁴⁹ Pike Gas Exhibit G-6, Schedule PMN-5-G, Summary, p. 1, lines 6-22.

1 **Q. WHAT IS THE MONTHLY CUSTOMER COST FOR THE RESIDENTIAL**
2 **AND COMMERCIAL CUSTOMERS WITHOUT THE COST OF MAINS**
3 **INCLUDED?**

4 A. The monthly customer cost calculated without the cost of mains is \$70.51 for the
5 residential class and \$116.43 for the commercial class.⁵⁰
6

7 **Q. ARE YOU RECOMMENDING ANY CHANGES TO THE COMPANY'S**
8 **PROPOSED RESIDENTIAL CUSTOMER CHARGE?**

9 A. No. The Company's proposals to increase the residential customer charge by \$1.50
10 from \$8.00 per month to \$9.50 per month and increase the commercial customer
11 charge by \$2.02 from \$12.23 per month to \$14.25 per month fall well within the
12 results of the customer cost analysis and are reasonable.
13

14 **SCALE BACK OF RATES**

15 **Q. WHAT SCALE BACK METHODOLOGY DO YOU RECOMMEND IF THE**
16 **COMMISSION GRANTS LESS THAN THE FULL INCREASE?**

17 A. If the Commission grants less than the Company's requested increase, I recommend
18 that the Commission scale-back rates based upon the cost of service study that it
19 determines is reasonable on a proportional basis, except that no class should receive
20 a rate decrease.

⁵⁰ I&E Exhibit No. 3, Schedule 15.

1 **Q. ARE YOU RECOMMENDING ANY RESTRICTIONS TO SPECIFIC RATE**
2 **SCALE BACKS?**

3 A. Yes. All customer charges and usage rates for each rate class that received a
4 proposed increase should be scaled back; however, as noted above, I recommend that
5 no class should receive a rate decrease.

6

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

8 A. Yes.

ETHAN H. CLINE

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

03/2009 - Present

Bureau of Investigation and Enforcement, Pennsylvania Public Utility Commission - Harrisburg, Pennsylvania

Fixed Utility Valuation Engineer – Assists in the performance of studies and analyses of the engineering-related areas including valuation, depreciation, cost of service, quality and reliability of service as they apply to fixed utilities. Assists in reviewing, comparing and performing analyses in specific areas of valuation engineering and rate structure including valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design.

06/2008 – 09/2008

Akens Engineering, Inc. - Shiremanstown, Pennsylvania

Civil Engineer – Responsible, primarily, for assisting engineers and surveyors in the planning and design of residential development projects

10/2007 – 05/2008

J. Michael Brill and Associates - Mechanicsburg, Pennsylvania

Design Technician – Responsible, primarily, for assisting engineers in the permit application process for commercial development projects.

01/2006 – 10/2007

CABE Associates, Inc. - Dover, Delaware

Civil Engineer – Responsible, primarily, for assisting engineers in performing technical reviews of the sewer and sanitary sewer systems of Sussex County, Delaware residential development projects.

EDUCATION:

Pennsylvania State University, State College, Pennsylvania

Bachelor of Science; Major in Civil Engineering, 2005

- Attended NARUC Rate School, Clearwater, FL
- Attended Society of Depreciation Professionals Annual Conference and Training, 2017, 2018, and 2019

TESTIMONY SUBMITTED:

I have testified and/or submitted testimony in the following proceedings:

1. Clean Treatment Sewage Company, Docket No. R-2009-2121928
2. Pennsylvania Utility Company – Water Division, Docket No. R-2009-2103937
3. Pennsylvania Utility Company – Sewer Division, Docket No. R-2009-2103980
4. UGI Central Penn Gas, Inc., 1307(f) proceeding, Docket No. R-2010-2172922
5. AQUA Clarion Wastewater Operations, Docket No. R-2010-2166208
6. AQUA Claysville Wastewater Operations, Docket No. R-2010-2166210
7. Citizens' Electric Company of Lewisburg, Pa, Docket No. R-2010-2172665
8. City of Lancaster – Bureau of Water, Docket No. R-2010-2179103
9. Peoples Natural Gas Company LLC, Docket No. R-2010-2201702
10. UGI Central Penn Gas, Inc., Docket No. R-2010-2214415
11. Pennsylvania-American Water Company, Docket No. R-2011-2232243
12. Pentex Pipeline Company, Docket No. A-2011-2230314
13. Peregrine Keystone Gas Pipeline, LLC, Docket No. A-2010-2200201
14. Philadelphia Gas Works 1307(f), Docket No. R-2012-2286447
15. Peoples Natural Gas Company LLC, Docket No. R-2012-2285985
16. Equitable Gas Company, Docket Nos. R-2012-2312577, G-2012-2312597
17. City of Lancaster – Sewer Fund, Docket No. R-2012-2310366
18. Peoples TWP, LLC 1307(f), Docket No. R-2013-2341604
19. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2013-2361763
20. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2013-2361764
21. Joint Application, Docket Nos. A-2013-2353647, A-2013-2353649, A-2013-2353651
22. City of Dubois – Bureau of Water, Docket No. R-2013-2350509
23. The Peoples Water Company, Docket No. R-2013-2360798
24. Pennsylvania American Water Company, Docket No. R-2013-2355276
25. Generic Investigation Regarding Gas-on-Gas Competition, Docket Nos. P-2011-227868, I-2012-2320323
26. Philadelphia Gas Works 1307(f), Docket No. R-2014-2404355
27. Pike County Light and Power Company (Gas), Docket No. R-2013-2397353
28. Pike County Light and Power Company (Electric), Docket No. R-2013-2397237
29. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2014-2403939
30. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2014-2420273
31. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2014-2420276
32. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2014-2420279
33. Emporium Water Company, Docket No. R-2014-2402324
34. Borough of Hanover – Hanover Municipal Water, Docket No. R-2014-2428304
35. Philadelphia Gas Works 1307(f), Docket No. R-2015-2465656
36. Peoples Natural Gas Company LLC 1307(f), Docket No. R-2015-2465172
37. Peoples Natural Gas Company – Equitable Division 1307(f), Docket No. R-2015-2465181
38. PPL Electric Utilities Corporation, Docket No. R-2015-2469275
39. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2015-2480934
40. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2015-2480937
41. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2015-2480950
42. UGI Utilities, Inc. – Gas Division, Docket No. R-2015-2518438

43. Joint Application of Pennsylvania American Water, et al., Docket No. A-2016-2537209
44. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2016-2543309
45. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2016-2543311
46. City of Dubois – Company, Docket No. R-2016-2554150
47. UGI Penn Natural Gas, Inc., Docket No. R-2016-2580030
48. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2017-2602627
49. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2017-2602633
50. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2017-2602638
51. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the City of McKeesport, Docket No. A-2017-2606103
52. Pennsylvania American Water Company, Docket No. R-2017-2595853
53. Pennsylvania American Water Company Lead Line Petition, Docket No. P-2017-2606100
54. UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058
55. Peoples Natural Gas Company, LLC – Peoples and Equitable Division 1307(f), Docket Nos. R-2018-2645278 & R-2018-3000236
56. Peoples Gas Company, LLC 1307(f), Docket No. R-2018-2645296
57. Columbia Gas of Pennsylvania, Inc., Docket No. R-2018-2647577
58. Duquesne Light Company, Docket No. R-2018-3000124
59. Suez Water Pennsylvania, Inc., Docket No. R-2018-3000834
60. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the Township of Sadsbury, Docket No. A-2018-3002437
61. The York Water Company, Docket No. R-2018-3000006
62. Application of SUEZ Water Pennsylvania, Inc. Acquisition of the Water and Wastewater Assets of Mahoning Township, Docket Nos. A-2018-3003517 and A-2018-3003519
63. Pittsburgh Water and Sewer Authority, Docket Nos. R-2018-3002645 and R-2018-3002647
64. Joint Application of Aqua America, Inc. et al., Acquisition of Peoples Natural Gas Company LLC, et al., Docket Nos. A-2018-3006061, A-2018-3006062, and A-2018-3006063
65. Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority, Docket Nos. M-2018-2640802 and M-2018-2640803
66. Philadelphia Gas Works 1307(f), Docket No. R-2019-3007636
67. People Natural Gas Company, LLC, Docket No. R-2018-3006818
68. Application of Pennsylvania American Water Company Acquisition of the Steelton Borough Authority, Docket No. A-2019-3006880
69. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the Township of Cheltenham, Docket No. A-2019-3006880
70. Philadelphia Gas Works, Docket No. R-2019-3009016
71. Wellsboro Electric Company, Docket No. R-2019-3008208
72. Valley Energy, Inc., Docket No. R-2019-3008209
73. Citizens’ Electric Company of Lewisburg, Pa, Docket Non. R-2019-3008212
74. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the East Norriton Township, Docket No. A-2019-3009052
75. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2020-3017850
76. Peoples Gas Company, LLC 1307(f), Docket No. R-2020-3017846
77. Philadelphia Gas Works, Docket No. R-2020-3017206
78. Pittsburgh Water and Sewer Authority, Docket Nos. R-2020-3017951 et al.

79. Columbia Gas of Pennsylvania, Docket No. R-2020-3018835
80. Pennsylvania America Water Company, Docket Nos. R-2020-3019369 and R-2020-3019371
81. PECO Energy Company – Gas Division, Docket No. R-2020-3019829
82. PGW 1307(f), Docket No. R-2021-3023970
83. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2021-3023965
84. Peoples Gas Company, LLC 1307(f), Docket No. R-2021-3023967
85. UGI Utilities, Inc. – Electric Division, Docket No. R-2021-3023618
86. Columbia Gas of Pennsylvania, Inc., Docket No. R-2021-3024926
87. Duquesne Light Company, Docket No. R-2021-3024750
88. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2021-3025652
89. Pittsburgh Water and Sewer Authority, Docket Nos. R-2021-3024773 et al.
90. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Lower Makefield Township, Docket No. A-2021-3024267
91. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2021-3027385 and R-2021-3027386
92. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the York City Sewer Authority, Docket No. A-2021-3024681
93. City of Lancaster – Bureau of Water, Docket No. R-2021-3026682
94. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of East Whiteland Township, Docket No. A-2021-30246132
95. UGI Utilities, Inc. – Gas Division, Docket No. R-2021-3030218
96. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2022-3030661
97. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3031211
98. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2022-3032242
99. Pennsylvania American Water Company, Docket Nos. R-2022-3031672 and R-2022-3031673
100. The York Water Company, Docket Nos. R-2022-3031340 and R-2022-3032806
101. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3032167
102. National Fuel Gas Distribution Corporation, Docket No. R-2022-3035730
103. UGI Utilities, Inc. – Electric Division, Docket No. R-2022-3037368
104. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the Butler Area Sewer Authority, Docket No. A-2022-3037047
105. Philadelphia Gas Works, Docket No. R-2023-3037933
106. Pittsburgh Water and Sewer Authority, Docket Nos. R-2023-3039920 et al.
107. Pennsylvania-American Water Company, Docket Nos. R-2023-3043189 and R-2023-3043190
108. Peoples Natural Gas Company, LLC, Docket No. R-2023-3044549
109. Duquesne Light Company, Docket No. R-2024-3046523
110. PECO Energy Company – Gas Division, Docket No. R-2024-3046932
111. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2024-3047822 and R-2024-3047824
112. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Beaver Falls, Docket No. A-202-3033138

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Exhibit to Accompany

the

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Weather Normalization Adjustment

Rate Base

Depreciation Expense

Forfeited Discounts

Cost of Service

Customer Charges

Revenue Allocation

Scale Back

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

1. Please explain the policy goals and outcomes that the weather normalization adjustment Pike is proposing to implement in this proceeding is intended to achieve for customers, the utility, and the Commonwealth. Provide support for any claims made within your response.

RESPONSE: Pike County Light & Power Company proposes a weather normalization mechanism on delivery charges only to adjust a customer’s bill for the impact of significant weather deviations from normal temperatures. For billing periods that are warmer than normal historical averages, a surcharge would be applied to a customer bill. For billing periods that are colder than normal historical averages, a credit would be applied to a customer bill. The Company is proposing to utilize this mechanism from October through May.

Due to recovery of fixed utility costs through volumetric rates, when weather deviates from normal expected conditions, the utility may lack a reasonable opportunity to fully recover its fixed costs of service at established rates. The WNA will result in rates that more precisely recover the Company’s cost of service.

The policy goals are to: 1. avoid extreme volatility in customer bills which may negatively impact customer ability to manage utility costs and which is a benefit OCA and the Commission have recognized in the past, and 2. better manage cash at the Company during warm periods when volumes delivered are low but costs still occur at normal levels.

PROVIDED BY: Matthew Lenno, Controller, and Charles Lenno, Senior Vice President & Chief Financial Officer

DATE: January 29, 2025



UGI Utilities, Inc.
1 UGI Drive
Denver, PA 17517

Paul J. Szykman
Chief Regulatory Officer

June 28, 2024

VIA ELECTRONIC FILING

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

**Re: UGI Utilities, Inc. – Gas Division; Docket No. R-2021-3030218;
Weather Normalization Adjustment Pilot Reporting**

Dear Secretary Chiavetta:

On September 15, 2022, the Pennsylvania Public Utility Commission (“Commission”) entered an Order, which approved the Recommended Decision of Administrative Law Judges (“ALJs”) Joel H. Cheskis and Gail M. Chiodo. The Order approved the ALJs proposal to adopt the Joint Petition for Settlement in its entirety and without modification. In accordance with Paragraph 42 of the Joint Petition for Settlement, UGI Utilities, Inc. – Gas Division (“UGI Gas”) hereby provides the enclosed report with schedules regarding its Weather Normalization Adjustment (“WNA”) Pilot for the period of November 2023 – March 2024.

Copies of this document are being provided as indicated on the attached Certificate of Service.

Should you have any questions, please contact Tracy Hazenstab, Principal Analyst – Rates, either by phone at (814) 574-4168 or by email at thazenstab@ugi.com.

Sincerely,

DocuSigned by:

0D42C0CB3822401...
Paul J. Szykman

Enclosures Supporting Schedules

Cc: Service List

CERTIFICATE OF SERVICE**UGI Utilities, Inc. – Gas Division
(Docket Nos. R-2021-3030218, et al.)**

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E- MAIL:

Carrie B. Wright, Esquire Bureau of Investigation & Enforcement Commonwealth Keystone Building 400 North Street, 2 nd Floor West Harrisburg, PA 17120 E-mail: carwright@pa.gov	Joseph L. Vullo, Esquire 1460 Wyoming Avenue Forty Fort, PA 18704 E-mail: jlvullo@bvrirlaw.com <i>Commission on Economic Opportunity</i>
Darryl A. Lawrence, Esquire Christy M. Appleby, Esquire Mackenzie C. Battle, Esquire Office of Consumer Advocate 555 Walnut Street, 5 th Floor Harrisburg, PA 17101 E-mail: DLawrence@paoca.org E-mail: CAAppleby@paoca.org E-mail: MBattle@paoca.org	John W. Sweet, Esquire Lauren N. Berman, Esquire Elizabeth R. Marx, Esquire Ria M. Pereira, Esquire Pennsylvania Utility Law Project 118 Locust Street Harrisburg, PA 17101 Email: pulp@palegalaid.net <i>CAUSE-PA</i>
Steven C. Gray, Esquire Commonwealth of PA Office of Small Business Advocate 555 Walnut Street, 1 st Floor Harrisburg, PA 17101 E-mail: sgray@pa.gov	Karen O. Moury, Esquire Eckert Seamans Cherin & Mellott, LLC 213 Market Street, 8 th Floor Harrisburg, PA 17101 E-mail: kmoury@eckertseamans.com <i>NRG Energy, Inc.</i>

June 28, 2024

DocuSigned by:

0D42C0CB3822401...
Paul J. Szykman

UGI Utilities, Inc. - Gas Division
Weather Normalization Adjustment Pilot Reporting
For the period of 11/1/23 - 3/31/24

Rate Schedules	Reporting Item	2023 NOV	2023 DEC	2024 JAN	2024 FEB	2024 MAR	Total
R/RT and N/NT	Total Number of Bills	673,107	669,970	724,592	681,980	682,512	3,432,161
R/RT and N/NT	Number of Bills with WNA	456,224	460,215	681,099	645,482	646,595	2,889,615
R/RT and N/NT	Billed WNA Volume Adj (ccf)	2,700,175	4,775,793	17,463,903	19,299,656	25,201,442	69,440,969
R/RT and N/NT	Billed WNA Revenue Adj (\$)	\$ 1,280,999	\$ 2,267,281	\$ 8,167,157	\$ 9,077,681	\$ 11,847,340	\$ 32,640,457
R/RT	Total Number of Bills	605,796	602,536	651,291	613,382	613,650	3,086,655
R/RT	Number of Bills with WNA	412,231	413,761	614,798	583,134	583,894	2,607,818
R/RT	Billed WNA Volume Adj (ccf)	1,828,070	3,242,561	10,942,912	12,481,667	16,251,546	44,746,756
R/RT	Billed WNA Revenue Adj (\$)	\$ 946,337	\$ 1,678,848	\$ 5,664,520	\$ 6,461,106	\$ 8,412,549	\$ 23,163,360
N/NT	Total Number of Bills	67,311	67,434	73,301	68,598	68,862	345,506
N/NT	Number of Bills with WNA	43,993	46,454	66,301	62,348	62,701	281,797
N/NT	Billed WNA Volume Adj (ccf)	872,105	1,533,232	6,520,991	6,817,989	8,949,897	24,694,213
N/NT	Billed WNA Revenue Adj (\$)	\$ 334,662	\$ 588,432	\$ 2,502,636	\$ 2,616,575	\$ 3,434,791	\$ 9,477,097
Region	Reporting Item	2023 NOV	2023 DEC	2024 JAN	2024 FEB	2024 MAR	Total
UGI Gas - Central	Calendar Month - Normal Heating Degree Days	692	987	1,166	1,031	858	4,734
UGI Gas - Central	Calendar Month - Actual Heating Degree Days	724	786	1,026	860	648	4,044
UGI Gas - North	Calendar Month - Normal Heating Degree Days	837	1,130	1,313	1,193	1,027	5,500
UGI Gas - North	Calendar Month - Actual Heating Degree Days	773	843	1,133	920	754	4,423
UGI Gas - South	Calendar Month - Normal Heating Degree Days	632	905	1,066	941	744	4,288
UGI Gas - South	Calendar Month - Actual Heating Degree Days	647	728	944	771	559	3,649
UGI Gas - West	Calendar Month - Normal Heating Degree Days	781	1,067	1,230	1,091	896	5,065
UGI Gas - West	Calendar Month - Actual Heating Degree Days	691	763	1,052	879	675	4,060



Ribeka S. Danhires
Manager
Rates & Regulatory Service

121 Champion Way, Suite 100
Canonsburg PA 15317
Cell: 724.420.6377
RDanhires@nisource.com

July 17, 2024

via e-mail

Richard Kanaskie
Allison C. Kaster
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Steve Gray
Office of Small Business Advocate
555 Walnut Street, 1st Floor
Harrisburg, PA 17101-1923

Erin Gannon
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923

Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.; Docket No. R-2021-3024296

Dear Parties:

Pursuant to the Joint Petition for Settlement approved by Commission Order entered December 16, 2021 at Docket No. R-2021-302496, Columbia is providing a report on the operation of its Weather Normalization Adjustment (WNA) for the 2023/2024 heating season. This report had been previously filed at Docket Nos. R-2012-2321748 and R-2018-2647577. The enclosed documentation includes the monthly computation and supporting data of the WNA.

Please contact me with any questions concerning the information included in this update.

Sincerely,

A handwritten signature in blue ink that reads "Ribeka S. Danhires".

Ribeka S. Danhires

Enclosures

cc: Theodore J. Gallagher, Esquire
Candis A. Tunilo, Esquire
Michael W. Hassell, Esquire

COLUMBIA GAS OF PENNSYLVANIA

WNA Summary Report

2023-2024 Heating Season

November - May

2023-2024

Season

RESIDENTIAL	November	December	January	February	March	April	May	Average & Totals
1 Total Customers	401,206	403,005	405,599	406,593	406,718	405,623	403,999	404,678
2 WNA Customers	314,102	351,331	382,522	398,213	397,106	358,257	327,410	361,277
3 Customers within Deadband	87,104	51,674	23,077	8,380	9,612	47,366	76,589	43,400
4 WNA Revenue	\$ 1,854,911	\$ 3,488,979	\$ 6,185,432	\$ 9,555,776	\$ 10,302,390	\$ 2,156,948	\$ 2,796,922	\$ 36,341,357
5 WNA Volume Adjustment	203,536	382,994	678,881	1,048,750	1,130,831	236,479	306,853	3,988,324
6 Avg. WNA per Heating Customer	\$ 5.91	\$ 9.93	\$ 16.17	\$ 24.00	\$ 25.94	\$ 6.02	\$ 8.54	\$ 100.59

WEATHER

Billing HDD's - Actual	395	738	917	831	626	485	167	4,159
Billing HDD's - Normal	449	822	1,070	1,031	868	575	261	5,076
Warmer (Colder) Than Normal	12.0%	10.2%	14.3%	19.4%	27.9%	15.7%	36.0%	18.1%

Calendar HDD's - Actual	629	719	973	755	560	290	77	4,003
Calendar HDD's - Normal	635	935	1,098	960	751	384	155	4,918
Warmer (Colder) Than Normal	0.9%	23.1%	11.4%	21.4%	25.4%	24.5%	50.3%	18.6%

- 1 Total Residential Customers
The WNA applies to all active residential customer accounts, sales and choice.
- 2 Customers outside Deadband
Customers that fall outside the deadband of 97% to 103% and are billed WNA.
- 3 Customers within Deadband
Customers that fall within the deadband of 97% to 103% and are not billed WNA for that period.
- 4 Total WNA Revenue
Total WNA revenue from customers within the monthly period.
- 5 Total WNA Volume Adjustment
Volumes applicable to WNA adjustment.
- 6 Avg. WNA per Heating Customer
Total WNA revenue from customers divided by customers outside of deadband.



Eckert Seamans Cherin & Mellott, LLC
213 Market Street
8th Floor
Harrisburg, PA 17101

TEL 717 237 6000
FAX 717 237 6019
www.eckertseamans.com

Sarah C. Stoner
717.237.6026
sstoner@eckertseamans.com

January 2, 2024

VIA E-FILING

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

RE: PA Public Utility Commission v. Philadelphia Gas Works
Docket No. R-2017-2586783

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works' ("PGW") enclosed please find PGW's annual Weather Normalization Adjustment ("WNA") Report for Fiscal Year 2023 (September 1, 2022 – August 31, 2023). This report is filed in accordance with PGW's Gas Service Tariff, Pa. P.U.C. No. 2.

If you have any questions, please feel free to contact me at your convenience.

Sincerely,

/s/ Sarah C. Stoner

Sarah C. Stoner

SCS/jls
Enclosure

cc: Certificate of Service (via email only)

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Weather Normalization Adjustment ("WAN") Plan FY 2023, upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email

Kayla L. Rost, Esq.
Carrie Wright, Esq.
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
karost@pa.gov
carwright@pa.gov

Sharon E. Webb, Esq.
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
ra-sba@pa.gov

Darryl Lawrence, Esq.
Christy M. Appleby, Esq.
Office of Consumer Advocate
Forum Place
555 Walnut Street, 5th Floor
Harrisburg, PA 17101
ra-oca@paoca.org

John W. Sweet, Esq.
Elizabeth R. Marx, Esq.
Ria M. Pereira, Esq.
Pennsylvania Utility Law Project
18 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

Todd S. Stewart, Esq.
Hawke McKeon & Sniscak LLP
100 North Tenth
Street Harrisburg, PA 17101
tsstewart@hmslegal.com

Charis Mincavage, Esq.
Adeolu Bakare, Esq.
McNees Wallace & Nurick
100 Pine Street
Harrisburg, PA 17101
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com

Elizabeth R. Marx, Esq.
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

Joline R. Price, Esq.
Robert W. Ballenger, Esq.
Kinteshia Scott, Esq.
Community Legal Services, Inc.
1410 West Erie Avenue
Philadelphia, PA 19140
jprice@clsphila.org
rballenger@clsphila.org
kscott@clsphila.org

/s/ Sarah C. Stoner

Sarah C. Stoner, Esquire

Date: January 2, 2024

PGW Weather Normalization Adjustment (WNA) Annual Report

Docket No. R-2017-2586783

Fiscal Year 2023

	Total WNA Charge (Credit)	Actual Heating Degree Days (Philadelphia International Airport)
Fiscal Year 2023 (September 1, 2022 – August 31, 2023)	<u>\$ 32,396,102</u>	<u>3,740</u>

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

3. Refer to Pike Statement 2 at 13. Please define “fixed costs” as it is used on this page. In your definition, please provide the timeline the Company considers fixed and the types of investments that are fixed by a given timeline.

RESPONSE:

Fixed costs as used on this page refer to the delivery costs that are not recovered in the customer charge. All delivery costs recovered in base rates are considered fixed costs. The timeline covers the period the base rates are in effect.

PROVIDED BY: Paul M. Normand

DATE: January 29, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

4. Are the potential bill impacts to customers uncapped under the Company’s proposal? If yes, explain why uncapped bill impacts are reasonable for customers. If no, explain.

RESPONSE: The Company has not proposed a cap on bill impacts. The WNA will avoid volatility in customer bills due to changes in weather. Thus, the Company does not believe a cap is necessary.

PROVIDED BY: Matthew Lenns, Controller, and Charles Lenns, Senior Vice President & Chief Financial Officer.

DATE: January 29, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

8. Has Pike conducted a survey or otherwise sought the opinion of its customer base regarding whether Pike customers are interested in having a weather normalization adjustment to their monthly bills?

RESPONSE: The Company has not conducted a survey or obtained opinions from our customer base regarding the interest in having a weather normalizing mechanism.

PROVIDED BY: Matthew Lenns, Controller, and Charles Lenns, Senior Vice President & Chief Financial Officer

DATE: January 29, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

18. Provide a sample bill for a residential customer which includes the weather normalization adjustment.

RESPONSE: Please refer to the “Weather Normalization Invoice” attachment. This is one of our existing residential customers (personal details redacted) for gas usage for the month of February 2024. If weather normalization were put into place, a separate line item would be added to the bill, most likely under the “Res-Delivery Charge-Gas” line, as the calculation would be only for delivery charges of gas. Further, we have included a screen shot of one of our Corning Natural Gas customers to show the weather normalization line currently in effect for that sample customer.

☐ Please check if message on reverse side.

SUBMIT THIS PORTION WITH YOUR PAYMENT

Account No. [REDACTED]
Rate Schedule Residential RI
Meter Number [REDACTED]

Customer Name: [REDACTED]
Service Address: [REDACTED]
Bill Date: 2/16/2024
Due Date: 3/11/2024

For Service Information
Corning Area 607-936-3755
Out of Area 1-800-834-2134

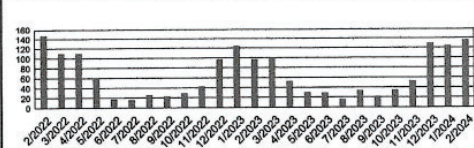
Meter #	This Reading		Last Reading		Days	Total Usage (CCF)
	Read	Date	Read	Date		
40587	4220 A	02/14	4084 E	01/17	28	136

A = Actual E = Estimated C = Card

Current Monthly Bill

Delivery Charges

Basic Service Charge	22.00
First 3 CCF @ 0.00000	0.00
Next 47 CCF @ 0.95849	45.05
All over 50 CCF @ 0.63240	54.39
Total Base Rates	121.44
Delivery Rate Adjustment	-1.14
Merchant Function Charge	2.89
Revenue Decoupling Mechanis	1.99
Rate Case Credit	-0.52
Weather Normalization	19.32
Total Delivery Charges	143.98



Billing Summary

Previous Bill	173.59
Previous Balance	-2.54
Payments as of 02/07/2024	-173.62
Balance remaining	-2.57
Current Monthly Bill	189.43
Total Charges	186.86
PAY THIS AMOUNT	186.86

PROVIDED BY: Matthew Lenns, Controller

DATE: January 29, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

17. How will customers subject to the weather normalization adjustment, in order to verify the accuracy of their bill, be able to determine the:
- a. heat sensitivity factor,
 - b. normal heating degree days for the billing period,
 - c. actual heating degree days for the billing period, and
 - d. base load factor?

RESPONSE: Upon the customer’s request, the Company would provide the data making up the calculation of their weather normalization adjustment. This would include the tracked actual heating degree days for the period, the normal heating degree days for the period based on the approved historical average, the base load and heat sensitivity calculations.

PROVIDED BY: Matthew Lennox, Controller

DATE: January 29, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISIONS’ RESPONSES TO
OFFICE OF CONSUMER ADVOCATE INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS, SET 2**

21. Has Pike developed any educational materials that it will use to educate its customers regarding the weather normalization adjustment that the Company has proposed? If so, please provide all such materials.

RESPONSE: The Company currently has no formal prepared materials.

PROVIDED BY: Matthew Lenns, Controller, and Charles Lenns, Senior Vice President and Chief Financial Officer

DATE: January 29, 2025

Pike County Light And Power Company
Gas Rate Base
At September 30, 2024 And 2025

Company As Filed Difference Between Historical and Future Years							
Line No.	Description	Actual			Future Year	I&E Proposed	
		Per Books at 9/30/2024	Reference	Amount	at 9/30/2025	Adjustment	Future Year at 9/30/2025
		(a)	(b)	(c)	(d)=(a)+(c)	(e)	(f)
<u>Utility Plant:</u>							
1	Gas Plant in Service	\$ 7,193,500	(1a)	\$ 4,020,642	\$ 11,214,142	\$ (1,189,200)	\$ 10,024,942
2	Common Plant in Service (Allocated)	172,900	(1b)	68,100	241,000	\$ (12,700)	228,300
3	Interco plant allocated from Corning Gas (Net)	-	(1c)	41,600	41,600	\$ -	41,600
4	CWIP not taking interest	453,000	(1d)	(453,000)	-	\$ -	-
5	Total Utility Plant	7,819,400		3,677,342	11,496,742	(1,201,900)	10,294,842
<u>Utility Plant Reserves:</u>							
Accumulated Provision For Depreciation							
6	of Gas Plant in Service	569,700	(2a)	185,400	755,100	(133,600)	888,700
7	of Common Plant in Service (Allocated)	199,300	(2b)	(900)	198,400	(18,100)	180,300
8	Total Utility Plant Reserves	769,000		184,500	953,500	(151,700)	1,069,000
9	Net Plant	7,050,400		3,492,842	10,543,242	(1,050,200)	9,225,842
<u>Additions to Net Plant</u>							
Working Capital Requirements:							
10	Cash Working Capital	(24,600)	(3)	143,400	118,800	-	118,800
11	Materials and Supplies	271,000	(4)	5,800	276,800	-	276,800
12	Prepayments	5,400	(5)	100	5,500	-	5,500
13	Deferred Debits (Net of Tax)	16,500	(6)	18,200	34,700	-	34,700
14	Total Additions	268,300		167,500	435,800	-	435,800
<u>Deductions to Net Plant:</u>							
15	Deferred Credits (Net of Tax)	1,600	(7)	(6,000)	(4,400)	-	(4,400)
16	Customer Deposits	58,700	(8)	600	59,300	-	59,300
17	Accumulated Deferred Income Taxes	255,100	(9)	(10,000)	245,100	-	245,100
18	Total Deductions	315,400		(15,400)	300,000	-	300,000
19	Gas Rate Base	\$ 7,003,300		\$ 3,675,742	\$ 10,679,042	\$ (1,050,200)	\$ 9,361,642

Pike County Light And Power Company - Gas
Annual Depreciation Expense
At September 30, 2025

	Description (A)	Gas Plant Future Year at 9/30/2025 (B)	Common Plant 15% (C)	Company Gas Plant (D)	I&E Adjustment (E)	Gas Plant Future Year at 9/30/2025 (F)	Common Plant 15% (G)	I&E Gas Plant (H)
<u>Utility Plant:</u>								
1	Total Utility Plant at September 30, 2024	\$7,193,500	\$172,900	\$7,366,400	\$0	\$7,193,500	\$172,900	\$7,366,400
2	YE September 30, 2025 CWIP Completed	\$453,042	\$0	\$453,042	\$0	\$453,042	\$0	\$453,042
3	YE September 30, 2025 General Additions	\$2,500,000	\$90,000	\$2,590,000	\$0	\$2,500,000	\$90,000	\$2,590,000
4	October 1, 2025 - March 31, 2026	\$1,250,000	\$30,000	\$1,280,000	-\$1,280,000	\$0	\$0	\$0
5	YE September 30, 2025 Retirements	-\$121,600	-\$34,600	-\$156,200	\$0	-\$121,600	-\$34,600	-\$156,200
6	March 2026 - Retirements	-\$60,800	-\$17,300	-\$78,100	\$78,100	\$0	\$0	\$0
7	Total Utility Plant	\$11,214,142	\$241,000	\$11,455,142	-\$1,201,900	\$10,024,942	\$228,300	\$10,253,242
8	<u>Composite Depreciation Rate</u>			2.908%				2.908%
9	Annual Depreciation Expense (rounded)			\$333,100	-\$34,900			\$298,200

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
TO BUREAU OF INVESTIGATION & ENFORCEMENT’S INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS SET RS NOS. 11-18**

I&E-RS-12 Provide a schedule similar to Pike Gas Exh. G-6, Schedule GRP-4-G, page 1 showing, under proposed rates, the base rate increase total revenue, expenses, taxes, rate base, rate of return and relative rate of return for each class under columns (a) through (j) under these proposed rates. Provide the schedule in Excel if available.

RESPONSE: A cost of service study was performed for the weather normalized historical test year 9-30-24. We have unitized growth of 4% even across customer classes for the rate year. We did not perform a cost of service utilizing future test year data, and we believe, based on the assumptions on growth made evenly through the rate year, the answers would not be materially different from the historic test year.

PROVIDED BY: Paul M. Normand

DATE: March 3, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
TO BUREAU OF INVESTIGATION & ENFORCEMENT’S INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS SET RS NOS. 11-18**

I&E-RS-11 Provide a schedule similar to Pike Gas Exh. G-6, Schedule PMN-4-G, page 3 showing the allocation of mains based on an allocation of 50% to peak demand each class places on the system and 50% on the average demand of each class. Provide the schedule in Excel if available.

RESPONSE: See attached files “Response I&E-11.pdf” and “Pike GCOS 50-50 Mains 2-26-25.xlsm”.

PROVIDED BY: Paul M. Normand

DATE: March 3, 2025

Pike County Light & Power Company

Gas Class Cost of Service Study
12 Months Ending September 30, 2024

Excel Version

Cost of Service Program
Microsoft Excel Version
Management Applications Consulting, Inc.
Copyright 1994

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by Copyright

Gas Class Cost of Service Study
12 Months Ended September 30, 2025
I&E Customer Cost Analysis

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY (A)	Total Residential SC1 (B)	Total Commercial SC2 (C)
1	<u>\$/Month/Customer</u>			
2	Customer Distribution Mains	\$ -	\$ -	\$ -
3	Customer Services Investment	59.46	57.17	94.91
4	Customer Meters & Install Investment	6.54	6.22	11.47
5	Customer Regulators	0.46	0.09	6.27
6	Customer Service & Sales Expense	0.41	0.36	1.12
7	Customer Accounts Expense	6.43	6.67	2.66
8	Total Customer Cost	\$ 73.30	\$ 70.51	\$ 116.43

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
SUM	1	SUMMARY AT PRESENT RATES									
SUM	2										
SUM	3	DEVELOPMENT OF RETURN									
SUM	4										
SUM	5	OPERATING REVENUE									
SUM	6	Sales of Gas Revenue - Base	SCH REV, LN 4	1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
SUM	7	Other Operating Revenue	SCH REV, LN 12	3,850	3,114	737	3,038	56	20	392	345
SUM	8	TOTAL OPERATING REVENUE		1,090,185	896,180	194,004	866,157	26,425	3,598	83,271	110,733
SUM	9										
SUM	10	OPERATING EXPENSES									
SUM	11	Operation and Maintenance Expense	SCH EOM, LN 86	634,194	574,535	59,659	549,822	22,530	2,183	18,401	41,258
SUM	12	Depreciation and Amortization Expense	SCH EDA, LN 25	208,161	176,626	31,535	169,504	6,427	695	11,200	20,335
SUM	13	Taxes Other Than Income Taxes	SCH TXO, LN 10	24,691	22,068	2,624	21,109	873	86	843	1,781
SUM	14	State Income Taxes	SCH TXI, LN 26	(22,516)	(22,887)	372	(21,477)	(1,331)	(80)	1,463	(1,091)
SUM	15	Federal Income Taxes	SCH TXI, LN 39	(54,449)	(55,348)	899	(51,937)	(3,219)	(193)	3,538	(2,639)
SUM	16	TOTAL OPERATING EXPENSES		790,080	694,992	95,088	667,020	25,280	2,692	35,444	59,644
SUM	17										
SUM	18	Operating Income Before Taxes		223,139	122,952	100,187	125,723	(3,404)	633	52,828	47,359
SUM	19										
SUM	20	OPERATING INCOME (RETURN)		300,104	201,188	98,916	199,137	1,145	905	47,827	51,089
SUM	21										
SUM	22	DEVELOPMENT OF RATE BASE									
SUM	23	Gas Utility Plant in Service	SCH RBP, LN 41	7,620,197	6,143,214	1,476,983	5,919,048	199,746	24,420	564,479	912,504
SUM	24	Less: Utility Accumulated Depreciation	SCH RBD, LN 23	569,683	466,200	103,483	448,370	15,985	1,845	37,888	65,595
SUM	25	Plus: Rate Base Additions	SCH RBO, LN 12	268,300	214,064	54,236	206,412	6,800	852	20,886	33,350
SUM	26	Less: Rate Base Deductions	SCH RBO, LN 22	315,400	212,705	102,695	205,144	6,739	823	68,726	33,969
SUM	27	TOTAL RATE BASE		7,003,414	5,678,372	1,325,042	5,471,945	183,822	22,605	478,752	846,290
SUM	28										
SUM	29	RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		4.29%	3.54%	7.47%	3.64%	0.62%	4.01%	9.99%	6.04%
SUM	30	INDEX RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		1.00	0.83	1.74	0.85	0.15	0.93	2.33	1.41
SUM	31										
SUM	32										
SUM	33										
SUM	34										
SUM	35										
SUM	36										
SUM	37										
SUM	38										
SUM	39										
SUM	40										
SUM	41										
SUM	42										
SUM	43										
SUM	44										
SUM	45										
SUM	46										
SUM	47										
SUM	48										
SUM	49										
SUM	50										
SUM	1	HISTORICAL AND FUTURE YEAR DIFFERENCE ADJUSTMENTS:									

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
SUM	2	2 (For Future Test Year 12 Months Ended September 30 2025)									
SUM	3										
SUM	4	4 OPERATING INCOME (RETURN) @ PRESENT RATES									
SUM	5	5 LESS Historical and Future Year Differences:									
SUM	6	Retail Sales Revenue	CLAIMREV	300,104	201,188	98,916	199,137	1,145	905	47,827	51,089
SUM	7	487-Late Payment Charges	REV_487	35,857	30,383	5,473	29,179	1,085	119	1,946	3,527
SUM	8	8 PLUS Historical and Future Year Differences:									
SUM	9	O&M Expense - Labor Related	LABOR	58,700	53,277	5,423	50,910	2,160	208	1,632	3,790
SUM	10	O&M Expense - 904-Uncollectible Accounts	EXP_904	(8,200)	(8,200)	0	(8,200)	0	0	0	0
SUM	11	O&M Expense - 928-Regulatory Commission	CLAIMREV	9,400	7,965	1,435	7,649	285	31	510	925
SUM	12	Depreciation Expense	TOTPLT	124,900	100,691	24,209	97,017	3,274	400	9,252	14,957
SUM	13	TOIT - Base Payroll Taxes	LABOR	3,106	2,819	287	2,694	114	11	86	201
SUM	14	TOIT - PA Property Tax	TOTPLT	(103)	(83)	(20)	(80)	(3)	(0)	(8)	(12)
SUM	15	State Income Taxes	CLAIMREV	(33,515)	(27,404)	(6,111)	(26,354)	(939)	(112)	(2,227)	(3,884)
SUM	16	Federal Income Taxes	CLAIMREV	(81,050)	(66,272)	(14,778)	(63,732)	(2,270)	(270)	(5,385)	(9,393)
SUM	17	17 OPERATING INCOME @ PRESENT RATES WITH DIFFERENCES									
SUM	18	Operating Income Before Taxes		260,224	166,759	93,464	166,451	(438)	746	45,684	47,780
SUM	19			68,693	(5,153)	73,846	2,951	(8,196)	92	43,073	30,773
SUM	20	20 RATE BASE									
SUM	21	21 Historical and Future Year Difference Adjustments:									
SUM	22	Gas Utility Plant & Reserves Adjustments	TOTPLT	3,492,842	2,815,843	676,999	2,713,092	91,557	11,193	258,738	418,261
SUM	23	Additions:									
SUM	24	Cash Working Capital	OMXPP	143,400	129,595	13,805	123,877	5,213	505	4,258	9,547
SUM	25	Materials and Supplies	TOTPLT	5,800	4,676	1,124	4,505	152	19	430	695
SUM	26	Prepayments	TOTPLT	100	81	19	78	3	0	7	12
SUM	27	Deferred Debits (Net of Tax)	TOTPLT	18,200	14,672	3,528	14,137	477	58	1,348	2,179
SUM	28	Deductions:									
SUM	29	Customer Deposits	CUSTDEP	600	58	542	58	0	0	509	34
SUM	30	Deferred Income Taxes and Credits	TOTPLT	(16,000)	(12,899)	(3,101)	(12,428)	(419)	(51)	(1,185)	(1,916)
SUM	31	31 RATE BASE WITH ADJUSTMENTS									
SUM	32			10,679,156	8,656,080	2,023,077	8,340,005	281,643	34,432	744,210	1,278,867
SUM	33	33 EQUALIZED RETURN AT PROPOSED ROR OF 8.59%									
SUM	34	34 DEVELOPMENT OF RETURN (RATE BASE * 8.59% ROR)									
SUM	35	Additional Return Required * Retention Factor 1.38%		917,310	743,533	173,777	716,383	24,192	2,958	63,926	109,851
SUM	36	487-Late Payment Charges	REV_487	906,521	795,722	110,799	758,690	33,980	3,052	25,166	85,634
SUM	37	37 PLUS OPERATING EXPENSES									
SUM	38	Operation and Maintenance Expense		2,500	2,019	481	1,961	48	11	228	253
SUM	39	Depreciation and Amortization Expense		696,594	629,596	66,997	602,142	25,022	2,433	20,771	46,227
SUM	40	Taxes Other Than Income Taxes		333,061	277,317	55,743	266,521	9,701	1,096	20,452	35,292
SUM	41	State Income Taxes		27,694	24,803	2,891	23,722	984	97	922	1,969
SUM	42	Federal Income Taxes		16,200	13,125	3,075	12,632	442	52	1,229	1,847
SUM	43	43 TOTAL OPERATING EXPENSES									
SUM	44			39,177	31,740	7,437	30,547	1,068	125	2,971	4,466
SUM	45	45 EQUALS TOTAL COST OF SERVICE									
SUM	46			1,112,725	976,582	136,144	935,563	37,216	3,802	46,344	89,800
SUM	47	47 LESS: Other Operating Revenues									
SUM	48	48 BASE RATE SALES @ EQUALIZED ROR 8.59%									
SUM	49	49 BASE RATE SALES REVENUE INCREASE									
SUM	50			2,030,035	1,720,115	309,920	1,651,947	61,409	6,760	110,270	199,651
RBP	1	1 DEVELOPMENT OF RATE BASE									
RBP	2			1,350	1,094	256	1,077	8	9	165	91
				2,028,685	1,719,020	309,664	1,650,869	61,400	6,751	110,105	199,559
				942,350	825,953	116,397	787,750	35,031	3,173	27,226	89,171

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBP	3	GAS PLANT IN SERVICE									
RBP	4	INTANGIBLE PLANT									
RBP	5	301-Organization	TOTPLT	0	0	0	0	0	0	0	0
RBP	6	303-Miscellaneous Intangible Plant	TOTPLT	0	0	0	0	0	0	0	0
RBP	7	TOTAL INTANGIBLE PLANT		0	0	0	0	0	0	0	0
RBP	8										
RBP	9	DISTRIBUTION PLANT									
RBP	10	374-Land & Land Rights	DDIST	744	581	163	564	15	2	58	105
RBP	11	375-Structures & Improvements	DDIST	0	0	0	0	0	0	0	0
RBP	12	376-Mains									
RBP	13	Demand	DDIST	2,176,865	1,700,345	476,519	1,648,918	44,564	6,864	169,349	307,170
RBP	14	Customer	DAVG	2,176,865	1,588,166	588,698	1,537,891	43,886	6,389	262,431	326,268
RBP	15	Total Account 376		4,353,729	3,288,512	1,065,218	3,186,809	88,450	13,253	431,780	633,438
RBP	16	378-Measuring & Regulating Station Equip-Gen	DDIST	131,501	102,715	28,786	99,608	2,692	415	10,230	18,556
RBP	17	380-Services	CUSTSERV	1,693,812	1,529,392	164,419	1,461,446	61,986	5,960	49,524	114,895
RBP	18	381-Meters	CUSTMET	62,823	47,469	15,354	45,360	1,924	185	4,625	10,729
RBP	19	382-Meter Installations	CUSTMETIN	536,759	489,280	47,479	467,543	19,831	1,907	14,301	33,178
RBP	20	384-House Regulator Installations	CUSTREGULH	9,539	9,539	0	9,116	387	37	0	0
RBP	21	385-Industrial Meas. & Regulators	CUSTREGULI	36,151	0	36,151	0	0	0	10,889	25,262
RBP	22	TOTAL DISTRIBUTION PLANT		6,825,059	5,467,489	1,357,570	5,270,445	175,285	21,759	521,407	836,163
RBP	23										
RBP	24	GENERAL PLANT									
RBP	25	389-Land and Land Rights	LABOR	0	0	0	0	0	0	0	0
RBP	26	390-Structures and Improvements	LABOR	0	0	0	0	0	0	0	0
RBP	27	391-Office Furniture & Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	28	393-Store Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	29	394-Tools, Shop & Garage Equip.	LABOR	368,454	334,416	34,037	319,558	13,556	1,303	10,246	23,792
RBP	30	395-Laboratory Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	31	397-Communication Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	32	398-Miscellaneous Equipment	LABOR	0	0	0	0	0	0	0	0
RBP	33	399-Excess Reserve	LABOR	0	0	0	0	0	0	0	0
RBP	34	TOTAL GENERAL PLANT		368,454	334,416	34,037	319,558	13,556	1,303	10,246	23,792
RBP	35										
RBP	36	TOTAL GAS PLANT IN SERVICE		7,193,512	5,801,905	1,391,607	5,590,003	188,840	23,062	531,652	859,955
RBP	37										
RBP	38	COMMON PLANT IN SERVICE (Allocated)	LABOR	(26,357)	(23,922)	(2,435)	(22,859)	(970)	(93)	(733)	(1,702)
RBP	39	CWIP not taking interest	TOTPLT	453,042	365,231	87,811	351,904	11,875	1,452	33,560	54,251
RBP	40										
RBP	41	TOTAL GAS UTILITY PLANT		7,620,197	6,143,214	1,476,983	5,919,048	199,746	24,420	564,479	912,504
RBP	42										
RBP	43										
RBP	44										
RBP	45										
RBP	46										
RBP	47										
RBP	48										
RBP	49										
RBP	50										
RBD	1	LESS: ACCUMULATED DEPRECIATION									
RBD	2										
RBD	3	INTANGIBLE PLANT ACCUM DEPRECIATION	INTPLT	0	0	0	0	0	0	0	0

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBD	4										
RBD	5	DISTRIBUTION PLANT ACCUMULATED DEPRECIATION									
RBD	6	374-Land Rights	PLT_374	0	0	0	0	0	0	0	0
RBD	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
RBD	8	376-Mains	PLT_376	249,602	188,532	61,070	182,702	5,071	760	24,754	36,315
RBD	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	30,369	23,721	6,648	23,004	622	96	2,363	4,285
RBD	10	380-Services	PLT_380	119,902	108,263	11,639	103,453	4,388	422	3,506	8,133
RBD	11	381-Meters	PLT_381	13,215	9,986	3,230	9,542	405	39	973	2,257
RBD	12	382-Meter Installations	PLT_382	52,697	48,035	4,661	45,901	1,947	187	1,404	3,257
RBD	13	384-House Regulator Installations	PLT_384	1,662	1,662	0	1,589	67	6	0	0
RBD	14	385-Industrial Meas. &Regulators	PLT_385	7,482	0	7,482	0	0	0	2,254	5,228
RBD	15	TOTAL DISTRIBUTION PLANT ACCUMULATED DEPRECIATION		474,930	380,200	94,730	366,191	12,499	1,510	35,253	59,477
RBD	16										
RBD	17	GENERAL PLANT ACCUMULATED DEPREC	GENLPLT	94,753	86,000	8,753	82,179	3,486	335	2,635	6,118
RBD	18										
RBD	19	TOTAL ACCUMULATED DEPRECIATION OF GAS PLANT		569,683	466,200	103,483	448,370	15,985	1,845	37,888	65,595
RBD	20										
RBD	21	COMMON PLANT ACCUM DEPRECIATION	COMPLT	0	0	0	0	0	0	0	0
RBD	22										
RBD	23	TOTAL UTILITY PLANT RESERVES		569,683	466,200	103,483	448,370	15,985	1,845	37,888	65,595
RBD	24										
RBD	25										
RBD	26	NET GAS PLANT IN SERVICE		7,050,514	5,677,014	1,373,501	5,470,678	183,760	22,575	526,591	846,909
RBD	27										
RBD	28										
RBD	29										
RBD	30										
RBD	31										
RBD	32										
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RBD	48										
RBD	49										
RBD	50										
RBO	1	ADDITIONS AND DEDUCTIONS TO RATE BASE									
RBO	2										
RBO	3	PLUS: ADDITIONS TO RATE BASE									
RBO	4										

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RBO	5	WORKING CAPITAL									
RBO	6	Cash Working Capital	OMXPP	(24,600)	(22,232)	(2,368)	(21,251)	(894)	(87)	(730)	(1,638)
RBO	7	Materials and Supplies	TOTPLT	271,000	218,473	52,527	210,501	7,104	868	20,075	32,452
RBO	8	Prepayments - PA PUC Assessment	CLAIMREV	4,053	3,434	619	3,298	123	13	220	399
RBO	9	Prepayments - Property Tax and Insurance	TOTPLT	1,347	1,086	261	1,046	35	4	100	161
RBO	10	Deferred Debits (Net of Tax)	TOTPLT	16,500	13,302	3,198	12,817	433	53	1,222	1,976
RBO	11	TOTAL WORKING CAPITAL		268,300	214,064	54,236	206,412	6,800	852	20,886	33,350
RBO	12	TOTAL ADDITIONS TO RATE BASE		268,300	214,064	54,236	206,412	6,800	852	20,886	33,350
RBO	13										
RBO	14										
RBO	15	LESS: DEDUCTIONS TO RATE BASE									
RBO	16	Customer Deposits	CUSTDEP	58,700	5,665	53,035	5,665	0	0	49,754	3,281
RBO	17	Deferred Credits (Net of Tax)	TOTPLT	1,600	1,290	310	1,243	42	5	119	192
RBO	18	Deferred Income Taxes and Credits									
RBO	19	Plant	DGPLT	255,100	205,750	49,350	198,236	6,697	818	18,854	30,496
RBO	20	Common Plant	COMPLT	0	0	0	0	0	0	0	0
RBO	21	Total Deferred Income Taxes and Credits		255,100	205,750	49,350	198,236	6,697	818	18,854	30,496
RBO	22	TOTAL DEDUCTIONS TO RATE BASE		315,400	212,705	102,695	205,144	6,739	823	68,726	33,969
RBO	23										
RBO	24	TOTAL RATE BASE		7,003,414	5,678,372	1,325,042	5,471,945	183,822	22,605	478,752	846,290
RBO	25										
RBO	26										
RBO	27										
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RBO	49										
RBO	50										
REV	1	OPERATING REVENUES									
REV	2										
REV	3	SALES REVENUES									
REV	4	Sales of Gas Revenues - Base		1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
REV	5	Sales Revenues - Purchased Gas-PGC	EGAS	0	0	0	0	0	0	0	0

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
REV	6	TOTAL SALES OF GAS		1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
REV	7										
REV	8	OTHER OPERATING REVENUES									
REV	9	487-Late Payments Charges	REV_487	6,301	5,089	1,212	4,942	120	27	574	638
REV	10	488-Miscellaneous Service Revenues	TOTPLT	0	0	0	0	0	0	0	0
REV	11	494-Other Gas Revenue (Adjustment)	TOTPLT	(2,451)	(2,934)	(475)	(1,904)	(64)	(8)	(182)	(293)
REV	12	TOTAL OTHER OPERATING REV		3,850	3,114	737	3,038	56	20	392	345
REV	13										
REV	14	TOTAL OPERATING REVENUES		1,090,185	896,180	194,004	866,157	26,425	3,598	83,271	110,733
REV	15										
REV	16										
REV	17										
REV	18										
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REV	47										
REV	48										
REV	49										
REV	50										
EOM	1	OPERATION & MAINTENANCE EXPENSE									
EOM	2	PRODUCTION EXPENSE									
EOM	3	Other Gas Supply Expense									
EOM	4	Operation									
EOM	5	804-Natural Gas Purchases-PGC	EGAS	0	0	0	0	0	0	0	0
EOM	6	805-Other Natural Gas Purchases	ETHRUPUT	0	0	0	0	0	0	0	0

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EOM	7	807-Purchased Gas Expenses	ETHRUPUT		0	0	0	0	0	0	0
EOM	8	808.1 Gas withdrawn from storage—Debt.	ETHRUPUT		0	0	0	0	0	0	0
EOM	9	Total Other Gas Supply Expense			0	0	0	0	0	0	0
EOM	10	TOTAL PRODUCTION EXPENSE			0	0	0	0	0	0	0
EOM	11										
EOM	12	DISTRIBUTION EXPENSES									
EOM	13	Operation									
EOM	14	870-Operation Supervision and Engineering	LABORDM	5,755	5,196	559	4,965	211	20	168	390
EOM	15	874-Mains and Services Expenses	PLT_376380	0	0	0	0	0	0	0	0
EOM	16	875-Measuring & Reg. Station Exp.	PLT_378	0	0	0	0	0	0	0	0
EOM	17	878-Meter & House Regulator Expenses	PLT_3815	0	0	0	0	0	0	0	0
EOM	18	880-Other Expenses	DISTPLT	0	0	0	0	0	0	0	0
EOM	19	Total Distribution Operation		5,755	5,196	559	4,965	211	20	168	390
EOM	20	Maintenance									
EOM	21	887-Maintenance of Mains	PLT_376	5,277	3,986	1,291	3,862	107	16	523	768
EOM	22	889-Maint. of Measuring & Reg. Station Equip.-Gen	PLT_378	0	0	0	0	0	0	0	0
EOM	23	892-Maintenance of Services	PLT_380	220,921	199,476	21,445	190,614	8,085	777	6,459	14,986
EOM	24	893-Maint. of Meters & House Regulators	PLT_3815	0	0	0	0	0	0	0	0
EOM	25	894-Maintenance of Other Equipment	DISTPLT	0	0	0	0	0	0	0	0
EOM	26	Total Distribution Maintenance		226,198	203,462	22,736	194,477	8,192	793	6,983	15,753
EOM	27	TOTAL DISTRIBUTION PLANT O&M EXPENSES		231,953	208,658	23,295	199,442	8,403	814	7,151	16,144
EOM	28										
EOM	29										
EOM	30										
EOM	31										
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EOM	49										
EOM	50										
EOM	51	OPERATION & MAINTENANCE EXPENSE									
EOM	52										
EOM	53	CUSTOMER ACCOUNTS EXPENSES									
EOM	54	902-Meter Reading	CUSTMTRDG	2,982	2,801	181	2,676	114	11	55	127
EOM	55	903-Customer Records and Collection Exp	CUSTREC	36,158	33,952	2,206	32,443	1,377	132	659	1,547
EOM	56	904-Uncollectible Accounts	EXP_904	14,475	14,475	0	14,475	0	0	0	0
EOM	57	TOTAL CUSTOMER ACCTS EXPENSE		53,614	51,227	2,387	49,594	1,491	143	714	1,673

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EOM	58										
EOM	59	CUSTOMER SERVICE & SALES EXPENSES									
EOM	60	908-Customer Assistance	CUSTASST	0	0	0	0	0	0	0	0
EOM	61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0
EOM	62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0
EOM	63	911-Informational and Instructional Exp	CUSTSALES	1,298	1,082	215	1,040	38	4	90	125
EOM	64	917-Promotional Advertising Exp	CUSTSALES	5,398	4,503	895	4,328	157	18	375	520
EOM	65	TOTAL CUSTOMER SERVICE & SALES EXP		6,696	5,586	1,110	5,368	195	22	465	645
EOM	66										
EOM	67	TOTAL OPER & MAINT EXCL A&G		292,263	265,471	26,792	254,404	10,089	979	8,330	18,462
EOM	68										
EOM	69										
EOM	70	ADMINISTRATIVE & GENERAL EXPENSE									
EOM	71	920-Administrative Salaries	LABOR	147,467	133,844	13,623	127,897	5,425	521	4,101	9,522
EOM	72	921-Office Supplies & Expense	LABOR	50,927	46,222	4,705	44,168	1,874	180	1,416	3,288
EOM	73	922-Administrative Exp Transferred - Credit	LABOR	(46,694)	(42,381)	(4,314)	(40,498)	(1,718)	(165)	(1,298)	(3,015)
EOM	74	923-Outside Service Employed	LABOR	65,071	59,060	6,011	56,436	2,394	230	1,809	4,202
EOM	75	924-Property Insurance	TOTPLT	336	271	65	261	9	1	25	40
EOM	76	925-Injuries and Damages	LABOR	23,970	21,756	2,214	20,789	882	85	667	1,548
EOM	77	926-Employee Pensions & Benefits	LABOR	65,875	59,789	6,085	57,133	2,424	233	1,832	4,254
EOM	78	928-Regulatory Commission	CLAIMREV	20,677	17,521	3,156	16,826	626	69	1,122	2,034
EOM	79	930.2-Miscellaneous General	LABOR	3,268	2,966	302	2,834	120	12	91	211
EOM	80	930.6-Miscellaneous General - Vehicles	GENLPLT	5,100	4,629	471	4,423	188	18	142	329
EOM	81	932-Maintenance of General Plant	GENLPLT	5,936	5,388	548	5,148	218	21	165	383
EOM	82	TOTAL A&G EXPENSE		341,931	309,064	32,867	295,418	12,441	1,204	10,071	22,796
EOM	83										
EOM	84	TOTAL OPERATION & MAINTENANCE EXPENSES		634,194	574,535	59,659	549,822	22,530	2,183	18,401	41,258
EOM	85										
EOM	86	TOTAL O&M EXPENSES		634,194	574,535	59,659	549,822	22,530	2,183	18,401	41,258
EOM	87										
EOM	88										
EOM	89										
EOM	90										
EOM	91										
EOM	92										
EOM	93										
EOM	94										
EOM	95										
EOM	96										
EOM	97										
EOM	98										
EOM	99										
EOM	100										
EDA	1	DEPRECIATION & AMORTIZATION EXPENSE									
EDA	2										
EDA	3	INTANGIBLE PLANT EXPENSE	INTPLT	0	0	0	0	0	0	0	0
EDA	4										
EDA	5	DISTRIBUTION PLANT EXPENSE									
EDA	6	374-Land Rights	PLT_374	0	0	0	0	0	0	0	0
EDA	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
EDA	8	376-Mains	PLT_376	54,300	41,014	13,285	39,746	1,103	165	5,385	7,900

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
EDA	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	6,621	5,172	1,449	5,015	136	21	515	934
EDA	10	380-Services	PLT_380	17,878	16,142	1,735	15,425	654	63	523	1,213
EDA	11	381-Meters	PLT_381	3,737	2,824	913	2,698	114	11	275	638
EDA	12	382-Meter Installations	PLT_382	14,361	13,091	1,270	12,509	531	51	383	888
EDA	13	384-House Regulators	PLT_385	212	0	212	0	0	0	64	148
EDA	14	385-Industrial Meas. & Regulators	PLT_385	940	0	940	0	0	0	283	657
EDA	15	387-Other Equipment	PLT_378387	0	0	0	0	0	0	0	0
EDA	16	388-Asset Retirement Costs for Distribution Plant	PLT_388	0	0	0	0	0	0	0	0
EDA	17	TOTAL DISTRIBUTION PLANT EXPENSE		98,048	78,243	19,805	75,394	2,538	311	7,428	12,378
EDA	18										
EDA	19	GENERAL PLANT DEPRE & AMORT EXPENSE	GENLPLT	48,908	44,390	4,518	42,418	1,799	173	1,360	3,158
EDA	20										
EDA	21	COMMON PLANT DEPRE & AMORT EXPENSE	COMPLT	45,853	41,617	4,236	39,768	1,687	162	1,275	2,961
EDA	22										
EDA	23	Amortization of Unallocated Depreciation Res	TOTPLT	15,351	12,375	2,975	11,924	402	49	1,137	1,838
EDA	24										
EDA	25	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		208,161	176,626	31,535	169,504	6,427	695	11,200	20,335
EDA	26										
EDA	27										
EDA	28										
EDA	29										
EDA	30										
EDA	31										
EDA	32										
EDA	33										
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EDA	45										
EDA	46										
EDA	47										
EDA	48										
EDA	49										
EDA	50										
TXO	1	OTHER OPERATING EXPENSES									
TXO	2										
TXO	3	TAXES OTHER THAN INCOME TAXES									
TXO	4	General Taxes									
TXO	5	PURTA Taxes	TOTPLT	0	0	0	0	0	0	0	0
TXO	6	Capital Stock	TOTPLT	0	0	0	0	0	0	0	0
TXO	7	Payroll Related	LABOR	21,299	19,331	1,968	18,473	784	75	592	1,375
TXO	8	Property Tax	DGPLT	3,392	2,736	656	2,636	89	11	251	406
TXO	9	PA and Local Use Tax	CLAIMREV	0	0	0	0	0	0	0	0

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXO	10	Total General Taxes		24,691	22,068	2,624	21,109	873	86	843	1,781
TXO	11										
TXO	12										
TXO	13	Franchise and Revenue Taxes	CLAIMREV	0	0	0	0	0	0	0	0
TXO	14										
TXO	15	TOTAL TAXES OTHER THAN INCOME		24,691	22,068	2,624	21,109	873	86	843	1,781
TXO	16										
TXO	17										
TXO	18										
TXO	19										
TXO	20										
TXO	21										
TXO	22										
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TXO	47										
TXO	48										
TXO	49										
TXO	50										
TXI	1	DEVELOPMENT OF INCOME TAXES									
TXI	2										
TXI	3	TOTAL OPERATING REVENUES		1,090,185	896,180	194,004	866,157	26,425	3,598	83,271	110,733
TXI	4	LESS:									
TXI	5	OPERATION & MAINTENANCE EXPENSE	SCH EOM, LN 86	634,194	574,535	59,659	549,822	22,530	2,183	18,401	41,258
TXI	6	DEPRECIATION & AMORTIZATION EXPENSE	SCH EDA, LN 25	208,161	176,626	31,535	169,504	6,427	695	11,200	20,335
TXI	7	TAXES OTHER THAN INCOME TAXES	SCH TXO, LN 15	24,691	22,068	2,624	21,109	873	86	843	1,781
TXI	8	NET OPERATING INCOME BEFORE TAXES		223,139	122,952	100,187	125,723	(3,404)	633	52,828	47,359
TXI	9	LESS:									
TXI	10	Interest Expense (incl amort of debt exp)	RATEBASE	504,938	409,404	95,534	394,521	13,253	1,630	34,517	61,017

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXI	11										
TXI	12	BASE TAXABLE DISTRIBUTION INCOME		(281,799)	(286,452)	4,653	(268,798)	(16,657)	(996)	18,311	(13,658)
TXI	13										
TXI	14										
TXI	15	CALCULATION OF PA STATE INCOME TAXES									
TXI	16	BASE STATE TAXABLE INCOME (pretax)	SCH TXI, LN 12	(281,799)	(286,452)	4,653	(268,798)	(16,657)	(996)	18,311	(13,658)
TXI	17	PLUS:									
TXI	18	Book Depreciation	TOTPLT	47,085	37,959	9,126	36,574	1,234	151	3,488	5,638
TXI	19	LESS:									
TXI	20	State Tax Depreciation (Over) Under Book	TOTPLT	(201,513)	(162,455)	(39,058)	(156,527)	(5,282)	(646)	(14,927)	(24,131)
TXI	21	PA BASE STATE TAXABLE INCOME		(127,371)	(161,956)	34,585	(148,845)	(12,609)	(502)	29,750	4,835
TXI	22	PA STATE INCOME TAXES @ Tax Rate 7.99%		(10,177)	(12,940)	2,763	(11,893)	(1,007)	(40)	2,377	386
TXI	23	PLUS:									
TXI	24	Deferred Income Tax Dr.- Account 410	TOTPLT	18,569	14,969	3,599	14,423	487	60	1,375	2,224
TXI	25	Deferred Income Tax Cr.- Account 411	TOTPLT	(30,907)	(24,917)	(5,991)	(24,008)	(810)	(99)	(2,290)	(3,701)
TXI	26	TOTAL STATE INCOME TAX EXPENSE		(22,516)	(22,887)	372	(21,477)	(1,331)	(80)	1,463	(1,091)
TXI	27										
TXI	28										
TXI	29	CALCULATION OF FEDERAL INCOME TAXES									
TXI	30	PA BASE TAXABLE INCOME	SCH TXI, LN 16	(281,799)	(286,452)	4,653	(268,798)	(16,657)	(996)	18,311	(13,658)
TXI	31	LESS:									
TXI	32	PA State Income Taxes		(22,516)	(22,887)	372	(21,477)	(1,331)	(80)	1,463	(1,091)
TXI	33	Other Federal Tax Adjustments	TOTPLT	(154,428)	(124,496)	(29,932)	(119,953)	(4,048)	(495)	(11,440)	(18,492)
TXI	34	FEDERAL ADJUSTED TAXABLE INCOME		(104,855)	(139,068)	34,213	(127,368)	(11,278)	(422)	28,287	5,926
TXI	35	FEDERAL INCOME TAXES @ Tax Rate 21.00%		(22,020)	(29,204)	7,185	(26,747)	(2,368)	(89)	5,940	1,244
TXI	36	PLUS:									
TXI	37	Deferred Income Tax Dr.- Account 410	TOTPLT	48,803	39,344	9,459	37,908	1,279	156	3,615	5,844
TXI	38	Deferred Income Tax Cr.- Account 411	TOTPLT	(81,233)	(65,488)	(15,745)	(63,099)	(2,129)	(260)	(6,017)	(9,728)
TXI	39	TOTAL FEDERAL INCOME TAX EXPENSE		(54,449)	(55,348)	899	(51,937)	(3,219)	(193)	3,538	(2,639)
TXI	40										
TXI	41										
TXI	42	TOTAL PA INCOME TAX EXPENSE		(22,516)	(22,887)	372	(21,477)	(1,331)	(80)	1,463	(1,091)
TXI	43	TOTAL FEDERAL INCOME TAX EXPENSE		(54,449)	(55,348)	899	(51,937)	(3,219)	(193)	3,538	(2,639)
TXI	44	TOTAL INCOME TAX EXPENSE		(76,965)	(78,236)	1,271	(73,414)	(4,549)	(272)	5,001	(3,730)
TXI	45										
TXI	46	TOTAL OPERATING EXPENSES		790,080	694,992	95,088	667,020	25,280	2,692	35,444	59,644
TXI	47										
TXI	48										
TXI	49										
TXI	50										
TXI	51	DEVELOPMENT OF INCOME TAXES CONTINUED									
TXI	52										
TXI	53										
TXI	54										
TXI	55	TAX RATES & FACTORS									
TXI	56	GROSS RECEIPTS TAX RATE	0.00000								
TXI	57	STATE TAX RATE	0.07990								
TXI	58	EFFECTIVE STATE TAX RATE	0.09841								
TXI	59	FEDERAL TAX RATE - CURRENT	0.21000								
TXI	60	1 - EFFECTIVE TAX RATE	0.00000								
TXI	61	EFFECTIVE TAX RATE	0.27312								

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
TXI	62	EFFECTIVE FEDERAL RATE	0.18610								
TXI	63	RETENTION FACTOR	1.37961								
TXI	64	UNCOLLECTIBLES EXPENSE FACTOR	0.28000								
TXI	65										
TXI	66										
TXI	67										
TXI	68	State Tax Income Adjustment									
TXI	69	(For Future Test Year 12 Months Ended September 30 2025)									
TXI	70	Operating Income Before Income Taxes		(154,446)	(128,105)	(26,341)	(122,772)	(4,792)	(541)	(9,755)	(16,586)
TXI	71	Less Interest Expense (incl amort of debt exp)		265,021	214,879	50,142	207,068	6,956	855	18,117	32,025
TXI	72	Pretax Income		(419,467)	(342,985)	(76,483)	(329,840)	(11,748)	(1,397)	(27,872)	(48,611)
TXI	73	Add: Additional Taxable Income and Unallowable Deductions									
TXI	74	Book Depreciation		124,900	100,691	24,209	97,017	3,274	400	9,252	14,957
TXI	75	Amortization of Rate Case Expenditures		9,400	7,965	1,435	7,649	285	31	510	925
TXI	76	Total		134,300	108,656	(50,839)	104,666	3,558	432	9,762	15,881
TXI	77	Deduct: Non-Taxable Income and Allowable Deductions									
TXI	78	Rate Case Expenditures		37,600	31,861	(25,195)	30,598	1,138	125	2,041	3,699
TXI	79	State Taxable Income		(322,767)	(266,189)	(25,195)	(255,771)	(9,328)	(1,090)	(20,150)	(36,428)
TXI	80	Current Tax Provision - State Taxable Income 7.99%		(25,789)	(21,268)	(25,195)	(20,436)	(745)	(87)	(1,610)	(2,911)
TXI	81	Deferred Income Tax Dr.- Account 410		3,004	2,546	459	2,445	91	10	163	296
TXI	82	Deferred Income Tax Cr.- Account 411		(10,731)	(8,682)	(2,049)	(8,363)	(284)	(34)	(780)	(1,269)
TXI	83	Total State Income Taxes		(33,515)	(27,404)	(26,786)	(26,354)	(939)	(112)	(2,227)	(3,884)
TXI	84										
TXI	85	Federal Tax Income Adjustment									
TXI	86	(For Future Test Year 12 Months Ended September 30 2025)									
TXI	87	State Taxable Income		(322,767)	(266,189)	(56,578)	(255,771)	(9,328)	(1,090)	(20,150)	(36,428)
TXI	88	Less State Income Taxes		33,515	27,404	(56,578)	26,354	939	112	2,227	3,884
TXI	89	Adjusted Taxable Income		(289,252)	(238,784)	(113,157)	(229,417)	(8,389)	(979)	(17,923)	(32,544)
TXI	90	Total Federal Income Taxes @ Tax Rate 21.00%		(60,743)	(50,145)	(226,314)	(48,177)	(1,762)	(206)	(3,764)	(6,834)
TXI	91	Deferred Income Tax Dr.- Account 410		7,896	6,691	1,205	6,425	239	26	429	777
TXI	92	Deferred Income Tax Cr.- Account 411		(28,203)	(22,818)	(5,385)	(21,980)	(747)	(91)	(2,050)	(3,335)
TXI	93	Total Federal Income Taxes		(81,050)	(66,272)	(4,180)	(63,732)	(2,270)	(270)	(5,385)	(9,393)
TXI	94										
TXI	95										
TXI	96										
TXI	97										
TXI	98										
TXI	99										
TXI	100										
LAB	1	DEVELOPMENT OF LABOR ALLOCATION FACTOR									
LAB	2										
LAB	3	PRODUCTION LABOR EXPENSE									
LAB	4	Other Gas Supply Expense									
LAB	5	Operation - Accounts 804-808		0	0	0	0	0	0	0	0
LAB	6	Total Other Gas Supply		0	0	0	0	0	0	0	0
LAB	7	TOTAL PRODUCTION LABOR EXP		0	0	0	0	0	0	0	0
LAB	8										
LAB	9	DISTRIBUTION LABOR EXPENSE									
LAB	10	Operation									
LAB	11	874-Mains and Services Expenses		0	0	0	0	0	0	0	0
LAB	12	875-Measuring & Reg. Station Exp.		0	0	0	0	0	0	0	0

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
LAB	13	878-Meter & House Regulator Expenses	OX_878	0	0	0	0	0	0	0	0
LAB	14	880-Other Expenses	OX_880	0	0	0	0	0	0	0	0
LAB	15	Total Operation		0	0	0	0	0	0	0	0
LAB	16	Maintenance									
LAB	17	887-Maintenance of Mains	MX_887	0	0	0	0	0	0	0	0
LAB	18	889-Maint. of Measuring & Reg. Station Equip.	MX_889	0	0	0	0	0	0	0	0
LAB	19	892-Maintenance of Services	MX_892	229,258	207,004	22,254	197,807	8,390	807	6,703	15,551
LAB	20	893-Maint. of Meters & House Regulators	MX_893	0	0	0	0	0	0	0	0
LAB	21	894-Maintenance of Other Equipment	MX_894	0	0	0	0	0	0	0	0
LAB	22	Total Distribution Maintenance		229,258	207,004	22,254	197,807	8,390	807	6,703	15,551
LAB	23	TOTAL DISTRIBUTION LABOR EXP		229,258	207,004	22,254	197,807	8,390	807	6,703	15,551
LAB	24										
LAB	25	TOTAL OPER & MAINT LABOR EXP (PROD & DIST)		229,258	207,004	22,254	197,807	8,390	807	6,703	15,551
LAB	26										
LAB	27										
LAB	28										
LAB	29										
LAB	30										
LAB	31										
LAB	32										
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LAB	47										
LAB	48										
LAB	49										
LAB	50										
LAB	51										
LAB	52										
DEVELOPMENT OF LABOR ALLOCATION FACTOR CONTINUED											
LAB	53	CUSTOMER ACCOUNTS EXPENSES		2,495	2,344	152	2,239	95	9	46	106
LAB	54	902-Meter Reading	CUSTMTRDG								
LAB	55	903-Customer Records and Collection Expense	CUSTREC	31,765	29,828	1,938	28,502	1,210	116	579	1,359
LAB	56	904-Uncollectible Accounts	EXP_904	0	0	0	0	0	0	0	0
LAB	57	TOTAL CUSTOMER ACCTS LABOR EXPENSE		34,261	32,171	2,089	30,741	1,305	125	625	1,465
LAB	58										
LAB	59	CUSTOMER SERVICE & SALES EXPENSES		0	0	0	0	0	0	0	0
LAB	60	908-Customer Assistance	CUSTASST	0	0	0	0	0	0	0	0
LAB	61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0
LAB	62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0
LAB	63	912-Demonstrating and Selling Expenses	CUSTSALES	0	0	0	0	0	0	0	0

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
LAB	64	916 Miscellaneous Sales Expenses	CUSTSALES		0	0	0	0	0	0	0
LAB	65	TOTAL CUST SERVICE & SALES LABOR EXP			0	0	0	0	0	0	0
LAB	66										
LAB	67	TOTAL OPER & MAINT LABOR EXP EXCL A&G		263,519	239,175	24,344	228,549	9,695	932	7,328	17,016
LAB	68										
LAB	69	ADMINISTRATIVE & GENERAL EXPENSE									
LAB	70	920-Administrative Salaries	LABORXAG	10,748	9,755	993	9,322	395	38	299	694
LAB	71	921-Office Supplies & Expense	LABORXAG	0	0	0	0	0	0	0	0
LAB	72	923-Outside Service Employed	LABORXAG	0	0	0	0	0	0	0	0
LAB	73	924-Property Insurance	TOTPLT	0	0	0	0	0	0	0	0
LAB	74	925-Injuries and Damages	LABORXAG	0	0	0	0	0	0	0	0
LAB	75	926-Employee Pensions & Benefits	LABORXAG	0	0	0	0	0	0	0	0
LAB	76	928-Regulatory Commission	CLAIMREV	0	0	0	0	0	0	0	0
LAB	77	930.2-Miscellaneous General	LABORXAG	0	0	0	0	0	0	0	0
LAB	78	935-Maintenance of General Plant	GENLPLT	0	0	0	0	0	0	0	0
LAB	79	TOTAL A&G LABOR EXPENSE		10,748	9,755	993	9,322	395	38	299	694
LAB	80										
LAB	81	TOTAL OPER & MAINTENANCE LABOR EXP		274,267	248,930	25,336	237,870	10,090	970	7,627	17,710
LAB	82										
LAB	83										
LAB	84										
LAB	85										
LAB	86										
LAB	87										
LAB	88										
LAB	89										
LAB	90										
LAB	91										
LAB	92										
LAB	93										
LAB	94										
LAB	95										
LAB	96										
LAB	97										
LAB	98										
LAB	99										
LAB	100										
AF	1	ALLOCATION FACTOR TABLE									
AF	2	EXTERNALLY DEVELOPED ALLOCATION FACTORS									
AF	3										
AF	4	CAPACITY									
AF	5										
AF	6										
AF	7										
AF	8										
AF	9										
AF	10										
AF	11	CAPACITY - DISTRIBUTION RELATED (Design Day)									
AF	12	Capacity Distribution	DDIST	16,281	12,717	3,564	12,333	333	51	1,267	2,297
AF	13	Capacity Distribution Average Demand	DAVG	4,123	3,008	1,115	2,913	83	12	497	618
AF	14										

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	15										
AF	16										
AF	17										
AF	18										
AF	19										
AF	20	COMMODITY									
AF	21	Annual Gas Cost (PGC)	EGAS	0	0	0	0	0	0	0	0
AF	22										
AF	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1,509,018	1,100,928	408,090	1,066,077	30,422	4,429	181,919	226,171
AF	24										
AF	25										
AF	26										
AF	27										
AF	28										
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AF	50										
AF	51										
AF	52										
AF	53										
AF	54										
AF	55	Distribution Mains	CUSTDIST	16,348	15,348	1,000	14,664	624	60	300	700
AF	56										
AF	57	Service Investment	CUSTSERV	1,693,812	1,529,392	164,419	1,461,446	61,986	5,960	49,524	114,895
AF	58	Meter Investment	CUSTMET	62,823	47,469	15,354	45,360	1,924	185	4,625	10,729
AF	59	Meter Installations	CUSTMETIN	536,759	489,280	47,479	467,543	19,831	1,907	14,301	33,178
AF	60	Regulators Investment	CUSTREGUL	9,539	8,960	580	8,562	363	35	175	405
AF	61	Regulators Investment - House	CUSTREGULH	8,960	8,960	0	8,562	363	35	0	0
AF	62	Regulators Investment - Industrial	CUSTREGULI	580	0	580	0	0	0	175	405
AF	63	Customer Deposits	CUSTDEP	381	37	344	37	0	0	323	21
AF	64										
AF	65										

ALLOCATION FACTOR TABLE CONTINUED
EXTERNALLY DEVELOPED ALLOCATION FACTORS

CUSTOMER

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	66										
AF	67	902-Meter Reading Expense	CUSTMTRDG	1,366	1,283	83	1,226	52	5	25	58
AF	68	903-Customer Records and Collections	CUSTREC	16,459	15,455	1,004	14,768	627	60	300	704
AF	69										
AF	70	908-Customer Assistance	CUSTASST	1,0000	0.8342	0.1658	0.8017	0.0292	0.0033	0.0695	0.0963
AF	71	909-Informational and Instructional Advertising	CUSTADVT	1,0000	0.8342	0.1658	0.8017	0.0292	0.0033	0.0695	0.0963
AF	72	910-Miscellaneous Customer Service	CUSTCSM	1,0000	0.8342	0.1658	0.8017	0.0292	0.0033	0.0695	0.0963
AF	73	916-Miscellaneous Sales Expense	CUSTSALES	1,0000	0.8342	0.1658	0.8017	0.0292	0.0033	0.0695	0.0963
AF	74										
AF	75	Number of Bills	CUSTBILLS	16,459	15,455	1,004	14,768	627	60	300	704
AF	76	Number of Customers (Average Annual)	CUST	16,348	15,348	1,000	14,664	624	60	300	700
AF	77										
AF	78										
AF	79										
AF	80										
AF	81										
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AF	97										
AF	98										
AF	99										
AF	100										
AF	101										
AF	102										
AF	103										
AF	104	Intangible Plant	INTPLT	0	0	0	0	0	0	0	0
AF	105	Distribution Plant in Service	DISTPLT	6,825,059	5,467,489	1,357,570	5,270,445	175,285	21,759	521,407	836,163
AF	106	Distribution Plant in Service - Capacity Related	DDISTPLT	2,308,366	1,690,881	617,484	1,637,499	46,578	6,804	272,661	344,823
AF	107	General Plant in Service	GENLPLT	368,454	334,416	34,037	319,558	13,556	1,303	10,246	23,792
AF	108	Common Plant in Service	COMPLT	(26,357)	(23,922)	(2,435)	(22,859)	(970)	(93)	(733)	(1,702)
AF	109	Total Gas Utility Plant In Service	TOTPLT	7,620,197	6,143,214	1,476,983	5,919,048	199,746	24,420	564,479	912,504
AF	110	Distribution Plant Excl Asset Retirement	DISTPLTXAR	6,825,059	5,467,489	1,357,570	5,270,445	175,285	21,759	521,407	836,163
AF	111	Total Distribution and General Plant	DGPLT	7,193,512	5,801,905	1,391,607	5,590,003	188,840	23,062	531,652	859,955
AF	112	Rate Base	RATEBASE	7,003,414	5,678,372	1,325,042	5,471,945	183,822	22,605	478,752	846,290
AF	113										
AF	114	Account 374 - Land & Land Rights	PLT_374	744	581	163	564	15	2	58	105
AF	115	Account 375 - Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0
AF	116	Account 376 - Mains	PLT_376	4,353,729	3,288,512	1,065,218	3,186,809	88,450	13,253	431,780	633,438

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
AF	117	Account 378 - Meas & Reg Station Equip-General	PLT_378	131,501	102,715	28,786	99,608	2,692	415	10,230	18,556
AF	118	Account 380 - Services	PLT_380	1,693,812	1,529,392	164,419	1,461,446	61,986	5,960	49,524	114,895
AF	119	Account 381 - Meters	PLT_381	62,823	47,469	15,354	45,360	1,924	185	4,625	10,729
AF	120	Account 382 - Meter Installations	PLT_382	536,759	489,280	47,479	467,543	19,831	1,907	14,301	33,178
AF	121	Account 384-House Regulator Installations	PLT_384	9,539	9,539	0	9,116	387	37	0	0
AF	122	Account 385-Industrial Regulators	PLT_385	36,151	0	36,151	0	0	0	10,889	25,262
AF	123	Account 387 - Other Equipment	PLT_387	9,539	9,539	0	9,116	387	37	0	0
AF	124	Account 388-Asset Retirement Costs for Distribution	PLT_388	36,151	0	36,151	0	0	0	10,889	25,262
AF	125	Accounts 376 & 378 - Mains & M&R	PLT_376379	4,485,230	3,391,227	1,094,004	3,286,417	91,142	13,668	442,010	651,993
AF	126	Accounts 376 & 380 - Mains & Services	PLT_376380	6,047,541	4,817,904	1,229,637	4,648,254	150,436	19,213	481,304	748,333
AF	127	Accounts 380 & 381 - Services & Meters	PLT_380381	1,693,812	1,529,392	164,419	1,461,446	61,986	5,960	49,524	114,895
AF	128	Accounts 381 through 385	PLT_3815	645,272	546,288	98,984	522,018	22,141	2,129	29,814	69,170
AF	129	Accounts 378 & 387	PLT_378387	141,040	112,255	28,786	108,724	3,079	452	10,230	18,556
AF	130										
AF	131	Distribution Plant in Service - Capacity Related									
AF	132	Residential Space Heating	DPLTRESSH	1,637,499	1,637,499	0	1,637,499	0	0	0	0
AF	133	Residential Domestic	DPLTRESO	46,578	46,578	0	0	46,578	0	0	0
AF	134	Residential Other	DPLTRESO	6,804	6,804	0	0	0	6,804	0	0
AF	135	General Service Commercial	DPLTGSC	272,661	0	272,661	0	0	0	272,661	0
AF	136	Commercial Space Heating	DPLTCSH	344,823	0	344,823	0	0	0	0	344,823
AF	137										
AF	138										
AF	139										
AF	140										
AF	141										
AF	142										
AF	143										
AF	144										
AF	145										
AF	146										
AF	147										
AF	148										
AF	149										
AF	150										
AF	151										
AF	152										
AF	153										
AF	154										
AF	155	Other Production Operation Expense	OX_PRODO	0	0	0	0	0	0	0	0
AF	156										
AF	157										
AF	158										
AF	159										
AF	160										
AF	161										
AF	162										
AF	163	<u>Distribution Expense Related</u>									
AF	164	Account 874 - Mains & Services Exp	OX_874	0	0	0	0	0	0	0	0
AF	165	Account 875 - Meas & Reg Station Exp - Gen	OX_875	0	0	0	0	0	0	0	0
AF	166	Account 878-Meter & House Regulator Expenses	OX_878	0	0	0	0	0	0	0	0
AF	167	Account 880 - Other Dist Oper Exp	OX_880	0	0	0	0	0	0	0	0

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	168	Account 887 - Maint of Mains Exp	MX_887	5,277	3,986	1,291	3,862	107	16	523	768
AF	169	Account 889 - Maint of Meas & Reg Station Exp - Ger	MX_889	0	0	0	0	0	0	0	0
AF	170	Account 892 - Maint of Services Exp	MX_892	220,921	199,476	21,445	190,614	8,085	777	6,459	14,986
AF	171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0	0	0	0	0	0	0	0
AF	172	Account 894 - Maint of Other Equipment Exp	MX_894	0	0	0	0	0	0	0	0
AF	173	O&M Accounts 874-880	OX_DIST	0	0	0	0	0	0	0	0
AF	174	O&M Accounts 887-894	MX_DIST	220,921	199,476	21,445	190,614	8,085	777	6,459	14,986
AF	175										
AF	176										
AF	177	Customer Distribution Expense Related									
AF	178	Account 902	OX_902	2,982	2,801	181	2,676	114	11	55	127
AF	179	Account 903	OX_903	36,158	33,952	2,206	32,443	1,377	132	659	1,547
AF	180	Account 904	OX_904	14,475	14,475	0	14,475	0	0	0	0
AF	181	O&M Accounts 902-905	OX_CA	53,614	51,227	2,387	49,594	1,491	143	714	1,673
AF	182										
AF	183	Account 908	OX_908	0	0	0	0	0	0	0	0
AF	184	Account 909	OX_909	0	0	0	0	0	0	0	0
AF	185	Account 910	OX_910	0	0	0	0	0	0	0	0
AF	186	O&M Accounts 908-910	OX_CS	0	0	0	0	0	0	0	0
AF	187	Accounts 901-910	X_CACS	60,310	56,813	3,497	54,962	1,686	165	1,179	2,318
AF	188										
AF	189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	619,719	560,060	59,659	535,347	22,530	2,183	18,401	41,258
AF	190										
AF	191										
AF	192										
AF	193										
AF	194										
AF	195										
AF	196										
AF	197										
AF	198										
AF	199										
AF	200										
AF	201										
AF	202										
AF	203										
AF	204	Labor Expense Related									
AF	205	Labor Distribution Accounts 870-880	LABORDO	0	0	0	0	0	0	0	0
AF	206	Labor Distribution Accounts 887-894	LABORDM	229,258	207,004	22,254	197,807	8,390	807	6,703	15,551
AF	207	Labor Customer Accounts 902-905	LABORCA	34,261	32,171	2,089	30,741	1,305	125	625	1,465
AF	208	Labor Customer Accounts 908-910	LABORCS	0	0	0	0	0	0	0	0
AF	209	Labor Excluding Admin & Gen	LABORXAG	263,519	239,175	24,344	228,549	9,695	932	7,328	17,016
AF	210	Total Labor Expense	LABOR	274,267	248,930	25,336	237,870	10,090	970	7,627	17,710
AF	211										
AF	212										
AF	213	Base Rate Sales Revenue	SALESREV	1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
AF	214										
AF	215	Claimed Rate Sales Revenue	CLAIMREV	2,028,685	1,719,020	309,664	1,650,869	61,400	6,751	110,105	199,559
AF	216										
AF	217	Residential Space Heating	SREVRESSH	1,650,869	1,650,869	0	1,650,869	0	0	0	0
AF	218	Residential Domestic	SREVRESDD	61,400	61,400	0	0	61,400	0	0	0

Pike County Light & Power Company
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12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY (c)	Total Residential SC1 (a)	Total Commercial SC2 (e)	Residential Space Heating Rate 231 (f)	Residential Domestic Rate 631 (g)	Residential Other Rate 531 & 731 (h)	General Service Commercial Rate 162 (i)	Commercial Space Heating Rate 331 (j)
AF	219	Residential Other	SREVRESO	6,751	6,751	0	0	0	6,751	0	0
AF	220	General Service Commercial	SREVGSC	110,105	0	110,105	0	0	0	110,105	0
AF	221	Commercial Space Heating	SREVCSH	199,559	0	199,559	0	0	0	0	199,559
AF	222			2,028,685							
AF	223										
AF	224										
AF	225										
AF	226										
AF	227										
AF	228										
AF	229										
AF	230										
AF	231										
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AF	254										
AF	255										
AF	256	Total Sales of Gas Revenues		1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
AF	257	Total Delivery Revenues - Actual		892,835	735,221	157,614	710,266	22,013	2,942	68,771	88,843
AF	258	Total Delivery Revenues - Weather Adjustment		91,543	79,776	11,768	77,345	2,107	323	3,321	8,447
AF	259	DSIC Revenues rolled into Base		101,956	78,070	23,886	75,507	2,249	313	10,787	13,099
AF	260										
AF	261			984,378							
AF	262						77,345	2,107	323	3,321	8,447
AF	263										
AF	264										
AF	265	12 Months Ending September 30, 2024 BILLING DETERMINATE INPUTS									
AF	266	Annual Booked Throughput Sales (Ccf)	SCH AF, LN 23	1,509,018	1,100,928	408,090	1,066,077	30,422	4,429	181,919	226,171
AF	267	Number of Customer Bills	SCH AF, LN 75	16,459	15,455	1,004	14,768	627	60	300	704
AF	268	Average Use Per Customer		92	71	406	72	49	74	606	321
AF	269										

Pike County Light & Power Company
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12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AF	270										
AF	271	<u>RATE OF RETURN</u>									
AF	272	Rate of Return (Equalized)	SCH AF, LN 272	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%
AF	273										
AF	274										
AF	275										
AF	276										
AF	277										
AF	278										
AF	279										
AF	280	12 Months Ended September 30, 2025									
AF	281	<u>BILLING DETERMINATE INPUTS</u>									
AF	282	Annual Booked Throughput Sales (Ccf)		1,526,104	1,116,578	409,525	1,081,232	30,855	4,492	182,559	226,966
AF	283	Number of Customer Bills		17,040	16,008	1,032	15,295	651	63	310	722
AF	284	Average Use Per Customer		90	70	397	71	47	72	590	314
AF	285										
AF	286										
AF	287										
AF	288										
AF	289										
AF	290										
AF	291										
AF	292										
AF	293										
AF	294										
AF	295										
AF	296										
AF	297										
AF	298										
AF	299										
AF	300										
AP	1	<u>ALLOCATION PROPORTIONS TABLE</u>									
AP	2	<u>EXTERNALLY DEVELOPED ALLOCATION FACTOR</u>									
AP	3										
AP	4	<u>CAPACITY</u>									
AP	5										
AP	6										
AP	7										
AP	8										
AP	9										
AP	10										
AP	11	<u>CAPACITY - DISTRIBUTION RELATED (Design Day)</u>									
AP	12	Capacity Distribution	DDIST	1.00000	0.78110	0.21890	0.75747	0.02047	0.00315	0.07780	0.14111
AP	13	Capacity Distribution Average Demand	DAVG	1.00000	0.72957	0.27043	0.70647	0.02016	0.00294	0.12055	0.14988
AP	14										
AP	15										
AP	16										
AP	17										
AP	18										
AP	19										
AP	20	<u>COMMODITY</u>									

Pike County Light & Power Company
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12 Months Ending September 30, 2024

SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	21	Annual Gas Cost (PGC)	EGAS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	22										
AP	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1.00000	0.72957	0.27043	0.70647	0.02016	0.00294	0.12055	0.14988
AP	24										
AP	25										
AP	26										
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AP	43										
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AP	46										
AP	47										
AP	48										
AP	49										
AP	50										
AP	51	ALLOCATION PROPORTIONS TABLE CONTINUED									
AP	52	EXTERNALLY DEVELOPED ALLOCATION FACTORS									
AP	53										
AP	54	CUSTOMER									
AP	55	Distribution Mains	CUSTDIST	1.00000	0.93883	0.06117	0.89699	0.03817	0.00367	0.01835	0.04282
AP	56										
AP	57	Service Investment	CUSTSERV	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
AP	58	Meter Investment	CUSTMET	1.00000	0.75559	0.24441	0.72203	0.03062	0.00294	0.07362	0.17079
AP	59	Meter Installations	CUSTMETIN	1.00000	0.91155	0.08845	0.87105	0.03694	0.00355	0.02664	0.06181
AP	60	Regulators Investment	CUSTREGUL	1.00000	0.93924	0.06076	0.89751	0.03807	0.00366	0.01830	0.04246
AP	61	Regulators Investment - House	CUSTREGULH	1.00000	1.00000	0.00000	0.95557	0.04053	0.00390	0.00000	0.00000
AP	62	Regulators Investment - Industrial	CUSTREGULI	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.30120	0.69880
AP	63	Customer Deposits	CUSTDEP	1.00000	0.09652	0.90348	0.09652	0.00000	0.00000	0.84759	0.05589
AP	64										
AP	65										
AP	66										
AP	67	902-Meter Reading Expense	CUSTMTRDG	1.00000	0.93924	0.06076	0.89751	0.03807	0.00366	0.01830	0.04246
AP	68	903-Customer Records and Collections	CUSTREC	1.00000	0.93900	0.06100	0.89726	0.03809	0.00365	0.01823	0.04277
AP	69										
AP	70	908-Customer Assistance	CUSTASST	1.00000	0.83420	0.16580	0.80173	0.02917	0.00330	0.06945	0.09635
AP	71	909-Informational and Instructional Advertising	CUSTADVT	1.00000	0.83420	0.16580	0.80173	0.02917	0.00330	0.06945	0.09635

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LINE NO.	SCH	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
72	AP	910-Miscellaneous Customer Service	CUSTCSM	1.00000	0.83420	0.16580	0.80173	0.02917	0.00330	0.06945	0.09635
73	AP	916-Miscellaneous Sales Expense	CUSTSALES	1.00000	0.83420	0.16580	0.80173	0.02917	0.00330	0.06945	0.09635
74	AP										
75	AP	Number of Bills	CUSTBILLS	1.00000	0.93900	0.06100	0.89726	0.03809	0.00365	0.01823	0.04277
76	AP	Number of Customers (Average Annual)	CUST	1.00000	0.93883	0.06117	0.89699	0.03817	0.00367	0.01835	0.04282
77	AP										
78	AP										
79	AP										
80	AP										
81	AP										
82	AP										
83	AP										
84	AP										
85	AP										
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95	AP										
96	AP										
97	AP										
98	AP										
99	AP										
100	AP										
ALLOCATION PROPORTIONS TABLE CONTINUED											
101	AP										
102	AP										
103	AP										
104	AP	Intangible Plant	INTPLT	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
105	AP	Distribution Plant in Service	DISTPLT	1.00000	0.80109	0.19891	0.77222	0.02568	0.00319	0.07640	0.12251
106	AP	Distribution Plant in Service - Capacity Related	DDISTPLT	1.00000	0.73250	0.26750	0.70938	0.02018	0.00295	0.11812	0.14938
107	AP	General Plant in Service	GENLPLT	1.00000	0.90762	0.09238	0.86730	0.03679	0.00354	0.02781	0.06457
108	AP	Common Plant in Service	COMPLT	1.00000	0.90762	0.09238	0.86730	0.03679	0.00354	0.02781	0.06457
109	AP	Total Gas Utility Plant In Service	TOTPLT	1.00000	0.80618	0.19382	0.77676	0.02621	0.00320	0.07408	0.11975
110	AP	Distribution Plant Excl Asset Retirement	DISTPLTXAR	1.00000	0.80109	0.19891	0.77222	0.02568	0.00319	0.07640	0.12251
111	AP	Total Distribution and General Plant	DGPLT	1.00000	0.80655	0.19345	0.77709	0.02625	0.00321	0.07391	0.11955
112	AP	Rate Base	RATEBASE	1.00000	0.81080	0.18920	0.78133	0.02625	0.00323	0.06836	0.12084
113	AP										
114	AP	Account 374 - Land & Land Rights	PLT_374	1.00000	0.78110	0.21890	0.75747	0.02047	0.00315	0.07780	0.14111
115	AP	Account 375 - Structures & Improvements	PLT_375	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
116	AP	Account 376 - Mains	PLT_376	1.00000	0.75533	0.24467	0.73197	0.02032	0.00304	0.09917	0.14549
117	AP	Account 378 - Meas & Reg Station Equip-General	PLT_378	1.00000	0.78110	0.21890	0.75747	0.02047	0.00315	0.07780	0.14111
118	AP	Account 380 - Services	PLT_380	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
119	AP	Account 381 - Meters	PLT_381	1.00000	0.75559	0.24441	0.72203	0.03062	0.00294	0.07362	0.17079
120	AP	Account 382 - Meter Installations	PLT_382	1.00000	0.91155	0.08845	0.87105	0.03694	0.00355	0.02664	0.06181
121	AP	Account 384-House Regulator Installations	PLT_384	1.00000	1.00000	0.00000	0.95557	0.04053	0.00390	0.00000	0.00000
122	AP	Account 385-Industrial Regulators	PLT_385	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.30120	0.69880

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	123	Account 387 - Other Equipment	PLT_387	1.00000	1.00000	0.00000	0.95557	0.04053	0.00390	0.00000	0.00000
AP	124	Account 388-Asset Retirement Costs for Distribution	PLT_388	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.30120	0.69880
AP	125	Accounts 376 & 378 - Mains & M&R	PLT_376379	1.00000	0.75609	0.24391	0.73272	0.02032	0.00305	0.09855	0.14536
AP	126	Accounts 376 & 380 - Mains & Services	PLT_376380	1.00000	0.79667	0.20333	0.76862	0.02488	0.00318	0.07959	0.12374
AP	127	Accounts 380 & 381 - Services & Meters	PLT_380381	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
AP	128	Accounts 381 through 385	PLT_3815	1.00000	0.84660	0.15340	0.80899	0.03431	0.00330	0.04620	0.10719
AP	129	Accounts 378 & 387	PLT_378387	1.00000	0.79590	0.20410	0.77087	0.02183	0.00320	0.07253	0.13156
AP	130										
AP	131	Distribution Plant in Service - Capacity Related									
AP	132	Residential Space Heating	DPLTRESSH	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	133	Residential Domestic	DPLTRES D	1.00000	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP	134	Residential Other	DPLTRES O	1.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP	135	General Service Commercial	DPLTGSC	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	136	Commercial Space Heating	DPLTCSH	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	137										
AP	138										
AP	139										
AP	140										
AP	141										
AP	142										
AP	143										
AP	144										
AP	145										
AP	146										
AP	147										
AP	148										
AP	149										
AP	150										
AP	151										
AP	152										
AP	153										
AP	154										
AP	155	Other Production Operation Expense	OX_PRODO	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	156										
AP	157										
AP	158										
AP	159										
AP	160										
AP	161										
AP	162										
AP	163	<u>Distribution Expense Related</u>									
AP	164	Account 874 - Mains & Services Exp	OX_874	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	165	Account 875 - Meas & Reg Station Exp - Gen	OX_875	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	166	Account 878-Meter & House Regulator Expenses	OX_878	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	167	Account 880 - Other Dist Oper Exp	OX_880	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	168	Account 887 - Maint of Mains Exp	MX_887	1.00000	0.75533	0.24467	0.73197	0.02032	0.00304	0.09917	0.14549
AP	169	Account 889 - Maint of Meas & Reg Station Exp - Ger	MX_889	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	170	Account 892 - Maint of Services Exp	MX_892	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
AP	171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	172	Account 894 - Maint of Other Equipment Exp	MX_894	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	173	O&M Accounts 874-880	OX_DIST	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	174	O&M Accounts 887-894	MX_DIST	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
AP	175										
AP	176										
AP	177	<u>Customer Distribution Expense Related</u>									
AP	178	Account 902	OX_902	1.00000	0.93924	0.06076	0.89751	0.03807	0.00366	0.01830	0.04246
AP	179	Account 903	OX_903	1.00000	0.93900	0.06100	0.89726	0.03809	0.00365	0.01823	0.04277
AP	180	Account 904	OX_904	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	181	O&M Accounts 902-905	OX_CA	1.00000	0.95548	0.04452	0.92501	0.02781	0.00266	0.01331	0.03121
AP	182										
AP	183	Account 908	OX_908	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	184	Account 909	OX_909	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	185	Account 910	OX_910	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	186	O&M Accounts 908-910	OX_CS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	187	Accounts 901-910	X_CACS	1.00000	0.94202	0.05798	0.91132	0.02796	0.00273	0.01954	0.03844
AP	188										
AP	189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	1.00000	0.90373	0.09627	0.86385	0.03636	0.00352	0.02969	0.06658
AP	190										
AP	191										
AP	192										
AP	193										
AP	194										
AP	195										
AP	196										
AP	197										
AP	198										
AP	199										
AP	200										
AP	201										
AP	202										
AP	203										
AP	204	<u>Labor Expense Related</u>									
AP	205	Labor Distribution Accounts 870-880	LABORDO	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	206	Labor Distribution Accounts 887-894	LABORDM	1.00000	0.90293	0.09707	0.86281	0.03660	0.00352	0.02924	0.06783
AP	207	Labor Customer Accounts 902-905	LABORCA	1.00000	0.93902	0.06098	0.89728	0.03809	0.00365	0.01823	0.04275
AP	208	Labor Customer Accounts 908-910	LABORCS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	209	Labor Excluding Admin & Gen	LABORXAG	1.00000	0.90762	0.09238	0.86730	0.03679	0.00354	0.02781	0.06457
AP	210	Total Labor Expense	LABOR	1.00000	0.90762	0.09238	0.86730	0.03679	0.00354	0.02781	0.06457
AP	211										
AP	212										
AP	213	Base Rate Sales Revenue	SALESREV	1.00000	0.82209	0.17791	0.79452	0.02427	0.00329	0.07629	0.10162
AP	214										
AP	215	Claimed Rate Sales Revenue	CLAIMREV	1.00000	0.84736	0.15264	0.81376	0.03027	0.00333	0.05427	0.09837
AP	216										
AP	217	Residential Space Heating	SREVRESSH	1.00000	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	218	Residential Domestic	SREVRESDD	1.00000	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP	219	Residential Other	SREVRESOD	1.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP	220	General Service Commercial	SREVGSC	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	221	Commercial Space Heating	SREVCSSH	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	222										
AP	223										
AP	224										

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	225										
AP	226										
AP	227										
AP	228										
AP	229										
AP	230										
AP	231										
AP	232										
AP	233										
AP	234										
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AP	244										
AP	245										
AP	246										
AP	247										
AP	248										
AP	249										
AP	250										
AP	251										
AP	252										
AP	253										
AP	254										
AP	255										
AP	256	Total Sales of Gas Revenues		1.00000	0.82209	0.17791	0.79452	0.02427	0.00329	0.07629	0.10162
AP	257	Total Delivery Revenues - Actual		1.00000	0.82347	0.17653	0.79552	0.02466	0.00329	0.07703	0.09951
AP	258	Total Delivery Revenues - Weather Adjustment									
AP	259	DSIC Revenues rolled into Base									
AP	260										
AP	261										
AP	262										
AP	263										
AP	264	12 Months Ending September 30,2024									
AP	265										
AP	267										
AP	266										
AP	268										
AP	269										
AP	270										
AP	271										
AP	272										
AP	273										
AP	274										
AP	275										

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SCH	LINE NO.	DESCRIPTION	ALLOCATION BASIS	TOTAL GAS COMPANY	Total Residential SC1	Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
AP	276										
AP	277										
AP	278										
AP	279										
AP	280										
AP	281										
AP	283										
AP	282										
AP	284										
AP	285										
AP	286										
AP	287										
AP	288										
AP	289										
AP	290										
AP	291										
AP	292										
AP	293										
AP	294										
AP	295										
AP	296										
AP	297										
AP	298										
AP	299										
AP	300										
ADA	1	1 ALLOCATED DIRECT ASSIGNMENTS									
ADA	2	2 DIRECT ASSIGN TO CLASSES W/SALES REV FUNCTIONS									
ADA	3										
ADA	4	Net Write-Offs									
ADA	5	Residential Space Heating	SREVRESSH	15,883	15,883	0	15,883	0	0	0	0
ADA	6	Residential Domestic	SREVRESH	0	0	0	0	0	0	0	0
ADA	7	Residential Other	SREVRESO	0	0	0	0	0	0	0	0
ADA	8	General Service Commercial	SREVGSC	0	0	0	0	0	0	0	0
ADA	9	Commercial Space Heating	SREVCCH	0	0	0	0	0	0	0	0
ADA	10										
ADA	11										
ADA	12	Total Write-Offs	EXP_904	15,883	15,883	0	15,883	0	0	0	0
ADA	13										
ADA	14	Total Write-Offs	EXP_904	1,00000	1,00000	0.00000	1,00000	0.00000	0.00000	0.00000	0.00000
ADA	15										
ADA	16										
ADA	17										
ADA	18										
ADA	19	Forfeited Discounts - Account 487									
ADA	20	Residential Space Heating	SREVRESSH	5,123	5,123	0	5,123	0	0	0	0
ADA	21	Residential Domestic	SREVRESH	125	125	0	0	125	0	0	0
ADA	22	Residential Other	SREVRESO	28	28	0	0	0	28	0	0
ADA	23	General Service Commercial	SREVGSC	595	0	595	0	0	0	595	0
ADA	24	Commercial Space Heating	SREVCCH	661	0	661	0	0	0	0	661
ADA	25										
ADA	26										

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
ADA	27	Total Forfeited Discounts	REV_487	6,532	5,276	1,256	5,123	125	28	595	661
ADA	28										
ADA	29	Total Forfeited Discounts	REV_487	1.00000	0.80767	0.19233	0.78425	0.01907	0.00435	0.09108	0.10125
ADA	30										
ADA	31										
ADA	32										
ADA	33										
ADA	34										
ADA	35										
ADA	36										
ADA	37										
ADA	38										
ADA	39										
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ADA	44										
ADA	45										
ADA	46										
ADA	47										
ADA	48										
ADA	49										
ADA	50										
RRW	1	DISTRIBUTION REVENUE REQUIREMENTS									
RRW	2										
RRW	3	PRESENT RATE OF RETURN (EXISTING RATES)									
RRW	4										
RRW	5	Rate Base		7,003,414	5,678,372	1,325,042	5,471,945	183,822	22,605	478,752	846,290
RRW	6	Net Operating Income (Present Rates)		300,104	201,188	98,916	199,137	1,145	905	47,827	51,089
RRW	7	Rate of Return @ Present Rates		4.29%	3.54%	7.47%	3.64%	0.62%	4.01%	9.99%	6.04%
RRW	8	Relative Rate of Return		1.00	0.83	1.74	0.85	0.15	0.93	2.33	1.41
RRW	9	Sales Revenue at Present Rates		1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389
RRW	10	Revenue Present Rates \$/Ccf		\$711.8354	\$799.8246	\$471.9309	\$798.2741	\$854.6320	\$796.5648	\$453.9848	\$486.3658
RRW	11	Revenue Required - \$/Month/Customer		\$66,002.46	\$57,784.98	\$192,497.60	\$58,445.23	\$42,056.61	\$59,637.37	\$276,262.96	\$156,802.13
RRW	12										
RRW	13										
RRW	14										
RRW	15	CLAIMED RATE OF RETURN									
RRW	16	Claimed Rate of Return		8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%
RRW	17	Return Required for Claimed Rate of Return		917,310	743,533	173,777	716,383	24,192	2,958	63,926	109,851
RRW	18	Sales Revenue Required @ Claimed ROR		2,028,685	1,719,020	309,664	1,650,869	61,400	6,751	110,105	199,559
RRW	19	Sales Revenue Deficiency		942,350	825,953	116,397	787,750	35,031	3,173	27,226	89,171
RRW	20	Percent Increase Required		86.75%	92.49%	60.23%	91.27%	132.85%	88.66%	32.85%	80.78%
RRW	21	Annual Booked Throughput Sales (Ccf)		1,526,104	1,116,578	409,525	1,081,232	30,855	4,492	182,559	226,966
RRW	22	Sales Revenue Required \$/Ccf		\$1,329.3230	\$1,539.5429	\$756.1544	\$1,526.8414	\$1,989.9767	\$1,502.8387	\$603.1207	\$879.2460
RRW	23	Sales Revenue Deficiency \$/Ccf		\$617.4877	\$739.7183	\$284.2235	\$728.5673	\$1,135.3447	\$706.2739	\$149.1359	\$392.8802
RRW	24										
RRW	25										
RRW	26	PROPOSED RATE OF RETURN									
RRW	27										

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		(a)	(b)	(c)	(a)	(e)	(f)	(g)	(h)	(i)	(j)
RRW	28	Rate Base at Future Test Year 09/30/2025		10,679,156	8,656,080	2,023,077	8,340,005	281,643	34,432	744,210	1,278,867
RRW	29	Proposed Base Gas Sales Revenues		2,028,685	1,781,499	247,186	1,723,140	51,209	7,150	106,165	141,021
RRW	30	Base Sales Revenue Deficiency		942,351	888,432	53,919	860,021	24,840	3,572	23,286	30,633
RRW	31	Return Required for Proposed Revenue		2,028,685	1,719,020	309,664	1,650,869	61,400	6,751	110,105	199,559
RRW	32	Percent Increase Required at Proposed Rates		86.75%	99.48%	27.90%	99.64%	94.20%	99.81%	28.10%	27.75%
RRW	33	Proposed Rate of Return		19.00%	19.86%	15.31%	19.79%	21.80%	19.61%	14.79%	15.60%
RRW	34	Relative Rate of Return		1.00	1.05	0.81	1.04	1.15	1.03	0.78	0.82
RRW	35										
RRW	36										
RRW	37										
RRW	38										
RRW	39										
RRW	40										
RRW	41										
RRW	42										
RRW	43										
RRW	44										
RRW	45										
RRW	46										
RRW	47										
RRW	48										
RRW	49										
RRW	50										

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SCH NO.	LINE	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY		CLASSIFICATION		CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				(c)	(c)	(c)	(c)													
SUM	1	SUMMARY AT PRESENT RATES																		
SUM	2																			
SUM	3	DEVELOPMENT OF RETURN																		
SUM	4																			
SUM	5	OPERATING REVENUE																		
SUM	6	Sales of Gas Revenue - Base	SCH REV, LN 4	1,086,334	133,445	(0)	952,890	0	(0)	0	0	0	0	(0)	113,452	701,955	39,002	5,775	6,780	85,927
SUM	7	Other Operating Revenue	SCH REV, LN 12	3,850	512	0	3,339	0	0	0	0	0	0	0	436	2,427	140	24	23	289
SUM	8	TOTAL OPERATING REVENUE		1,090,185	133,957	(0)	956,228	0	(0)	0	0	0	0	(0)	113,888	704,382	39,141	5,798	6,803	86,215
SUM	9	OPERATING EXPENSES																		
SUM	10	Operation and Maintenance Expense	SCH EOM, LN 86	634,194	7,983	0	626,210	0	0	0	0	0	0	0	10,904	523,605	1,959	94	6,814	82,834
SUM	12	Depreciation and Amortization Expense	SCH EDA, LN 25	208,161	33,673	0	174,487	0	0	0	0	0	0	0	36,855	104,584	19,383	1,250	0	12,415
SUM	13	Taxes Other Than Income Taxes	SCH TXO, LN 10	24,691	926	0	23,765	0	0	0	0	0	0	0	1,189	19,480	283	22	0	2,792
SUM	14	State Income Taxes	SCH TXI, LN 26	(22,516)	(4,003)	(0)	(18,512)	0	(0)	(0)	(0)	(0)	(0)	(0)	(9,495)	(6,442)	(1,910)	126	1	(791)
SUM	15	Federal Income Taxes	SCH TXI, LN 39	(54,449)	(9,681)	(0)	(44,768)	0	(0)	(0)	(0)	(0)	(0)	(0)	(22,962)	(15,579)	(4,619)	304	2	(1,913)
SUM	16	TOTAL OPERATING EXPENSES		790,080	28,898	(0)	761,183	0	(0)	0	0	0	0	(0)	16,491	625,648	15,096	1,795	6,816	95,337
SUM	17																			
SUM	18	Operating Income Before Taxes		223,139	91,374	(0)	131,766	0	(0)	0	0	0	0	(0)	64,939	56,713	17,516	4,433	(10)	(11,826)
SUM	19	OPERATING INCOME (RETURN)		300,104	105,059	(0)	195,046	0	(0)	0	0	0	0	(0)	97,397	78,734	24,046	4,003	(13)	(9,122)
SUM	20																			
SUM	21	DEVELOPMENT OF RATE BASE																		
SUM	22	Gas Utility Plant in Service	SCH RBP, LN 41	7,620,197	2,088,162	0	5,532,035	0	0	0	0	0	0	0	2,681,375	2,117,312	637,482	48,578	0	47,288
SUM	23	Less: Utility Accumulated Depreciation	SCH RBD, LN 23	569,683	135,385	0	434,298	0	0	0	0	0	0	0	144,586	202,337	65,912	9,144	0	12,319
SUM	24	Plus: Rate Base Additions	SCH RBO, LN 12	268,300	79,607	0	188,693	0	0	0	0	0	0	0	102,209	61,787	24,340	1,854	(255)	(1,243)
SUM	25	Less: Rate Base Deductions	SCH RBO, LN 22	315,400	70,087	0	245,313	0	0	0	0	0	0	0	89,998	71,879	21,397	1,630	0	60,409
SUM	26																			
SUM	27	TOTAL RATE BASE	SCH RBO, LN 24	7,003,414	1,962,297	0	5,041,117	0	0	0	0	0	0	0	2,549,000	1,904,884	574,513	39,657	(255)	(26,683)
SUM	28																			
SUM	29	RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		4.29%	5.35%	0.00%	3.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.82%	4.13%	4.19%	10.09%	4.96%	34.19%
SUM	30	INDEX RATE OF RETURN EXCL PURCHASED GAS (PRESENT)		1.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
SUM	31																			
SUM	32																			
SUM	33																			
SUM	34																			
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SUM	46																			
SUM	47																			
SUM	48																			
SUM	49																			
SUM	50																			
SUM	1	HISTORICAL AND FUTURE YEAR DIFFERENCE ADJUSTMENTS:																		
SUM	2	(For Future Test Year 12 Months Ended September 30 2025)																		
SUM	3																			
SUM	4	OPERATING INCOME (RETURN) @ PRESENT RATES		300,104	105,059	(0)	195,046	0	(0)	0	0	0	0	(0)	97,397	78,734	24,046	4,003	(13)	(9,122)
SUM	5	LESS Historical and Future Year Differences:	CLAIMREV REV_487	35,857 (2,500)	6,062 (469)	0	29,794 (2,031)	0	0	0	0	0	0	0	7,720 (515)	17,907 (1,233)	1,969 (137)	140 (16)	123 (9)	1,936 (121)
SUM	6	Retail Sales Revenue																		
SUM	7	487-Late Payment Charges																		
SUM	8	PLUS Historical and Future Year Differences:	LABOR	58,700	0	0	58,700	0	0	0	0	0	0	0	0	51,068	0	0	0	7,632
SUM	9	O&M Expense - Labor Related	EXP_904	(8,200)	(1,232)	0	(6,968)	0	0	0	0	0	0	0	(1,857)	(4,144)	(451)	(6)	(27)	(483)
SUM	10	O&M Expense - 904-Uncollectible Accounts	CLAIMREV	9,400	1,589	0	7,811	0	0	0	0	0	0	0	2,024	4,694	516	37	32	507
SUM	11	O&M Expense - 928-Regulatory Commission	TOTPLT	124,900	34,226	0	90,674	0	0	0	0	0	0	0	43,949	34,704	10,449	796	0	775
SUM	12	Depreciation Expense	LABOR	3,106	0	0	3,106	0	0	0	0	0	0	0	0	2,702	0	0	0	404
SUM	13	TOIT - Base Payroll Taxes	TOTPLT	(103)	(28)	0	(75)	0	0	0	0	0	0	0	(36)	(29)	(9)	(1)	(0)	(1)
SUM	14	TOIT - PA Property Tax	CLAIMREV	(33,515)	(8,247)	0	(25,268)	0	0	0	0	0	0	0	(10,653)	(11,538)	(2,430)	(176)	9	(480)
SUM	15	State Income Taxes	CLAIMREV	(81,950)	(19,944)	0	(61,106)	0	0	0	0	0	0	0	(25,763)	(27,902)	(5,877)	(426)	23	(1,161)
SUM	16	Federal Income Taxes																		
SUM	17	OPERATING INCOME @ PRESENT RATES WITH DIFFERENCES		260,224	104,288	(0)	155,936	0	(0)	0	0	0	0	(0)	96,938	45,852	23,679	3,903	63	(14,499)
SUM	18	Operating Income Before Taxes		68,693	62,411	(0)	6,282	0	(0)	0	0	0	0	(0)	28,064	(15,610)	8,843	3,732	98	(18,845)
SUM	19																			
SUM	20	RATE BASE	SCH SUM, LN 27	7,003,414	1,962,297	0	5,041,117	0	0	0	0	0	0	0	2,549,000	1,904,884	574,513	39,657	(255)	(26,683)
SUM	21	Historical and Future Year Difference Adjustments:																		
SUM	22	Gas Utility Plant & Reserves Adjustments	TOTPLT	3,492,842	967,143	0	2,535,699	0	0	0	0	0	0	0	1,229,052	970,505	292,200	22,267	0	21,675
SUM	23	Additions:																		
SUM	24	Cash Working Capital	ONMPP	143,400	1,344	0	142,056	0	0	0	0	0	0	0	1,765	119,467	269	19	1,566	18,970
SUM	25	Materials and Supplies	TOTPLT	5,800	1,589	0	4,211	0	0	0	0	0	0	0	2,041	1,612	485	37	0	36
SUM	26	Prepayments	TOTPLT	100	27	0	73	0	0	0	0	0	0	0	35	28	8	1	0	1
SUM	27	Deferred Debits (Net of Tax)	TOTPLT	18,200	4,987	0	13,213	0	0	0	0	0	0	0	6,404	5,057	1,523	116	0	113
SUM	28	Deductions:																		

SCH	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY		CLASSIFICATION		PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				COMPANY (c)	CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)										
SUM	29	Customer Deposits	CUSTDEP	600	0	0	600	0	0	0	0	0	0	0	0	0	600
SUM	30	Deferred Income Taxes and Credits	TOTPLT	(16,000)	(4,384)	0	(11,616)	0	0	0	0	(5,630)	(4,446)	(1,339)	(102)	(0)	(99)
SUM	31	RATE BASE WITH ADJUSTMENTS		10,679,156	2,931,773	0	7,747,383	0	0	0	0	3,793,927	3,005,997	870,337	62,199	1,311	13,611
SUM	32																
SUM	33	EQUALIZED RETURN AT PROPOSED ROR OF 8.59%															
SUM	34	DEVELOPMENT OF RETURN (RATE BASE * 8.59% ROR)		917,310	251,831	0	665,479	0	0	0	0	325,888	258,207	74,760	5,343	113	1,169
SUM	35	Additional Return Required * Retention Factor 1.38%		906,521	203,552	0	702,969	(0)	(0)	0	0	315,861	292,967	70,471	1,986	68	21,616
SUM	36	487-Late Payment Charges	REV_487	2,500	469	0	2,031	0	0	0	0	515	1,233	137	16	9	121
SUM	37	PLUS OPERATING EXPENSES															
SUM	38	Operation and Maintenance Expense		696,594	8,810	0	687,784	0	0	0	0	11,586	576,457	2,161	140	6,829	90,611
SUM	39	Depreciation and Amortization Expense		333,061	67,900	0	265,161	0	0	0	0	80,805	139,288	29,831	2,046	0	13,190
SUM	40	Taxes Other Than Income Taxes		27,694	898	0	26,796	0	0	0	0	1,153	22,153	274	21	(0)	3,195
SUM	41	State Income Taxes		16,200	3,976	0	12,224	(0)	(0)	0	0	5,047	5,329	1,280	107	15	446
SUM	42	Federal Income Taxes		39,177	9,614	0	29,562	(0)	(0)	0	0	12,206	12,888	3,095	259	36	1,079
SUM	43	TOTAL OPERATING EXPENSES		1,112,725	91,197	0	1,021,528	(0)	(0)	0	0	110,798	756,116	36,641	2,573	6,879	108,521
SUM	44																
SUM	45	EQUALS TOTAL COST OF SERVICE		2,030,035	343,029	0	1,687,007	(0)	(0)	0	0	436,685	1,014,323	111,401	7,916	6,992	109,690
SUM	46																
SUM	47	LESS: Other Operating Revenues		1,350	42	0	1,308	0	0	0	0	(79)	1,194	3	8	14	168
SUM	48	BASE RATE SALES @ EQUALIZED ROR 8.59%		2,028,685	342,986	0	1,685,698	(0)	(0)	0	0	436,764	1,013,128	111,398	7,908	6,978	109,522
SUM	49	BASE RATE SALES REVENUE INCREASE		942,350	209,541	0	732,809	(0)	(0)	0	0	323,313	311,174	72,396	2,133	198	23,596
SUM	50																
RBP	1	DEVELOPMENT OF RATE BASE															
RBP	2																
RBP	3	GAS PLANT IN SERVICE															
RBP	4	INTANGIBLE PLANT															
RBP	5	301-Organization	TOTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	6	303-Miscellaneous Intangible Plant	TOTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	7	TOTAL INTANGIBLE PLANT		0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	8																
RBP	9	DISTRIBUTION PLANT															
RBP	10	374-Land & Land Rights	DDIST	744	744	0	0	0	0	0	0	0	0	0	0	0	0
RBP	11	375-Structures & Improvements	DDIST	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	12	376-Mains															
RBP	13	Demand	DDIST	1,831,770	1,831,770	0	0	0	0	0	0	0	0	0	0	0	0
RBP	14	Customer	CUSTDIST	2,521,960	1,831,770	0	2,521,960	0	0	0	0	2,521,960	0	0	0	0	0
RBP	15	Total Account 376		4,353,729	1,831,770	0	2,521,960	0	0	0	0	2,521,960	0	0	0	0	0
RBP	16	378-Measuring & Regulating Station Equip-Gen	DDIST	131,501	131,501	0	0	0	0	0	0	0	0	0	0	0	0
RBP	17	380-Services	CUSTSERV	1,693,812	0	0	1,693,812	0	0	0	0	0	1,693,812	0	0	0	0
RBP	18	381-Meters	CUSTMET	62,823	0	0	62,823	0	0	0	0	0	0	62,823	0	0	0
RBP	19	382-Meter Installations	CUSTMETIN	536,759	0	0	536,759	0	0	0	0	0	0	536,759	0	0	0
RBP	20	384-House Regulator Installations	CUSTREGULH	9,539	0	0	9,539	0	0	0	0	0	0	9,539	0	0	0
RBP	21	385-Industrial Meas. & Regulators	CUSTREGULI	36,151	0	0	36,151	0	0	0	0	0	0	36,151	0	0	0
RBP	22	TOTAL DISTRIBUTION PLANT		6,825,059	1,964,015	0	4,861,043	0	0	0	0	2,521,960	1,693,812	599,582	45,690	0	0
RBP	23																
RBP	24	GENERAL PLANT															
RBP	25	389-Land and Land Rights	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	26	390-Structures and Improvements	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	27	391-Office Furniture & Equipment	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	28	393-Store Equipment	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	29	394-Tools, Shop & Garage Equip.	LABOR	368,454	0	0	368,454	0	0	0	0	0	320,550	0	0	0	47,903
RBP	30	395-Laboratory Equipment	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	31	397-Communication Equipment	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	32	398-Miscellaneous Equipment	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	33	399-Excess Reserve	LABOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBP	34	TOTAL GENERAL PLANT		368,454	0	0	368,454	0	0	0	0	0	320,550	0	0	0	47,903
RBP	35																
RBP	36	TOTAL GAS PLANT IN SERVICE		7,193,512	1,964,015	0	5,229,497	0	0	0	0	2,521,960	2,014,362	599,582	45,690	0	47,903
RBP	37																
RBP	38	COMMON PLANT IN SERVICE (Allocated)	LABOR	(26,357)	0	0	(26,357)	0	0	0	0	0	(22,930)	0	0	0	(3,427)
RBP	39	CWIP not taking interest	TOTPLT	453,042	124,147	0	328,895	0	0	0	0	159,415	125,880	37,900	2,888	0	2,811
RBP	40																
RBP	41	TOTAL GAS UTILITY PLANT		7,620,197	2,088,162	0	5,532,035	0	0	0	0	2,681,375	2,117,312	637,482	48,578	0	47,288
RBP	42																
RBP	43																
RBP	44																
RBP	45																
RBP	46																
RBP	47																
RBP	48																
RBP	49																
RBP	50	LESS: ACCUMULATED DEPRECIATION															
RBD	1																
RBD	2																
RBD	3	INTANGIBLE PLANT ACCUM DEPRECIATION	INTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBD	4																
RBD	5	DISTRIBUTION PLANT ACCUMULATED DEPRECIATION															
RBD	6	374-Land Rights	PLT_374	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

SCH	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY		CLASSIFICATION		CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMPGAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				(c)	(c)	CAPACITY	COMMODITY													
RBD	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBD	8	376-Mains	PLT_376	249,602	0	105,017	0	144,586	0	144,586	0	0	0	0	0	0	0	0	0	0
RBD	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	30,369	0	30,369	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBD	10	380-Services	PLT_380	119,902	0	0	0	119,902	0	119,902	0	0	0	0	0	0	0	0	0	0
RBD	11	381-Meters	PLT_381	13,215	0	0	0	13,215	0	13,215	0	0	0	0	0	0	0	0	0	0
RBD	12	382-Meter Installations	PLT_382	52,697	0	0	0	52,697	0	52,697	0	0	0	0	0	0	0	0	0	0
RBD	13	384-House Regulator Installations	PLT_384	1,662	0	0	0	1,662	0	1,662	0	0	0	0	0	0	0	1,662	0	0
RBD	14	385-Industrial Meas. &Regulators	PLT_385	7,482	0	0	0	7,482	0	7,482	0	0	0	0	0	0	0	7,482	0	0
RBD	15	TOTAL DISTRIBUTION PLANT ACCUMULATED DEPRECIATION		474,930	0	135,385	0	339,544	0	339,544	0	0	0	0	144,586	119,902	65,912	9,144	0	0
RBD	16																			
RBD	17	GENERAL PLANT ACCUMULATED DEPREC	GENPLT	94,753	0	0	0	94,753	0	94,753	0	0	0	0	0	82,434	0	0	0	12,319
RBD	18																			
RBD	19	TOTAL ACCUMULATED DEPRECIATION OF GAS PLANT		569,683	0	135,385	0	434,298	0	434,298	0	0	0	0	144,586	202,337	65,912	9,144	0	12,319
RBD	20																			
RBD	21	COMMON PLANT ACCUM DEPRECIATION	COMPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBD	22																			
RBD	23	TOTAL UTILITY PLANT RESERVES		569,683	0	135,385	0	434,298	0	434,298	0	0	0	0	144,586	202,337	65,912	9,144	0	12,319
RBD	24																			
RBD	25																			
RBD	26	NET GAS PLANT IN SERVICE		7,050,514	0	1,952,777	0	5,097,737	0	5,097,737	0	0	0	0	2,536,789	1,914,975	571,570	39,434	0	34,969
RBD	27																			
RBD	28																			
RBD	29																			
RBD	30																			
RBD	31																			
RBD	32																			
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RBD	44																			
RBD	45																			
RBD	46																			
RBD	47																			
RBD	48																			
RBD	49																			
RBD	50																			
RBO	1	ADDITIONS AND DEDUCTIONS TO RATE BASE																		
RBO	2																			
RBO	3	PLUS: ADDITIONS TO RATE BASE																		
RBO	4																			
RBO	5	WORKING CAPITAL																		
RBO	6	Cash Working Capital	ONXPP	(24,600)	0	(231)	0	(24,369)	0	(24,369)	0	0	0	0	(303)	(20,494)	(46)	(3)	(269)	(3,254)
RBO	7	Materials and Supplies	TOTPLT	271,000	0	74,262	0	196,738	0	196,738	0	0	0	0	95,359	75,299	22,671	1,728	0	1,682
RBO	8	Prepayments - PA PUC Assessment	CLAIMREV	4,053	0	685	0	3,368	0	3,368	0	0	0	0	873	2,024	223	16	14	219
RBO	9	Prepayments - Property Tax and Insurance	TOTPLT	1,347	0	369	0	978	0	978	0	0	0	0	474	374	113	9	0	8
RBO	10	Deferred Debits (Net of Tax)	TOTPLT	16,500	0	4,521	0	11,979	0	11,979	0	0	0	0	5,806	4,585	1,380	105	0	102
RBO	11	TOTAL WORKING CAPITAL		268,300	0	79,607	0	188,693	0	188,693	0	0	0	0	102,209	61,787	24,340	1,854	(255)	(1,243)
RBO	12	TOTAL ADDITIONS TO RATE BASE		268,300	0	79,607	0	188,693	0	188,693	0	0	0	0	102,209	61,787	24,340	1,854	(255)	(1,243)
RBO	13																			
RBO	14																			
RBO	15	LESS: DEDUCTIONS TO RATE BASE																		
RBO	16	Customer Deposits	CUSTDEP	58,700	0	0	0	58,700	0	58,700	0	0	0	0	0	0	0	0	0	58,700
RBO	17	Deferred Credits (Net of Tax)	TOTPLT	1,600	0	438	0	1,162	0	1,162	0	0	0	0	563	445	134	10	0	10
RBO	18	Deferred Income Taxes and Credits																		
RBO	19	Plant	DGPLT	255,100	0	69,649	0	185,451	0	185,451	0	0	0	0	89,435	71,434	21,263	1,620	0	1,699
RBO	20	Common Plant	COMPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RBO	21	Total Deferred Income Taxes and Credits		255,100	0	69,649	0	185,451	0	185,451	0	0	0	0	89,435	71,434	21,263	1,620	0	1,699
RBO	22	TOTAL DEDUCTIONS TO RATE BASE		315,400	0	70,087	0	245,313	0	245,313	0	0	0	0	89,998	71,879	21,397	1,630	0	60,409
RBO	23																			
RBO	24	TOTAL RATE BASE		7,003,414	0	1,962,297	0	5,041,117	0	5,041,117	0	0	0	0	2,549,000	1,904,884	574,513	39,657	(255)	(26,683)
RBO	25																			
RBO	26																			
RBO	27																			
RBO	28																			
RBO	29																			
RBO	30																			
RBO	31																			
RBO	32																			
RBO	33																			
RBO	34																			

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SCH	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY (c)	CLASSIFICATION		CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
RBO	35																		
RBO	36																		
RBO	37																		
RBO	38																		
RBO	39																		
RBO	40																		
RBO	41																		
RBO	42																		
RBO	43																		
RBO	44																		
RBO	45																		
RBO	46																		
RBO	47																		
RBO	48																		
RBO	49																		
RBO	50																		
REV	1	OPERATING REVENUES																	
REV	2																		
REV	3	SALES REVENUES																	
REV	4	Sales of Gas Revenues - Base																	
REV	5	Sales Revenues - Purchased Gas-PGC	EGAS	1,086,334			133,445	(0)	952,890	0	0	0	(0)	(0)	113,452	701,955	39,002	5,775	6,780
REV	6	TOTAL SALES OF GAS		0			0		0	0	0	0	0	0	0	0	0	0	0
REV	7			1,086,334			133,445	(0)	952,890	0	0	0	(0)	(0)	113,452	701,955	39,002	5,775	6,780
REV	8	OTHER OPERATING REVENUES																	
REV	9	487-Late Payments Charges	REV_487	6,301			1,183	0	5,118	0	0	0	0	0	1,299	3,108	345	39	23
REV	10	488-Miscellaneous Service Revenues	TOTPLT	0			0	0	0	0	0	0	0	0	0	0	0	0	0
REV	11	494-Other Gas Revenue (Adjustment)	TOTPLT	(2,451)			(672)	0	(1,779)	0	0	0	0	0	(862)	(681)	(205)	(16)	(0)
REV	12	TOTAL OTHER OPERATING REV		3,850			512	0	3,339	0	0	0	0	0	436	2,427	140	24	23
REV	13																		
REV	14	TOTAL OPERATING REVENUES		1,090,185			133,957	(0)	956,228	0	0	0	(0)	(0)	113,888	704,382	39,141	5,798	6,803
REV	15																		
REV	16																		
REV	17																		
REV	18																		
REV	19																		
REV	20																		
REV	21																		
REV	22																		
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REV	44																		
REV	45																		
REV	46																		
REV	47																		
REV	48																		
REV	49																		
REV	50																		
EOM	1	OPERATION & MAINTENANCE EXPENSE																	
EOM	2	PRODUCTION EXPENSE																	
EOM	3	Other Gas Supply Expense																	
EOM	4	Operation																	
EOM	5	804-Natural Gas Purchases-PGC	EGAS	0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	6	805-Other Natural Gas Purchases	ETHRUPUT	0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	7	807-Purchased Gas Expenses	ETHRUPUT	0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	8	808.1 Gas withdrawn from storage—Debt.	ETHRUPUT	0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	9	Total Other Gas Supply Expense		0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	10	TOTAL PRODUCTION EXPENSE		0			0	0	0	0	0	0	0	0	0	0	0	0	0
EOM	11																		
EOM	12	DISTRIBUTION EXPENSES																	

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LINE SCH NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY (c)	CLASSIFICATION		CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				CAPACITY (d)	COMMODITY (e)											
EOM 13	Operation															
EOM 14	870-Operation Supervision and Engineering	LABORDM	5,755	0	0	5,755	0	0	0	0	0	0	0	0	0	0
EOM 15	874-Mains and Services Expenses	PLT_376380	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 16	875-Measuring & Reg. Station Exp.	PLT_378	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 17	878-Meter & House Regulator Expenses	PLT_3815	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 18	880-Other Expenses	DISTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 19	Total Distribution Operation		5,755	0	0	5,755	0	0	0	0	0	0	0	0	0	0
EOM 20	Maintenance															
EOM 21	887-Maintenance of Mains	PLT_376	5,277	2,220	0	3,057	0	0	0	0	3,057	0	0	0	0	0
EOM 22	889-Maint. of Measuring & Reg. Station Equip.-Gen	PLT_378	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 23	892-Maintenance of Services	PLT_380	220,921	0	0	220,921	0	0	0	0	0	220,921	0	0	0	0
EOM 24	893-Maint. of Meters & House Regulators	PLT_3815	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 25	894-Maintenance of Other Equipment	DISTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 26	Total Distribution Maintenance		226,198	2,220	0	223,978	0	0	0	0	3,057	220,921	0	0	0	0
EOM 27	TOTAL DISTRIBUTION PLANT O&M EXPENSES		231,953	2,220	0	229,733	0	0	0	0	3,057	226,676	0	0	0	0
EOM 28																
EOM 29																
EOM 30																
EOM 31																
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EOM 48																
EOM 49																
EOM 50																
EOM 51	OPERATION & MAINTENANCE EXPENSE															
EOM 52																
EOM 53	CUSTOMER ACCOUNTS EXPENSES															
EOM 54	902-Meter Reading	CUSTOMTRDG	2,982	0	0	2,982	0	0	0	0	0	0	0	0	0	2,982
EOM 55	903-Customer Records and Collection Exp	CUSTREC	36,158	0	0	36,158	0	0	0	0	0	0	0	0	0	36,158
EOM 56	904-Uncollectible Accounts	EXP_904	14,475	2,175	0	12,299	0	0	0	0	3,278	7,314	796	11	47	853
EOM 57	TOTAL CUSTOMER ACCTS EXPENSE		53,614	2,175	0	51,439	0	0	0	0	3,278	7,314	796	11	47	39,993
EOM 58																
EOM 59	CUSTOMER SERVICE & SALES EXPENSES															
EOM 60	908-Customer Assistance	CUSTASST	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EOM 63	911-Informational and Instructional Exp	CUSTCSM	1,298	0	0	1,298	0	0	0	0	0	0	0	0	1,298	0
EOM 64	917-Promotional Advertising Exp	CUSTSALES	5,398	0	0	5,398	0	0	0	0	0	0	0	0	5,398	0
EOM 65	TOTAL CUSTOMER SERVICE & SALES EXP		6,696	0	0	6,696	0	0	0	0	0	0	0	0	6,696	0
EOM 66																
EOM 67	TOTAL OPER & MAINT EXCL A&G		292,263	4,395	0	287,867	0	0	0	0	6,334	233,991	796	11	6,742	39,993
EOM 68																
EOM 69																
EOM 70	ADMINISTRATIVE & GENERAL EXPENSE															
EOM 71	920-Administrative Salaries	LABOR	147,467	0	0	147,467	0	0	0	0	0	128,294	0	0	0	19,172
EOM 72	921-Office Supplies & Expense	LABOR	50,927	0	0	50,927	0	0	0	0	0	44,306	0	0	0	6,621
EOM 73	922-Administrative Exp Transferred - Credit	LABOR	(46,694)	0	0	(46,694)	0	0	0	0	0	(40,624)	0	0	0	(6,071)
EOM 74	923-Outside Service Employed	LABOR	65,071	0	0	65,071	0	0	0	0	0	56,611	0	0	0	8,460
EOM 75	924-Property Insurance	TOTPLT	336	92	0	244	0	0	0	0	118	93	28	2	0	2
EOM 76	925-Injuries and Damages	LABOR	23,970	0	0	23,970	0	0	0	0	0	20,854	0	0	0	3,116
EOM 77	926-Employee Pensions & Benefits	LABOR	65,875	0	0	65,875	0	0	0	0	0	57,310	0	0	0	8,565
EOM 78	928-Regulatory Commission	CLAIMREV	20,677	3,496	0	17,181	0	0	0	0	4,452	10,326	1,135	81	71	1,116
EOM 79	930.2-Miscellaneous General	LABOR	3,268	0	0	3,268	0	0	0	0	0	2,843	0	0	0	425
EOM 80	930.6-Miscellaneous General - Vehicles	GENPLT	5,100	0	0	5,100	0	0	0	0	0	4,437	0	0	0	663
EOM 81	932-Maintenance of General Plant	GENPLT	5,936	0	0	5,936	0	0	0	0	0	5,164	0	0	0	772
EOM 82	TOTAL A&G EXPENSE		341,931	3,588	0	338,343	0	0	0	0	4,570	289,614	1,163	83	71	42,842
EOM 83																
EOM 84	TOTAL OPERATION & MAINTENANCE EXPENSES		634,194	7,983	0	626,210	0	0	0	0	10,904	523,605	1,959	94	6,814	82,834
EOM 85																
EOM 86	TOTAL O&M EXPENSES		634,194	7,983	0	626,210	0	0	0	0	10,904	523,605	1,959	94	6,814	82,834
EOM 87																
EOM 88																
EOM 89																
EOM 90																

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				(c)	(c)	CAPACITY (d)	COMMODITY (e)													
EOM	91																			
EOM	92																			
EOM	93																			
EOM	94																			
EOM	95																			
EOM	96																			
EOM	97																			
EOM	98																			
EOM	99																			
EOM	100																			
EDA	1	DEPRECIATION & AMORTIZATION EXPENSE																		
EDA	2																			
EDA	3	INTANGIBLE PLANT EXPENSE	INTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	4																			
EDA	5	DISTRIBUTION PLANT EXPENSE																		
EDA	6	374-Land Rights	PLT_374	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	7	375-Structures & Improvements	PLT_375	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	8	376-Mains	PLT_376	54,300	0	22,846	0	0	0	31,454	0	0	0	0	0	0	0	0	0	0
EDA	9	378-Measuring & Regulating Station Equip-Gen	PLT_378	6,621	0	6,621	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	10	380-Services	PLT_380	17,878	0	0	0	0	0	17,878	0	0	0	0	0	0	0	0	0	0
EDA	11	381-Meters	PLT_381	3,737	0	0	0	0	0	3,737	0	0	0	0	0	0	0	0	0	0
EDA	12	382-Meter Installations	PLT_382	14,361	0	0	0	0	0	14,361	0	0	0	0	0	0	0	0	0	0
EDA	13	384-House Regulators	PLT_385	212	0	0	0	0	0	212	0	0	0	0	0	0	0	0	0	0
EDA	14	385-Industrial Meas. & Regulators	PLT_385	940	0	0	0	0	0	940	0	0	0	0	0	0	0	0	0	0
EDA	15	387-Other Equipment	PLT_378387	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	16	388-Asset Retirement Costs for Distribution Plant	PLT_388	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EDA	17	TOTAL DISTRIBUTION PLANT EXPENSE		98,048	0	29,467	0	0	0	68,582	0	0	0	0	31,454	17,878	18,099	1,152	0	0
EDA	18																			
EDA	19	GENERAL PLANT DEPRE & AMORT EXPENSE	GENLPLT	48,908	0	0	0	0	0	48,908	0	0	0	0	0	42,550	0	0	0	6,359
EDA	20																			
EDA	21	COMMON PLANT DEPRE & AMORT EXPENSE	COMPLT	45,853	0	0	0	0	0	45,853	0	0	0	0	0	39,892	0	0	0	5,961
EDA	22																			
EDA	23	Amortization of Unallocated Depreciation Res	TOTPLT	15,351	0	4,207	0	0	0	11,144	0	0	0	0	5,402	4,265	1,284	98	0	95
EDA	24																			
EDA	25	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		208,161	0	33,673	0	0	0	174,487	0	0	0	0	36,855	104,584	19,383	1,250	0	12,415
EDA	26																			
EDA	27																			
EDA	28																			
EDA	29																			
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EDA	45																			
EDA	46																			
EDA	47																			
EDA	48																			
EDA	49																			
EDA	50																			
TXO	1	OTHER OPERATING EXPENSES																		
TXO	2																			
TXO	3	TAXES OTHER THAN INCOME TAXES																		
TXO	4	General Taxes																		
TXO	5	PURTA Taxes	TOTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TXO	6	Capital Stock	TOTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TXO	7	Payroll Related	LABOR	21,299	0	0	0	0	0	21,299	0	0	0	0	0	18,530	0	0	0	2,769
TXO	8	Property Tax	DGPLT	3,392	0	926	0	0	0	2,466	0	0	0	0	1,189	950	283	22	0	23
TXO	9	PA and Local Use Tax	CLAIMREV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TXO	10	Total General Taxes		24,691	0	926	0	0	0	23,765	0	0	0	0	1,189	19,480	283	22	0	2,792
TXO	11																			
TXO	12																			
TXO	13	Franchise and Revenue Taxes	CLAIMREV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TXO	14																			
TXO	15	TOTAL TAXES OTHER THAN INCOME		24,691	0	926	0	0	0	23,765	0	0	0	0	1,189	19,480	283	22	0	2,792
TXO	16																			
TXO	17																			
TXO	18																			

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					CAPACITY	COMMODITY	CUSTOMER										
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
TXO	19																
TXO	20																
TXO	21																
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TXO	45																
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TXO	48																
TXO	49																
TXO	50																
TXI	1	DEVELOPMENT OF INCOME TAXES															
TXI	2																
TXI	3	TOTAL OPERATING REVENUES		1,090,185	133,957	(0)	956,228	0	0	(0)	(0)	113,888	704,382	39,141	5,798	6,803	86,215
TXI	4	LESS:															
TXI	5	OPERATION & MAINTENANCE EXPENSE	SCH EOM, LN 86	634,194	7,983	0	626,210	0	0	0	0	10,904	523,605	1,959	94	6,814	82,834
TXI	6	DEPRECIATION & AMORTIZATION EXPENSE	SCH EDA, LN 25	208,161	33,673	0	174,487	0	0	0	0	36,855	104,584	19,383	1,250	0	12,415
TXI	7	TAXES OTHER THAN INCOME TAXES	SCH TXO, LN 15	24,691	926	0	23,765	0	0	0	0	1,189	19,480	283	22	0	2,792
TXI	8	NET OPERATING INCOME BEFORE TAXES		223,139	91,374	(0)	131,766	0	0	(0)	(0)	64,939	56,713	17,516	4,433	(10)	(11,826)
TXI	9	LESS:															
TXI	10	Interest Expense (incl amort of debt exp)	RATEBASE	504,938	141,479	0	363,459	0	0	0	0	183,780	137,340	41,422	2,859	(18)	(1,924)
TXI	11																
TXI	12	BASE TAXABLE DISTRIBUTION INCOME		(281,799)	(50,106)	(0)	(231,693)	0	0	(0)	(0)	(118,841)	(80,627)	(23,905)	1,574	8	(9,902)
TXI	13																
TXI	14																
TXI	15	CALCULATION OF PA STATE INCOME TAXES															
TXI	16	BASE STATE TAXABLE INCOME (pretax)	SCH TXI, LN 12	(281,799)	(50,106)	(0)	(231,693)	0	0	(0)	(0)	(118,841)	(80,627)	(23,905)	1,574	8	(9,902)
TXI	17	PLUS:															
TXI	18	Book Depreciation	TOTPLT	47,085	12,903	0	34,182	0	0	0	0	16,568	13,083	3,939	300	0	292
TXI	19	LESS:															
TXI	20	State Tax Depreciation (Over) Under Book	TOTPLT	(201,513)	(55,221)	0	(146,292)	0	0	0	0	(70,908)	(55,991)	(16,858)	(1,285)	(0)	(1,251)
TXI	21	PA BASE STATE TAXABLE INCOME		(127,371)	(7,788)	(0)	(119,583)	0	0	(0)	(0)	(64,501)	(37,718)	(10,986)	2,558	8	(8,944)
TXI	22	PA STATE INCOME TAXES @ Tax Rate 7.99%		(10,177)	(622)	(0)	(9,555)	0	0	(0)	(0)	(5,154)	(3,014)	(878)	204	1	(715)
TXI	23	PLUS:															
TXI	24	Deferred Income Tax Dr.- Account 410	TOTPLT	18,569	5,088	0	13,480	0	0	0	0	6,534	5,159	1,553	118	0	115
TXI	25	Deferred Income Tax Cr.- Account 411	TOTPLT	(30,907)	(8,470)	0	(22,438)	0	0	0	0	(10,876)	(8,588)	(2,586)	(197)	(0)	(192)
TXI	26	TOTAL STATE INCOME TAX EXPENSE		(22,516)	(4,003)	(0)	(18,512)	0	0	(0)	(0)	(9,495)	(6,442)	(1,910)	126	1	(791)
TXI	27																
TXI	28																
TXI	29	CALCULATION OF FEDERAL INCOME TAXES															
TXI	30	PA BASE TAXABLE INCOME	SCH TXI, LN 16	(281,799)	(50,106)	(0)	(231,693)	0	0	(0)	(0)	(118,841)	(80,627)	(23,905)	1,574	8	(9,902)
TXI	31	LESS:															
TXI	32	PA State Income Taxes	SCH TXI, LN 26	(22,516)	(4,003)	(0)	(18,512)	0	0	(0)	(0)	(9,495)	(6,442)	(1,910)	126	1	(791)
TXI	33	Other Federal Tax Adjustments	TOTPLT	(154,428)	(42,318)	0	(112,110)	0	0	0	0	(54,340)	(42,909)	(12,919)	(984)	(0)	(958)
TXI	34	FEDERAL ADJUSTED TAXABLE INCOME		(104,855)	(3,784)	(0)	(101,071)	0	0	(0)	(0)	(55,005)	(31,276)	(9,076)	2,433	7	(8,153)
TXI	35	FEDERAL INCOME TAXES @ Tax Rate 21.00%		(22,020)	(795)	(0)	(21,225)	0	0	(0)	(0)	(11,551)	(6,568)	(1,906)	511	2	(1,712)
TXI	36	PLUS:															
TXI	37	Deferred Income Tax Dr.- Account 410	TOTPLT	48,803	13,374	0	35,430	0	0	0	0	17,173	13,560	4,083	311	0	303
TXI	38	Deferred Income Tax Cr.- Account 411	TOTPLT	(81,233)	(22,260)	0	(58,973)	0	0	0	0	(28,584)	(22,571)	(6,796)	(518)	(0)	(504)
TXI	39	TOTAL FEDERAL INCOME TAX EXPENSE		(54,449)	(9,681)	(0)	(44,768)	0	0	(0)	(0)	(22,962)	(15,579)	(4,619)	304	2	(1,913)
TXI	40																
TXI	41																
TXI	42	TOTAL PA INCOME TAX EXPENSE		(22,516)	(4,003)	(0)	(18,512)	0	0	(0)	(0)	(9,495)	(6,442)	(1,910)	126	1	(791)
TXI	43	TOTAL FEDERAL INCOME TAX EXPENSE		(54,449)	(9,681)	(0)	(44,768)	0	0	(0)	(0)	(22,962)	(15,579)	(4,619)	304	2	(1,913)
TXI	44	TOTAL INCOME TAX EXPENSE		(76,965)	(13,685)	(0)	(63,280)	0	0	(0)	(0)	(32,458)	(22,021)	(6,529)	430	2	(2,705)
TXI	45																
TXI	46	TOTAL OPERATING EXPENSES		790,080	28,898	(0)	761,183	0	0	(0)	(0)	16,491	625,648	15,096	1,795	6,816	95,337

SCH	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY		CLASSIFICATION		CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMPGAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				(c)	(c)	COMMODITY	CUSTOMER													
LAB	25	TOTAL OPER & MAINT LABOR EXP (PROD & DIST)		229,258	0	0	229,258	0	0	0	0	0	0	0	0	229,258	0	0	0	0
LAB	26																			
LAB	27																			
LAB	28																			
LAB	29																			
LAB	30																			
LAB	31																			
LAB	32																			
LAB	33																			
LAB	34																			
LAB	35																			
LAB	36																			
LAB	37																			
LAB	38																			
LAB	39																			
LAB	40																			
LAB	41																			
LAB	42																			
LAB	43																			
LAB	44																			
LAB	45																			
LAB	46																			
LAB	47																			
LAB	48																			
LAB	49																			
LAB	50																			
LAB	51																			
LAB	52																			
LAB	53	CUSTOMER ACCOUNTS EXPENSES																		
LAB	54	902-Meter Reading	CUSTMTRDG	2,495	0	0	2,495	0	0	0	0	0	0	0	0	0	0	0	0	2,495
LAB	55	903-Customer Records and Collection Expense	CUSTREC	31,765	0	0	31,765	0	0	0	0	0	0	0	0	0	0	0	0	31,765
LAB	56	904-Uncollectible Accounts	EXP_904	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	57	TOTAL CUSTOMER ACCTS LABOR EXPENSE		34,261	0	0	34,261	0	0	0	0	0	0	0	0	0	0	0	0	34,261
LAB	58																			
LAB	59	CUSTOMER SERVICE & SALES EXPENSES																		
LAB	60	908-Customer Assistance	CUSTASST	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	61	909-Advertisement	CUSTADVT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	62	910-Miscellaneous CS	CUSTCSM	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	63	912-Demonstrating and Selling Expenses	CUSTSALES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	64	916 Miscellaneous Sales Expenses	CUSTSALES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	65	TOTAL CUST SERVICE & SALES LABOR EXP		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	66																			
LAB	67	TOTAL OPER & MAINT LABOR EXP EXCL A&G		263,519	0	0	263,519	0	0	0	0	0	0	0	0	229,258	0	0	0	34,261
LAB	68																			
LAB	69	ADMINISTRATIVE & GENERAL EXPENSE																		
LAB	70	920-Administrative Salaries	LABORXAG	10,748	0	0	10,748	0	0	0	0	0	0	0	0	9,351	0	0	0	1,397
LAB	71	921-Office Supplies & Expense	LABORXAG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	72	923-Outside Service Employed	LABORXAG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	73	924-Property Insurance	TOTPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	74	925-Injuries and Damages	LABORXAG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	75	926-Employee Pensions & Benefits	LABORXAG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	76	928-Regulatory Commission	CLAIMREV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	77	930.2-Miscellaneous General	LABORXAG	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	78	935-Maintenance of General Plant	GENLPLT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LAB	79	TOTAL A&G LABOR EXPENSE		10,748	0	0	10,748	0	0	0	0	0	0	0	0	9,351	0	0	0	1,397
LAB	80																			
LAB	81	TOTAL OPER & MAINTENANCE LABOR EXP		274,267	0	0	274,267	0	0	0	0	0	0	0	0	238,609	0	0	0	35,658
LAB	82																			
LAB	83																			
LAB	84																			
LAB	85																			
LAB	86																			
LAB	87																			
LAB	88																			
LAB	89																			
LAB	90																			
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LAB	96																			
LAB	97																			
LAB	98																			
LAB	99																			
LAB	100																			

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					CAPACITY (d)	COMMODITY (e)										
AF	3															
AF	4	<u>CAPACITY</u>														
AF	5															
AF	6															
AF	7															
AF	8															
AF	9															
AF	10															
AF	11	CAPACITY - DISTRIBUTION RELATED (Design Day)														
AF	12	Capacity Distribution	DDIST	16,281												
AF	13															
AF	14															
AF	15															
AF	16															
AF	17															
AF	18															
AF	19															
AF	20	<u>COMMODITY</u>														
AF	21	Annual Gas Cost (PGC)	EGAS	0												
AF	22															
AF	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1,509,018												
AF	24															
AF	25															
AF	26															
AF	27															
AF	28															
AF	29															
AF	30															
AF	31															
AF	32															
AF	33															
AF	34															
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AF	37															
AF	38															
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AF	40															
AF	41															
AF	42															
AF	43															
AF	44															
AF	45															
AF	46															
AF	47															
AF	48															
AF	49															
AF	50															
AF	51	<u>ALLOCATION FACTOR TABLE CONTINUED</u>														
AF	52	<u>EXTERNALLY DEVELOPED ALLOCATION FACTORS</u>														
AF	53															
AF	54	<u>CUSTOMER</u>														
AF	55	Distribution Mains	CUSTDIST	16,348												
AF	56															
AF	57	Service Investment	CUSTSERV	1,693,812												
AF	58	Meter Investment	CUSTMET	62,823												
AF	59	Meter Installations	CUSTOMETIN	536,759												
AF	60	Regulators Investment	CUSTREGUL	9,539												
AF	61	Regulators Investment - House	CUSTREGULH	8,960												
AF	62	Regulators Investment - Industrial	CUSTREGULI	580												
AF	63	Customer Deposits	CUSTDEP	381												
AF	64															
AF	65															
AF	66															
AF	67	902-Meter Reading Expense	CUSTMTRDG	1,366												
AF	68	903-Customer Records and Collections	CUSTREC	16,459												
AF	69															
AF	70	908-Customer Assistance	CUSTASST	1,0000												
AF	71	909-Informational and Instructional Advertising	CUSTADVT	1,0000												
AF	72	910-Miscellaneous Customer Service	CUSTCSM	1,0000												
AF	73	916-Miscellaneous Sales Expense	CUSTSALES	1,0000												
AF	74															
AF	75	Number of Bills	CUSTBILLS	16,459												
AF	76	Number of Customers (Average Annual)	CUST	16,348												
AF	77															
AF	78															
AF	79															
AF	80															

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					CAPACITY (d)	COMMODITY (e)										
AF	81															
AF	82															
AF	83															
AF	84															
AF	85															
AF	86															
AF	87															
AF	88															
AF	89															
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AF	91															
AF	92															
AF	93															
AF	94															
AF	95															
AF	96															
AF	97															
AF	98															
AF	99															
AF	100															
AF	101															
AF	102	ALLOCATION FACTOR TABLE CONTINUED														
AF	103	INTERNALLY DEVELOPED ALLOCATION FACTORS														
AF	104	Intangible Plant	INTPLT						0							
AF	105	Distribution Plant in Service	DISTPLT						6,825,059							
AF	106	Distribution Plant in Service - Capacity Related	DDISTPLT						2,653,460							
AF	107	General Plant in Service	GENPLT						368,454							
AF	108	Common Plant in Service	COMPLT						(26,357)							
AF	109	Total Gas Utility Plant In Service	TOTPLT						7,620,197							
AF	110	Distribution Plant Excl Asset Retirement	DISTPLTXAR						6,825,059							
AF	111	Total Distribution and General Plant	DGPLT						7,193,512							
AF	112	Rate Base	RATEBASE						7,003,414							
AF	113															
AF	114	Account 374 - Land & Land Rights	PLT_374						744							
AF	115	Account 375 - Structures & Improvements	PLT_375						0							
AF	116	Account 376 - Mains	PLT_376						4,353,729							
AF	117	Account 378 - Meas & Reg Station Equip-General	PLT_378						131,501							
AF	118	Account 380 - Services	PLT_380						1,693,812							
AF	119	Account 381 - Meters	PLT_381						62,823							
AF	120	Account 382 - Meter Installations	PLT_382						536,759							
AF	121	Account 384-House Regulator Installations	PLT_384						9,539							
AF	122	Account 385-Industrial Regulators	PLT_385						36,151							
AF	123	Account 387 - Other Equipment	PLT_387						9,539							
AF	124	Account 388-Asset Retirement Costs for Distribution	PLT_388						36,151							
AF	125	Accounts 376 & 378 - Mains & M&R	PLT_376379						4,485,230							
AF	126	Accounts 376 & 380 - Mains & Services	PLT_376380						6,047,541							
AF	127	Accounts 380 & 381 - Services & Meters	PLT_380381						1,693,812							
AF	128	Accounts 381 through 385	PLT_3815						645,272							
AF	129	Accounts 378 & 387	PLT_378387						141,040							
AF	130															
AF	131	Distribution Plant in Service - Capacity Related														
AF	132	Residential Space Heating	DPLTRESSH						2,361,782							
AF	133	Residential Domestic	DPLTRESO						98,955							
AF	134	Residential Other	DPLTRESO						9,671							
AF	135	General Service Commercial	DPLTGSC						56,510							
AF	136	Commercial Space Heating	DPLTCSH						126,543							
AF	137															
AF	138															
AF	139															
AF	140															
AF	141															
AF	142															
AF	143															
AF	144															
AF	145															
AF	146															
AF	147															
AF	148															
AF	149															
AF	150															
AF	151															
AF	152	ALLOCATION FACTOR TABLE CONTINUED														
AF	153	INTERNALLY DEVELOPED ALLOCATION FACTORS														
AF	154	Production Expense Related														
AF	155	Other Production Operation Expense	OX_PRODO						0							
AF	156															
AF	157															
AF	158															

SCH NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY (c)	CLASSIFICATION		PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				CAPACITY (d)	COMMODITY (e)										
AF 159															
AF 160															
AF 161															
AF 162															
AF 163	Distribution Expense Related														
AF 164	Account 874 - Mains & Services Exp	OX_874	0												
AF 165	Account 875 - Meas & Reg Station Exp - Gen	OX_875	0												
AF 166	Account 878-Meter & House Regulator Expenses	OX_878	0												
AF 167	Account 880 - Other Dist Oper Exp	OX_880	0												
AF 168	Account 887 - Maint of Mains Exp	MX_887	5,277												
AF 169	Account 889 - Maint of Meas & Reg Station Exp - Gen	MX_889	0												
AF 170	Account 892 - Maint of Services Exp	MX_892	220,921												
AF 171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0												
AF 172	Account 894 - Maint of Other Equipment Exp	MX_894	0												
AF 173	O&M Accounts 874-880	OX_DIST	0												
AF 174	O&M Accounts 887-894	MX_DIST	220,921												
AF 175															
AF 176															
AF 177	Customer Distribution Expense Related														
AF 178	Account 902	OX_902	2,982												
AF 179	Account 903	OX_903	36,158												
AF 180	Account 904	OX_904	14,475												
AF 181	O&M Accounts 902-905	OX_CA	53,614												
AF 182															
AF 183	Account 908	OX_908	0												
AF 184	Account 909	OX_909	0												
AF 185	Account 910	OX_910	0												
AF 186	O&M Accounts 908-910	OX_CS	0												
AF 187	Accounts 901-910	X_CACS	60,310												
AF 188															
AF 189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	619,719												
AF 190															
AF 191															
AF 192															
AF 193															
AF 194															
AF 195															
AF 196															
AF 197															
AF 198															
AF 199															
AF 200															
AF 201															
AF 202															
AF 203															
AF 204	Labor Expense Related														
AF 205	Labor Distribution Accounts 870-880	LABORDO	0	0	229,258	0	229,258	0	229,258	0	229,258	0	0	0	0
AF 206	Labor Distribution Accounts 887-894	LABORDM	229,258	229,258	34,261	229,258	34,261	34,261	34,261	229,258	34,261	34,261	229,258	229,258	229,258
AF 207	Labor Customer Accounts 902-905	LABORCA	34,261	34,261	0	34,261	34,261	34,261	34,261	34,261	34,261	34,261	34,261	34,261	34,261
AF 208	Labor Customer Accounts 908-910	LABORCS	0	0	0	0	0	0	0	0	0	0	0	0	0
AF 209	Labor Excluding Admin & Gen	LABORXAG	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519	263,519
AF 210	Total Labor Expense	LABOR	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267	274,267
AF 211															
AF 212															
AF 213	Base Rate Sales Revenue	SALESREV	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334	1,086,334
AF 214															
AF 215	Claimed Rate Sales Revenue	CLAIMREV	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685	2,028,685
AF 216															
AF 217	Residential Space Heating	SREVRESSH	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861	1,730,861
AF 218	Residential Domestic	SREVRESO	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231	69,231
AF 219	Residential Other	SREVRESO	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058	7,058
AF 220	General Service Commercial	SREVGSC	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112	68,112
AF 221	Commercial Space Heating	SREVCSH	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423	153,423
AF 222															
AF 223															
AF 224															
AF 225															
AF 226															
AF 227															
AF 228															
AF 229															
AF 230															
AF 231															
AF 232															
AF 233															
AF 234															
AF 235															
AF 236															

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					CAPACITY (d)	COMMODITY (e)										
AP	15															
AP	16															
AP	17															
AP	18															
AP	19															
AP	20	COMMODITY														
AP	21	Annual Gas Cost (PGC)	EGAS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	22															
AP	23	Annual Gas Deliveries - Thruput (CCF)	ETHRUPUT	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	24															
AP	25															
AP	26															
AP	27															
AP	28															
AP	29															
AP	30															
AP	31															
AP	32															
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AP	34															
AP	35															
AP	36															
AP	37															
AP	38															
AP	39															
AP	40															
AP	41															
AP	42															
AP	43															
AP	44															
AP	45															
AP	46															
AP	47															
AP	48															
AP	49															
AP	50															
AP	51	ALLOCATION PROPORTIONS TABLE CONTINUED														
AP	52	EXTERNALLY DEVELOPED ALLOCATION FACTORS														
AP	53															
AP	54	CUSTOMER														
AP	55	Distribution Mains	CUSTDIST	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	56															
AP	57	Service Investment	CUSTSERV	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	58	Meter Investment	CUSTMET	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP	59	Meter Installations	CUSTOMETIN	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP	60	Regulators Investment	CUSTREGUL	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP	61	Regulators Investment - House	CUSTREGULH	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	62	Regulators Investment - Industrial	CUSTREGULI	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP	63	Customer Deposits	CUSTDEP	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	64															
AP	65															
AP	66															
AP	67	902-Meter Reading Expense	CUSTMTRDG	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	68	903-Customer Records and Collections	CUSTREC	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	69															
AP	70	908-Customer Assistance	CUSTASST	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	71	909-Informational and Instructional Advertising	CUSTADVT	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	72	910-Miscellaneous Customer Service	CUSTCSM	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	73	916-Miscellaneous Sales Expense	CUSTSALES	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	74															
AP	75	Number of Bills	CUSTBILLS	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	76	Number of Customers (Average Annual)	CUST	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
AP	77															
AP	78															
AP	79															
AP	80															
AP	81															
AP	82															
AP	83															
AP	84															
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					CAPACITY (d)	COMMODITY (e)										
AP 93	AP 101	Intangible Plant	INTPLT	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 94	AP 102	Distribution Plant in Service	DISTPLT	1.00000	0.71223	0.00000	0.00000	0.00000	0.00000	0.00000	0.36951	0.00000	0.00000	0.00000	0.00000	0.00000
AP 95	AP 103	Distribution Plant in Service - Capacity Related	DDISTPLT	1.00000	0.04956	0.00000	0.00000	0.00000	0.00000	0.00000	0.95044	0.00000	0.00000	0.00000	0.00000	0.00000
AP 96	AP 104	General Plant in Service	GENPLT	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.86999	0.00000	0.00000	0.00000	0.13001
AP 97	AP 105	Common Plant in Service	COMPLT	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.13001
AP 98	AP 106	Total Gas Utility Plant In Service	TOTPLT	1.00000	0.27403	0.00000	0.00000	0.00000	0.00000	0.00000	0.35188	0.27786	0.08366	0.00000	0.00000	0.00621
AP 99	AP 107	Distribution Plant Excl Asset Retirement	DISTPLTXAR	1.00000	0.28777	0.00000	0.00000	0.00000	0.00000	0.00000	0.36951	0.24818	0.08785	0.00669	0.00000	0.00000
AP 100	AP 108	Total Distribution and General Plant	DGPLT	1.00000	0.27303	0.00000	0.00000	0.00000	0.00000	0.00000	0.35059	0.28002	0.08335	0.00635	0.00000	0.00666
AP 101	AP 109	Rate Base	RATEBASE	1.00000	0.28019	0.00000	0.00000	0.00000	0.00000	0.00000	0.36397	0.27199	0.08203	0.00566	(0.00004)	(0.00381)
AP 102	AP 110	Account 374 - Land & Land Rights	PLT_374	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 103	AP 111	Account 375 - Structures & Improvements	PLT_375	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 104	AP 112	Account 376 - Mains	PLT_376	1.00000	0.42074	0.00000	0.00000	0.00000	0.00000	0.00000	0.57926	0.00000	0.00000	0.00000	0.00000	0.00000
AP 105	AP 113	Account 378 - Meas & Reg Station Equip-General	PLT_378	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 106	AP 114	Account 380 - Services	PLT_380	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP 107	AP 115	Account 381 - Meters	PLT_381	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP 108	AP 116	Account 382 - Meter Installations	PLT_382	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
AP 109	AP 117	Account 384-House Regulator Installations	PLT_384	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP 110	AP 118	Account 385-Industrial Regulators	PLT_385	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP 111	AP 119	Account 387 - Other Equipment	PLT_387	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP 112	AP 120	Account 388-Asset Retirement Costs for Distribution	PLT_388	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
AP 113	AP 121	Accounts 376 & 378 - Mains & M&R	PLT_376379	1.00000	0.43772	0.00000	0.00000	0.00000	0.00000	0.00000	0.56228	0.00000	0.00000	0.00000	0.00000	0.00000
AP 114	AP 122	Accounts 376 & 380 - Mains & Services	PLT_376380	1.00000	0.30289	0.00000	0.00000	0.00000	0.00000	0.00000	0.41702	0.28008	0.00000	0.00000	0.00000	0.00000
AP 115	AP 123	Accounts 380 & 381 - Services & Meters	PLT_380381	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP 116	AP 124	Accounts 381 through 385	PLT_3815	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.92319	0.00000	0.00000	0.00000
AP 117	AP 125	Accounts 378 & 387	PLT_378387	1.00000	0.93236	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.06764	0.00000	0.00000
AP 118	AP 130	Distribution Plant in Service - Capacity Related	DPLTRESSH	1.00000	0.04218	0.00000	0.00000	0.00000	0.00000	0.00000	0.95782	0.00000	0.00000	0.00000	0.00000	0.00000
AP 119	AP 131	Residential Space Heating	DPLTRESO	1.00000	0.02720	0.00000	0.00000	0.00000	0.00000	0.00000	0.97280	0.00000	0.00000	0.00000	0.00000	0.00000
AP 120	AP 132	Residential Domestic	DPLTRESO	1.00000	0.04287	0.00000	0.00000	0.00000	0.00000	0.00000	0.95713	0.00000	0.00000	0.00000	0.00000	0.00000
AP 121	AP 133	General Service Commercial	DPLTGSC	1.00000	0.18103	0.00000	0.00000	0.00000	0.00000	0.00000	0.81897	0.00000	0.00000	0.00000	0.00000	0.00000
AP 122	AP 134	Commercial Space Heating	DPLTCSH	1.00000	0.14664	0.00000	0.00000	0.00000	0.00000	0.00000	0.85336	0.00000	0.00000	0.00000	0.00000	0.00000
AP 123	AP 135															
AP 124	AP 136															
AP 125	AP 137															
AP 126	AP 138															
AP 127	AP 139															
AP 128	AP 140															
AP 129	AP 141															
AP 130	AP 142															
AP 131	AP 143															
AP 132	AP 144															
AP 133	AP 145															
AP 134	AP 146															
AP 135	AP 147															
AP 136	AP 148															
AP 137	AP 149															
AP 138	AP 150															
AP 139	AP 151															
AP 140	AP 152															
AP 141	AP 153															
AP 142	AP 154															
AP 143	AP 155	Production Expense Related	OX_PRODO	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 144	AP 156	Other Production Operation Expense														
AP 145	AP 157															
AP 146	AP 158															
AP 147	AP 159															
AP 148	AP 160															
AP 149	AP 161															
AP 150	AP 162															
AP 151	AP 163	Distribution Expense Related	OX_874	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 152	AP 164	Account 874 - Mains & Services Exp	OX_875	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 153	AP 165	Account 875 - Meas & Reg Station Exp - Gen	OX_878	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 154	AP 166	Account 878-Meter & House Regulator Expenses	OX_880	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 155	AP 167	Account 880 - Other Dist Oper Exp	MX_887	1.00000	0.42074	0.00000	0.00000	0.00000	0.00000	0.00000	0.57926	0.00000	0.00000	0.00000	0.00000	0.00000
AP 156	AP 168	Account 887 - Maint of Mains Exp	MX_889	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP 157	AP 169	Account 889 - Maint of Meas & Reg Station Exp - Gen	MX_892	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP 158	AP 170	Account 892 - Maint of Services Exp														

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					CAPACITY (d)	COMMODITY (e)										
AP	171	Account 893 - Maint of Meter & House Reg Exp	MX_893	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	172	Account 894 - Maint of Other Equipment Exp	MX_894	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	173	O&M Accounts 874-880	OX_DIST	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	174	O&M Accounts 887-894	MX_DIST	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	175															
AP	176															
AP	177	<u>Customer Distribution Expense Related</u>														
AP	178	Account 902	OX_902	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	179	Account 903	OX_903	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	180	Account 904	OX_904	1.00000	0.15028	0.84972	0.00000	0.00000	0.00000	0.00000	0.22645	0.50533	0.05497	0.00323	0.00000	0.05894
AP	181	O&M Accounts 902-905	OX_CA	1.00000	0.04057	0.95943	0.00000	0.00000	0.00000	0.00000	0.06113	0.13643	0.01484	0.00021	0.00087	0.74594
AP	182															
AP	183	Account 908	OX_908	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	184	Account 909	OX_909	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	185	Account 910	OX_910	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	186	O&M Accounts 908-910	OX_CS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	187	Accounts 901-910	X_CACS	1.00000	0.03607	0.96393	0.00000	0.00000	0.00000	0.00000	0.05435	0.12128	0.01319	0.00019	0.11180	0.66312
AP	188															
AP	189	Total O&M less Purchased Gas and Uncollectibles	OMXPP	1.00000	0.00937	0.99063	0.00000	0.00000	0.00000	0.00000	0.01231	0.83310	0.00188	0.00013	0.01092	0.13229
AP	190															
AP	191															
AP	192															
AP	193															
AP	194															
AP	195															
AP	196															
AP	197															
AP	198															
AP	199															
AP	200															
AP	201															
AP	202															
AP	203															
AP	204	<u>Labor Expense Related</u>														
AP	205	Labor Distribution Accounts 870-880	LABORDO	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	206	Labor Distribution Accounts 887-894	LABORDM	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
AP	207	Labor Customer Accounts 902-905	LABORCA	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
AP	208	Labor Customer Accounts 908-910	LABORCS	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
AP	209	Labor Excluding Admin & Gen	LABORXAG	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.86999	0.00000	0.00000	0.00000	0.13001
AP	210	Total Labor Expense	LABOR	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.86999	0.00000	0.00000	0.00000	0.13001
AP	211															
AP	212															
AP	213	Base Rate Sales Revenue	SALESREV	1.00000	0.12284	0.87716	0.00000	0.00000	0.00000	0.00000	0.10444	0.64617	0.03590	0.00532	0.00624	0.07910
AP	214															
AP	215	Claimed Rate Sales Revenue	CLAIMREV	1.00000	0.16907	0.83093	0.00000	0.00000	0.00000	0.00000	0.21529	0.49940	0.05491	0.00390	0.00344	0.05399
AP	216															
AP	217	Residential Space Heating	SREVRESSH	1.00000	0.15028	0.84972	0.00000	0.00000	0.00000	0.00000	0.22645	0.50533	0.05497	0.00079	0.00323	0.05894
AP	218	Residential Domestic	SREVRESO	1.00000	0.10122	0.89878	0.00000	0.00000	0.00000	0.00000	0.24016	0.53411	0.05811	0.00084	0.00293	0.06263
AP	219	Residential Other	SREVRESO	1.00000	0.15278	0.84722	0.00000	0.00000	0.00000	0.00000	0.22630	0.50335	0.05476	0.00079	0.00325	0.05877
AP	220	General Service Commercial	SREVGSC	1.00000	0.38969	0.61031	0.00000	0.00000	0.00000	0.00000	0.11696	0.43264	0.05228	0.02860	0.00708	(0.02726)
AP	221	Commercial Space Heating	SREVCSH	1.00000	0.31444	0.68556	0.00000	0.00000	0.00000	0.00000	0.12141	0.44632	0.05395	0.02951	0.00437	0.03000
AP	222															
AP	223															
AP	224															
AP	225															
AP	226															
AP	227															
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				(c)	(c)		CAPACITY (d)	COMMODITY (e)											
AP	249																		
AP	250																		
AP	251																		
AP	252																		
AP	253																		
AP	254																		
AP	255																		
AP	256	Total Sales of Gas Revenues		1,00000		1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000
AP	257	Total Delivery Revenues - Actual		1,00000		1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000	1,00000
AP	258	Total Delivery Revenues - Weather Adjustment																	
AP	259	DSIC Revenues rolled into Base																	
AP	260																		
AP	261																		
AP	262																		
AP	263																		
AP	264	12 Months Ending September 30,2024																	
AP	265																		
AP	266																		
AP	267																		
AP	268																		
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AP	270																		
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AP	299																		
AP	300																		
ADA	1	ALLOCATED DIRECT ASSIGNMENTS																	
ADA	2	DIRECT ASSIGN TO CLASSES W/SALES REV FUNCTIONS																	
ADA	3																		
ADA	4	Net Write-Offs																	
ADA	5	Residential Space Heating	SREVRESSH	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883
ADA	6	Residential Domestic	SREVRESO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADA	7	Residential Other	SREVRESO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADA	8	General Service Commercial	SREVGSC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADA	9	Commercial Space Heating	SREVCSH	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADA	10																		
ADA	11																		
ADA	12	Total Write-Offs	EXP_904	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883	15,883
ADA	13																		
ADA	14	Total Write-Offs	EXP_904	1,00000	0,15028	0,15028	0,15028	0,00000	0,84972	0,00000	0,00000	0,00000	0,00000	0,22645	0,50533	0,05497	0,00079	0,00323	0,05894
ADA	15																		
ADA	16																		
ADA	17																		
ADA	18																		
ADA	19	Forfeited Discounts - Account 487																	
ADA	20	Residential Space Heating	SREVRESSH	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123	5,123
ADA	21	Residential Domestic	SREVRESO	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125	125
ADA	22	Residential Other	SREVRESO	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28
ADA	23	General Service Commercial	SREVGSC	595	595	595	595	595	595	595	595	595	595	595	595	595	595	595	595
ADA	24	Commercial Space Heating	SREVCSH	661	661	661	661	661	661	661	661	661	661	661	661	661	661	661	661
ADA	25																		
ADA	26																		

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

SCH NO.	LINE NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY		CLASSIFICATION		CAPACITY (d)	COMMODITY (e)	CUSTOMER (f)	PRODUCTION (g)	TRANSMISSION (h)	COMPGAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				(c)	(c)	(d)	(e)	(d)	(e)	(f)	(g)	(h)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
ADA 27	27	Total Forfeited Discounts	REV_487	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532	6,532
ADA 28	28																			
ADA 29	29	Total Forfeited Discounts	REV_487	1.00000	1.00000	0.18778	0.00000	0.18778	0.00000	0.81222	0.00000	0.00000	0.00000	0.00000	0.20610	0.49327	0.05468	0.00623	0.00369	0.04823
ADA 30	30																			
ADA 31	31																			
ADA 32	32																			
ADA 33	33																			
ADA 34	34																			
ADA 35	35																			
ADA 36	36																			
ADA 37	37																			
ADA 38	38																			
ADA 39	39																			
ADA 40	40																			
ADA 41	41																			
ADA 42	42																			
ADA 43	43																			
ADA 44	44																			
ADA 45	45																			
ADA 46	46																			
ADA 47	47																			
ADA 48	48																			
ADA 49	49																			
ADA 50	50																			
RRW 1	1	DISTRIBUTION REVENUE REQUIREMENTS																		
RRW 2	2	PRESENT RATE OF RETURN (EXISTING RATES)																		
RRW 3	3																			
RRW 4	4																			
RRW 5	5	Rate Base		7,003,414	1,982,297	0	0	5,041,117	0	0	0	0	0	0	2,549,000	1,904,884	574,513	39,657	(255)	(26,683)
RRW 6	6	Net Operating Income (Present Rates)		300,104	105,059	(0)	0	195,046	0	0	(0)	0	(0)	0	97,397	78,734	24,046	4,003	(13)	(9,122)
RRW 7	7	Rate of Return @ Present Rates		4.29%	5.35%	0.00%	0.00%	3.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.82%	4.13%	4.19%	10.09%	4.96%	34.19%
RRW 8	8	Relative Rate of Return		1.00	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00
RRW 9	9	Sales Revenue at Present Rates		1,086,334	133,445	(0)	0	952,890	0	0	(0)	0	(0)	0	113,452	701,955	39,002	5,775	6,780	85,927
RRW 10	10	Revenue Present Rates \$/Ccf		\$711.8354	\$87.4416	\$0.0000	\$0.0000	\$624.3938	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$74.3409	\$459.9653	\$25.5563	\$3.7840	\$4.4426	\$56.3047
RRW 11	11	Revenue Required - \$/Month/Customer		\$66,002.46	\$8,107.72	(\$0.00)	\$0.00	\$57,894.74	\$0.00	\$0.00	\$0.00	\$0.00	(\$0.00)	(\$0.00)	\$6,893.00	\$42,648.68	\$2,369.62	\$350.86	\$411.92	\$5,220.65
RRW 12	12																			
RRW 13	13																			
RRW 14	14	CLAIMED RATE OF RETURN																		
RRW 15	15																			
RRW 16	16	Claimed Rate of Return		8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%
RRW 17	17	Return Required for Claimed Rate of Return		917,310	251,831	0	0	665,479	0	0	0	0	0	0	325,888	258,207	74,760	5,343	113	1,169
RRW 18	18	Sales Revenue Required @ Claimed ROR		2,028,685	342,986	0	0	1,685,698	(0)	0	0	0	0	0	436,764	1,013,128	111,398	7,908	6,978	109,522
RRW 19	19	Sales Revenue Deficiency		942,350	209,541	0	0	732,809	(0)	0	0	0	0	0	323,313	311,174	72,396	2,133	198	23,596
RRW 20	20	Percent Increase Required		86.75%	157.02%	-100.28%	-100.28%	76.90%	-100.28%	-100.28%	-100.28%	-100.28%	-100.28%	-100.28%	284.98%	44.33%	185.62%	36.93%	2.92%	27.46%
RRW 21	21	Annual Booked Throughput Sales (Ccf)		1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104	1,526,104
RRW 22	22	Sales Revenue Required \$/Ccf		\$1,329.3230	\$224.7464	\$0.0000	\$0.0000	\$1,104.5766	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$286.1958	\$663.8661	\$72.9949	\$5.1816	\$4.5722	\$71.7660
RRW 23	23	Sales Revenue Deficiency \$/Ccf		\$617.4877	\$137.3048	\$0.0000	\$0.0000	\$480.1828	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$211.8549	\$203.9008	\$47.4386	\$1.3976	\$0.1296	\$15.4613
RRW 24	24																			
RRW 25	25																			
RRW 26	26	PROPOSED RATE OF RETURN																		
RRW 27	27																			
RRW 28	28	Rate Base at Future Test Year 09/30/2025		10,679,156	2,931,773	0	0	7,747,383	0	0	0	0	0	0	3,793,927	3,005,997	870,337	62,199	1,311	13,611
RRW 29	29	Proposed Base Gas Sales Revenues		2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626	2,028,626

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

LINE SCH NO.	DESCRIPTION (a)	ALLOCATION BASIS (b)	TOTAL GAS COMPANY (c)	CLASSIFICATION		PRODUCTION (g)	TRANSMISSION (h)	COMP GAS (j)	COMOTH (k)	CDIST (l)	CSERVICES (m)	CMETERS (n)	CREGUL (o)	CUSTSERV (p)	CUSTACCT (q)
				CAPACITY (d)	COMMODITY (e)										

CUSTOMER (f)

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

LINE NO.	DESCRIPTION	(a)	(b)	TOTAL GAS COMPANY	(c)		(d)		(e)		(f)		(g)		(h)		(i)		(j)	
				SC1	SC2	Space Heating Rate 231	Domestic Rate 631	Other Rate 531 & 731	Commercial Rate 162	Space Heating Rate 331										
1	PRESENT RATE OF RETURN SUMMARY SCHEDULE - REVENUE REQUIREMENTS																			
2																				
3	RATE OF RETURN				4.29%	3.54%	7.47%	3.64%	0.62%	4.01%	9.99%	6.04%								
4																				
5	REVENUES REQUIRED																			
6	CAPACITY COMPONENT	133,445	133,445	62,241	71,204	61,877	87	278	40,495	30,708										
7	CAPACITY PRODUCTION COMPONENT		0	0	0	0	0	0	0	0										
8	CAPACITY TRANSMISSION COMPONENT		0	0	0	0	0	0	0	0										
9	CAPACITY DISTRIBUTION MAINS		133,445	62,241	71,204	61,877	87	278	40,495	30,708										
10	COMMODITY COMPONENT	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)										
11	COMMODITY PURCHASED GAS		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)										
12	COMMODITY OTHER COMMODITY		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)										
13	CUSTOMER COMPONENT		952,890	830,826	122,064	801,243	26,283	3,301	42,383	79,680										
14	CUSTOMER DISTRIBUTION MAINS		113,452	89,354	24,098	89,009	(50)	395	12,284	11,814										
15	CUSTOMER SERVICES INVESTMENT		701,955	614,856	87,099	590,343	22,107	2,407	32,183	54,915										
16	CUSTOMER METERS & INSTALL INVESTMENT		39,002	28,435	10,567	27,956	359	120	5,106	5,461										
17	CUSTOMER REGULATORS		5,775	206	5,569	210	(5)	1	2,688	2,881										
18	CUSTOMER SERVICE & SALES EXPENSE		6,780	5,671	1,108	5,452	197	22	462	647										
19	CUSTOMER ACCOUNTS EXPENSE		85,927	92,304	(6,377)	88,274	3,674	356	(10,339)	3,962										
20																				
21																				
22	TOTAL COMPANY	1,086,334	1,086,334	893,067	193,268	863,119	26,369	3,578	82,879	110,389										
23																				
24																				
25																				
26																				
27	Annual Booked Throughput Sales (Ccf)		1,509,018	1,100,928	408,090	1,066,077	30,422	4,429	181,919	226,171										
28	Average Use Per Customer		92	71	406	72	49	74	606	321										
29	Number of Customer Bills		16,459	15,455	1,004	14,768	627	60	300	704										
30																				
31	Use per Month per Customer		91.68	71.23	406.46	72.19	48.52	73.82	606.40	321.27										
32																				
33																				
34																				
35																				
36																				
37																				
38																				
39																				
40																				
41																				
42																				
43																				
44																				
45																				
1	PRESENT RATE OF RETURN SUMMARY SCHEDULE - UNIT COST																			

1 **CLAIMED RATE OF RETURN SUMMARY SCHEDULE - REVENUE REQUIREMENTS**
2 (For Future Test Year 12 Months Ended September 30 2025)

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30, 2024

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY		Total Residential SC1		Total Commercial SC2		Residential Space Heating Rate 231		Residential Domestic Rate 631		Residential Other Rate 531 & 731		General Service Commercial Rate 162		Commercial Space Heating Rate 331	
		(b)	(c)	(a)	(f)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
3	RATE OF RETURN		8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%
4																	
5	REVENUES REQUIRED																
6	CAPACITY COMPONENT	342,986	342,986	268,201	260,115	74,785	7,008	1,078	26,542	48,242							
7	CAPACITY PRODUCTION COMPONENT		(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)							(0)
8	CAPACITY DISTRIBUTION MAINS		342,986	268,201	260,115	74,785	7,008	1,078	26,542	48,242							
9	COMMODITY COMPONENT	0	0	0	0	0	0	0	0	0							0
10	COMMODITY PURCHASED GAS		0	0	0	0	0	0	0	0							0
11	COMMODITY OTHER COMMODITY		0	0	0	0	0	0	0	0							0
12	CUSTOMER COMPONENT	1,685,698	1,685,698	1,538,948	1,470,746	146,750	62,223	5,980	41,570	105,180							
13	CUSTOMER DISTRIBUTION MAINS		436,764	410,170	391,947	26,594	16,626	1,597	7,967	18,627							
14	CUSTOMER SERVICES INVESTMENT		1,013,128	915,185	874,655	97,943	36,977	3,553	29,468	68,475							
15	CUSTOMER METERS & INSTALL INVESTMENT		111,398	99,560	95,150	11,838	4,023	386	3,561	8,277							
16	CUSTOMER REGULATORS		7,908	1,432	1,369	6,476	58	6	1,948	4,528							
17	CUSTOMER SERVICE & SALES EXPENSE		6,978	5,825	5,599	1,153	203	23	482	670							
18	CUSTOMER ACCOUNTS EXPENSE		109,522	106,776	102,025	2,746	4,336	415	(1,856)	4,603							
19																	
20																	
21	TOTAL COMPANY	2,028,685	2,028,685	1,719,020	1,650,869	309,664	61,400	6,751	110,105	199,559							
22																	
23																	
24																	
25	12 Months Ended September 30, 2025																
26	Annual Booked Throughput Sales (Ccf)		1,526,104	1,116,578	1,081,232	409,525	30,855	4,492	182,559	226,966							
28	Number of Customer Bills		17,040	16,008	15,295	1,032	651	63	310	722							
27	Average Use Per Customer		92	71	72	406	49	74	606	321							
29																	
30																	
31																	
32																	
33																	
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35																	
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44																	
45																	
1	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - UNIT COSTS																
2	(For Future Test Year 12 Months Ended September 30 2025)																
3	RATE OF RETURN		8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%	8.59%

Pike County Light & Power Company
Gas Class Cost of Service Study
12 Months Ending September 30,2024

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY	Residential		Total Commercial SC2	Residential Space Heating Rate 231	Residential Domestic Rate 631	Residential Other Rate 531 & 731	General Service Commercial Rate 162	Commercial Space Heating Rate 331
			SC1 (a)	(e)						
4										
5	\$/Ccf									
6	CAPACITY COMPONENT	\$224.7464	\$240.1993	\$182.6137	\$240.5731	\$227.1204	\$240.0607	\$145.3915	\$212.5531	
7	CAPACITY PRODUCTION COMPONENT	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
8	CAPACITY DISTRIBUTION MAINS	\$224.7464	\$240.1993	\$182.6137	\$240.5731	\$227.1204	\$240.0607	\$145.3915	\$212.5531	
9	COMMODITY COMPONENT	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
10	COMMODITY PURCHASED GAS	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
11	COMMODITY OTHER COMMODITY	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
12	CUSTOMER COMPONENT	\$1,104.5766	\$1,378.2716	\$358.3416	\$1,360.2503	\$2,016.6390	\$1,331.2019	\$227.7054	\$463.4179	
13	CUSTOMER DISTRIBUTION MAINS	\$286.1958	\$367.3457	\$64.9390	\$362.5004	\$538.8513	\$355.5708	\$43.6391	\$82.0714	
14	CUSTOMER SERVICES INVESTMENT	\$663.8661	\$819.6335	\$239.1633	\$808.9436	\$1,198.4175	\$790.9028	\$161.4181	\$301.6971	
15	CUSTOMER METERS & INSTALL INVESTMENT	\$72.9949	\$89.1651	\$28.9065	\$88.0018	\$130.3840	\$86.0382	\$19.5047	\$36.4688	
16	CUSTOMER REGULATORS	\$5.1816	\$1.2825	\$15.8127	\$1.2658	\$1.8754	\$1.2375	\$10.6698	\$19.9493	
17	CUSTOMER SERVICE & SALES EXPENSE	\$4.5722	\$5.2169	\$2.8143	\$5.1784	\$6.5794	\$5.1140	\$2.6425	\$2.9525	
18	CUSTOMER ACCOUNTS EXPENSE	\$71.7660	\$95.6280	\$6.7058	\$94.3602	\$140.5314	\$92.3386	(\$10.1688)	\$20.2787	
19										
20										
21	TOTAL COMPANY	\$1,329.3230	\$1,539.5429	\$756.1544	\$1,526.8414	\$1,989.9767	\$1,502.8387	\$603.1207	\$879.2460	
22										
23	\$/MONTH/CUSTOMER									
24	CUSTOMER COMPONENTS	\$98.93	\$96.14	\$142.20	\$96.16	\$95.61	\$95.56	\$134.27	\$145.60	
25	CUSTOMER DISTRIBUTION MAINS	\$25.63	\$25.62	\$25.77	\$25.63	\$25.55	\$25.52	\$25.73	\$25.79	
26	CUSTOMER SERVICES INVESTMENT	\$59.46	\$57.17	\$94.91	\$57.19	\$56.81	\$56.77	\$95.18	\$94.79	
27	CUSTOMER METERS & INSTALL INVESTMENT	\$6.54	\$6.22	\$11.47	\$6.22	\$6.18	\$6.18	\$11.50	\$11.46	
28	CUSTOMER REGULATORS	\$0.46	\$0.09	\$6.27	\$0.09	\$0.09	\$0.09	\$6.29	\$6.27	
29	CUSTOMER SERVICE & SALES EXPENSE	\$0.41	\$0.36	\$1.12	\$0.37	\$0.31	\$0.37	\$1.56	\$0.93	
30	CUSTOMER ACCOUNTS EXPENSE	\$6.43	\$6.67	\$2.66	\$6.67	\$6.66	\$6.63	(\$6.00)	\$6.37	

**Gas Class Cost of Service Study
12 Months Ended September 30, 2025
I&E Customer Cost Analysis**

LINE NO.	DESCRIPTION	TOTAL GAS COMPANY (A)	Total Residential SC1 (B)	Total Commercial SC2 (C)
1	<u>\$/Month/Customer</u>			
2	Customer Distribution Mains	\$ -	\$ -	\$ -
3	Customer Services Investment	59.46	57.17	94.91
4	Customer Meters & Install Investment	6.54	6.22	11.47
5	Customer Regulators	0.46	0.09	6.27
6	Customer Service & Sales Expense	0.41	0.36	1.12
7	Customer Accounts Expense	6.43	6.67	2.66
8	Total Customer Cost	\$ 73.30	\$ 70.51	\$ 116.43

I&E Statement No. 4
Witness: Andrew W. Hiorth

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Direct Testimony

of

Andrew W. Hiorth

Bureau of Investigation and Enforcement

Concerning:

Distribution Integrity Management Plan (DIMP)
Long Term Infrastructure Improvement Plan (LTIIP)
Pipeline Replacement Costs

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1 **INTRODUCTION**

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

3 A. My name is Andrew W. Hiorth. My business address is Pennsylvania Public
4 Utility Commission, Commonwealth Keystone Building, 400 North Street,
5 Harrisburg, PA 17120.
6

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

8 A. I am employed by the Pennsylvania Public Utility Commission (“Commission”) as
9 a Gas Safety Engineer in the Gas Safety Division of the Bureau of Investigation
10 and Enforcement (“I&E”).
11

12 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT EXPERIENCE?**

13 A. My education and employment background is attached as Appendix A.
14

15 **Q. PLEASE DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

16 A. I&E is responsible for representing the public interest in rate and other
17 proceedings before the Commission. I&E’s analysis in this proceeding is based on
18 its responsibility to represent the public interest. This responsibility requires the
19 balancing of the interests of the ratepayers, the regulated utility, and the regulated
20 community as a whole.

1 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

2 A. The purpose of my testimony is to address the base rate filing of Pike County
3 Light and Power Company (Gas) (“Pike Gas” or “Company”) as it relates to
4 pipeline replacement of bare steel, cast iron, wrought iron, and vintage plastic pipe
5 also known as first generation pipe. My direct testimony addresses the following
6 issues:

- 7 1. Federal regulations Pike Gas is required to follow;
8 2. Pipeline replacements of cast iron, wrought iron and bare steel; and
9 3. Pipeline replacement costs.

10
11 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

12 A. Yes. I&E Exhibit No. 4 contains schedules that support my direct testimony.
13

14 **DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM (DIMP)**

15 **Q. WHAT FEDERAL REGULATIONS APPLY TO PIKE GAS’ PIPELINE**
16 **REPLACEMENT?**

17 A. Pike Gas is required to follow the applicable regulations under Code of Federal
18 Regulations, Title 49, Section 192 (“49 CFR 192”). More specifically, Pike Gas is
19 mandated to adhere to the Distribution Integrity Management Program (“DIMP”)
20 under Title 49, Subpart P §§ 192.1001-1015 of the Code of Federal Regulations.

1 **Q. WHAT DOES DIMP REQUIRE?**

2 A. DIMP requires a natural gas utility to perform the following risk management
3 strategies:

- 4 1. Identify the threats to its facilities;
- 5 2. Evaluate and rank the risks of threats to the facilities;
- 6 3. Identify and implement measures to reduce risk;
- 7 4. Measure performance, monitor the results, and evaluate effectiveness;
- 8 5. Periodically evaluate and make improvements to the program; and
- 9 6. Report the results.

10 DIMP regulations require Pike Gas to identify the risks to its pipeline facilities and
11 to create a plan or plans to mitigate and reduce these risks. Pike Gas determines
12 pipeline replacements by risk ranking the different pipeline types and then
13 replacing the pipe based on the highest risk ranking.

14
15 **Q. HAVE YOU REVIEWED THE DISCOVERY RESPONSES OF PIKE GAS**
16 **CONSULTANT STEVE GRANDINALI AS IT RELATES TO ACTIVITIES**
17 **DESIGNED BY PIKE GAS TO IMPROVE THE SAFETY AND**
18 **RELIABILITY OF PIKE GAS' NATURAL GAS DISTRIBUTION**
19 **SERVICE?**

20 A. I have reviewed the responses provided by Mr. Grandinali in response to I&E
21 Interrogatories Set PS (Nos. 1-25). Mr. Grandinali summarizes Pike Gas' safety

1 and reliability improvement activities, including Pike Gas' annual pipeline
2 replacement activities and enhanced operations and maintenance activities.

3
4 **Q. HAVE YOU REVIEWED MR. GRANDINALI'S RESPONSES TO YOUR**
5 **INTERROGATORIES RELATED TO DIMP AND PIKE GAS' PIPELINE**
6 **REPLACEMENT PROGRAM?**

7 A. Yes.

8
9 **Q. WERE YOU ABLE TO DETERMINE IF PIKE GAS' OVERALL DIMP**
10 **RISK SCORE HAS BEEN DECREASING ANNUALLY BASED ON**
11 **DISTRIBUTION SYSTEM RISK MITIGATION EFFORTS?**

12 A. The only preventative and mitigative measures that Pike Gas indicated it is
13 implementing are its replacement of cast iron/wrought iron and bare steel
14 pipelines. Pike Gas has only provided one overall DIMP risk score for one
15 unspecified year. As such, I cannot determine if there is an increase or decrease
16 annually based on one data point.

17
18 **LONG TERM INFRASTRUCTURE IMPROVEMENT PLAN (LTIIP)**

19 **Q. HOW DOES PIKE GAS' LONG TERM INFRASTRUCTURE**
20 **IMPROVEMENT PLAN ADDRESS PIPELINE REPLACEMENT?**

21 A. Pike Gas' most recent Modified Long Term Infrastructure Improvement Plan
22 ("LTIIP") approved at Docket No. P-2019-3007304 states that all of Pike Gas' cast

1 iron/wrought iron, bare steel, and risky plastic pipe will be replaced by 2030.¹ The
2 plan itself does not break down these amounts by material type but does project
3 the overall miles of main to be replaced on a yearly basis and the projected cost to
4 complete each years allocated pipeline replacement.

5
6 **Q. BASED ON THE INFORMATION CONCERNING PIKE GAS' DIMP AND**
7 **LTIP PROVIDED IN RESPONSE TO YOUR INTERROGATORIES, HAS**
8 **PIKE GAS BEEN ACTIVELY WORKING TO DECREASE RISK IN ITS**
9 **PIPELINE IN AN EFFECTIVE MANNER?**

10 A. No. Based on the information obtained from Pike Gas in response to I&E-PS-18,
11 the risks associated with pipeline material types are cast iron/wrought iron (risk
12 number 1), bare steel (risk number 3) and Aldyl-A (risk number 7 and 8).² Based
13 on this information, Pike Gas would need to prioritize the replacement of cast
14 iron/wrought iron as this is the highest risk to its system. Pike Gas did not replace
15 any cast iron/wrought iron for calendar years 2020 and 2022 as per the Company's
16 response to I&E-PS-8³.

¹ *Petition of Pike County Light & Power Company for Modification of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2019-3007304 (Order Entered August 4, 2022).

² I&E Exhibit No.4, Schedule 7.

³ I&E Exhibit No.4, Schedule 4.

1 **Q. BASED ON THE PIPELINE REPLACEMENT TO DATE, HAS PIKE GAS**
2 **REACHED ITS PIPELINE REPLACEMENT GOALS AS SET FORTH BY**
3 **ITS MODIFIED LTIP?**

4 A. No. Pike Gas utilizes its 2018 Bare Steel Replacement Study to indicate the
5 material it projects to remove on a yearly basis until all risky pipeline is projected
6 to be removed in 2030⁴. Pike Gas submitted a Petition to Modify its LTIP on
7 April 6, 2022 that was approved by the Commission on August 4, 2022.⁵ In
8 calendar year 2021, Pike Gas has conflicting information relating to the removal
9 of cast iron main in its system. Based on the response to I&E-PS-8,⁶ Pike Gas
10 stated that it removed 0.36 miles of cast iron in 2021; however, utilizing the U.S.
11 Department of Transportation (“DOT”) reports for 2020 and 2021, Pike Gas
12 indicated that it removed 0.6 miles of cast iron in 2021.⁷ Reviewing the current
13 LTIP plan for Pike Gas broken down by material type and obtaining clarification
14 on the actual amount of removed cast iron main in 2021 would be the only way to
15 accurately determine how much risky pipe by material type Pike Gas has removed
16 on a yearly basis.

⁴ I&E Exhibit No.4, Schedule 5 and 6.

⁵ *Petition of Pike County Light & Power Company for Modification of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2019-3007304 (Order Entered August 4, 2022).

⁶ I&E Exhibit No.4, Schedule 4.

⁷ I&E Exhibit No.4, Schedule 9.

1 **Q. WHAT TIME FRAME IS GIVEN IN THE LTIIP PLAN FOR PIPELINE**
2 **REPLACEMENT, AND, BASED ON PAST HISTORY, WILL THE**
3 **COMPANY MEET ITS LTIIP PLAN FOR YEARLY REPLACEMENT?**

4 A. No. Pike Gas states in its Modified LTIIP approved at Docket No. P-2019-
5 3007304 that the Company will replace all the bare steel, wrought iron, and cast
6 iron pipe by 2030.⁸ Currently, Pike Gas has 4.86 miles of cast iron/wrought iron
7 and 1.87 miles of bare steel on its system.⁹ To complete this goal, the Company
8 will need to annually replace 0.81 miles of cast iron/wrought iron and 0.31 miles
9 of bare steel main by 2030. Utilizing the replacement amounts from Pike Gas'
10 annual reports for 2020-2024, the Company replaces an average amount of 0.36
11 miles/year of cast iron/wrought iron main and 0.32 miles/year of bare steel main.
12 At the current rate of pipeline replacement, the Company will meet the
13 replacement goal for bare steel by 2030 but will still have 2.7 miles of cast
14 iron/wrought steel in its system after 2030.¹⁰

15
16 **PIPELINE REPLACEMENT COSTS**

17 **Q. HAS PIKE GAS' COST PER MILE OF PIPELINE REPLACEMENTS**
18 **BEEN CHANGING?**

19 A. Yes. Pike Gas spent approximately \$422,994 per mile of main replaced in 2020,

⁸ *Petition of Pike County Light & Power Company for Modification of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2019-3007304 (Order Entered August 4, 2022).

⁹ I&E Exhibit No.4, Schedule 3.

¹⁰ I&E Exhibit No.4, Schedule 1.

1 \$426,271 per mile in 2021, \$790,353 per mile in 2022, \$664,690 per mile in 2023
2 and \$862,483 per mile in 2024 for main replacement projects.¹¹ Due to not having
3 a breakdown of the materials replaced for each calendar year, I am unable to break
4 it down further to material type replaced and the cost per material.

5
6 **Q. PIKE GAS STATED ON PAGE 4 OF THE “Q19 – PCLP GAS ANNUAL**
7 **ASSET OPTIMIZATION PLAN”¹² ATTACHMENT PROVIDED THAT**
8 **THE TWO REASONS FOR THE INCREASED COST TO REPLACE**
9 **PIPELINE MAIN IS INFLATION AND PREVAILING WAGE LAWS**
10 **ENACTED IN NEW YORK IN 2023. DO YOU BELIEVE THESE TO BE**
11 **ADEQUATE REASONS FOR THE INCREASE IN PIPELINE**
12 **REPLACEMENT COSTS?**

13 **A.** Pike Gas’ cost per mile of pipeline replaced increased from calendar years 2020 to
14 2024. Pike Gas did not completely answer I&E-PS-19 related to the breakdown of
15 restoration costs as part of the overall pipeline replacement costs.¹³ As such, I
16 cannot determine how much the increase in pipeline replacement costs is
17 attributed to an increase in restoration costs or other factors such as inflation and
18 prevailing wage laws passed in New York.

¹¹ I&E Exhibit No.4, Schedule 2.

¹² 2024 ASSET OPTIMIZATION PLAN - PCLP, Docket No. M-2025-3053809, p.4 (Order Entered March 7, 2025).

¹³ I&E Exhibit No.4, Schedule 8.

1 **Q. DO YOU HAVE ANY RECOMMENDATIONS AS TO HOW PIKE GAS**
2 **MAY REDUCE RESTORATION COSTS ASSOCIATED WITH PIPELINE**
3 **CONSTRUCTION?**

4 A. Pike Gas should look into cost saving strategies such as expanding the contractor
5 pool. Pike Gas should also take a more strategic approach in planning its
6 replacement projects to coincide with other utility/municipal work or planned
7 paving projects.

8

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

10 A. Yes.

Andrew W. Hiorth

Professional and Educational Background

Experience:

Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania

June 2021 – Present

Gas Safety Engineer, Bureau of Investigation and Enforcement

McLean Contracting Company, Baltimore, Maryland

May 2020 – May 2021

Field Engineer

Education and Training:

Pennsylvania College of Technology, Williamsport, Pennsylvania

Bachelor of Science, Civil Engineering Technology, 2020

Testimony Submitted:

R-2024-3052357 - Pike County Light & Power Company (Gas) (active)

I&E Exhibit No. 4
Witness: Andrew W. Hiorth

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

**Exhibit to Accompany
The**

Direct Testimony

of

Andrew W. Hiorth

Bureau of Investigation and Enforcement

Concerning:

**Distribution Integrity Management Plan (DIMP)
Long Term Infrastructure Improvement Plan (LTIIIP)
Pipeline Replacement Costs**

Calculations

Miles of Material removed by year							
Material	2020	2021	2022	2023	2024	Total	Average per year
Cast Iron/wrought iron	0	0.36	0	1.16	0.28	1.8	0.36
Bare Steel	0.34	0.28	0	0.49	0.48	1.59	0.32

Material	Bare Steel	Cast/wrought Iron
Remaining Pipe to be Replaced (miles)	1.87	4.86
Average required amount of pipe replaced (miles) to finish by 2030	0.31	0.81
Amount of pipe (miles) that will be replaced if current average is maintained	1.91	2.16
Remaining pipe to replace (miles) if current average per year is maintained	0	2.7

See Pike Gas responses to I&E-PS-6, I&E-PS-8, I&E-PS-9, I&E-PS-10, I&E-PS-13, I&E-PS-14, I&E-PS-15, I&E-PS-24 and I&E-PS-25.

Calculations

Costs For Pipeline Replacement Projects					
	2020	2021	2022	2023	2024
Pipe Replaced (miles)	1.25	1.39	0.15	1.62	0.91
Cost for replacements (dollars)	\$528,742	\$592,517	\$118,553	\$1,076,797	\$782,769
Cost per mile of pipe replaced (dollar/mile)	\$422,994	\$426,271	\$790,353	\$664,690	\$862,483

See Pike Gas responses to I&E-PS-6, I&E-PS-8, I&E-PS-9, I&E-PS-10, I&E-PS-13, I&E-PS-14, I&E-PS-15, I&E-PS-19, I&E-PS-24 and I&E-PS-25.

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
TO BUREAU OF INVESTIGATION & ENFORCEMENT’S
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENT
SET PS NOS. 1-25**

I&E-PS-6 Provide a breakdown of miles of main by material for the categories
Wrought Iron, Cast Iron, Bare Steel Protected/Unprotected, Coated
Steel, Plastic and Other (describe the other category) main in the
Pike Gas system.

RESPONSE: Refer to the chart below for details.

	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	1.87	0	0	2.11	11.62	4.86	0	0	0	0	20.46

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 10, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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SET PS NOS. 1-25**

I&E-PS-8 Provide the number of miles of Cast Iron main replaced in the Pike
Gas system for each year from 2020 through 2024.

RESPONSE: Refer to the listing below for the number of miles of Cast Iron main
replaced for each period requested:

2020 – 0.00mi

2021 – 0.36mi

2022 – 0.00mi

2023 – 1.16mi

2024 – 0.28mi

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-9 Provide the number of miles of Wrought Iron main replaced in the
Pike Gas system for each year from 2020 through 2024.

RESPONSE: Refer to the “PHMSA” PDF report attachments provided for details
on the number of miles of Cast/Wrought Iron replaced for each year
requested. Please note we do not separate the Cast/Wrought totals
individually, just disclose the overall total.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-10 Provide the number of miles of Bare Steel main replaced in the Pike
Gas System for each year from 2020 through 2024.

RESPONSE: Refer to the listing below for the number of miles of Bare Steel main
replaced for each period requested:

2020 – 0.34mi

2021 – 0.28mi

2022 – 0.00mi

2023 – 0.49mi

2024 – 0.48mi

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENT
SET PS NOS. 1-25**

I&E-PS-12 What metrics does Pike Gas use to determine which pipeline
segments are replaced?

RESPONSE: Our risk assessment, as a part of our DIMP, has these metrics
including but not limited to flood zones, pipe material, leak history,
PUC requirements, etc.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-13 What are the current forecasted replacement goals for 2025 through
2035 for Cast Iron, Wrought Iron and Bare Steel?

RESPONSE: The current forecasted replacement footage goals for the years to
come, including CI, BS, and WI, are as follows:

2025 – 1.22mi

2026 – 1.25mi

2027 – 1.25mi

2028 – 1.29mi

2029 – 1.12mi

2030 – 1.44mi

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-14 By what date is Pike Gas proposing that all Cast Iron will be
removed from its system?

RESPONSE: The Company proposes to have all of our CI removed by the end of
the construction season in 2030.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

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**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-15 By what date is Pike Gas proposing that all Wrought Iron will be
removed from its system?

RESPONSE: The Company proposes to have all of the WI out of the system by
2030.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-18 Provide a list of what Pike Gas’ DIMP identifies as the top 10 risks to its gas system for each year from 2020 through 2024. Explain how these scores were developed, how risks are being addressed, and the steps being taken to mitigate these risks.

RESPONSE: The top 10 risks to the gas system are as follows:

1. Cast iron
2. Natural Forces
3. bare steel
4. atmospheric corrosion
5. other outside forces
6. material failure (permalock)
7. Aldyl-A
8. Aldyl-A
9. Falling snow or ice
10. internal corrosion

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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SET PS NOS. 1-25**

I&E-PS-19 Provide a summary showing the total cost of pipeline replacement on a per mile basis, separated by year, including but not limited to the following costs: design/inspection, materials, construction/labor, pavement restoration and permits in for each year from 2020 through 2024.

RESPONSE: Refer to the “Q19 – PCLP Gas Annual Asset Optimization Plan” attachment provided for details. As part of our gas LTIP program, we file annual reports every year showing the total pipeline replacement footage planned, actual relaced, budgeted spend and actual spend, along with the number of services replaced. Refer to the LTIP Table included on page 6 of 7 of the plan provided for the amounts by year from 2019 through 2024.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

V. LTIIP Table

Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
Main Footage - Planned	3,603	7,001	6,367	5,476	8,100	8,100	7,515	6,077	6,703	3,664	905	63,511
Main Footage - Actual Replaced	3,147	6,582	7,342	796	8,545	4,792						
Accelerated Main Budget	\$230,000	\$396,000	\$440,000	\$704,000	\$1,395,000	\$983,125	\$867,983	\$736,988	\$853,552	\$489,898	\$127,054	\$7,223,599
Actual Spent	\$246,211	\$528,742	\$592,517	\$118,553	\$1,076,797	\$782,769						
Services Planned	37	55	55	56	106	120	58	54	61	65	56	723
Service Replaced	18	26	65	7	109	87						
Accelerated Service Budget	\$111,000	\$165,000	\$165,000	\$196,000	\$405,000	\$480,000	\$219,240	\$204,120	\$230,580	\$245,700	\$211,680	\$2,633,320
Actual Spent	\$63,000	\$120,000	\$240,000	\$28,000	\$419,000	\$394,215						
Total Accelerated Budget	\$341,000	\$561,000	\$605,000	\$900,000	\$1,800,000	\$1,463,125	\$1,087,223	\$941,108	\$1,084,132	\$735,598	\$338,734	\$9,856,919
Total Actual Spent	\$309,211	\$648,742	\$832,517	\$146,553	\$1,495,797	\$1,176,984						

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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SET PS NOS. 1-25**

I&E-PS-20 Provide a copy of Pike Gas’ 2018 Cast Iron Study.

RESPONSE: See attached Confidential Security Information.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-22 Compare Pike Gas’ pipeline replacement rates for calendar years
2020 through 2024 to the LTIIP proposed replacement rates. Explain
whether the replacement rates mitigate the risk adequately as
determined through the DIMP.

RESPONSE: The Company feels that the replacement rates appropriately mitigate
the risk as determined through the DIMP.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
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**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
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SET PS NOS. 1-25**

I&E-PS-24 Provide Gas’ annual reports for calendar years 2020 through 2023.

RESPONSE: Refer to the “PHMSA” reports provided for all calendar years 2020
through 2024.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

2020 Annual Report

PART B - SYSTEM DESCRIPTION											
1.GENERAL											
	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	3.12			2.39	7.44	6.9	0	0	0	0	19.85
NO. OF SERVICES	415			145	476	0	0	0	0	0	1036

2021 Annual Report

PART B - SYSTEM DESCRIPTION											
1.GENERAL											
	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPE R	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	2.84			2.36	8.47	6.3	0	0	0	0	19.97
NO. OF SERVICES	348			145	547	0	0	0	0	0	1040

2022 Annual Report

PART B - SYSTEM DESCRIPTION					Report miles of main and number of services in system at end of year.						
1. GENERAL											
	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	Reconditioned Cast Iron	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	2.84	0	0	2.36	9.58	6.3	0	0	0	0	21.08
NO. OF SERVICES	340	0	0	145	563	0	0	0	0	0	1048

2023 Annual Report

PART B - SYSTEM DESCRIPTION											
1.GENERAL											
	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	2.35	0	0	2.35	11.74	5.14	0	0	0	0	21.58
NO. OF SERVICES	241	0	0	145	671	0	0	0	0	0	1057

Pennsylvania Public Utility Commission v. Pike County Light & Power Company – Gas
Division; Docket No. R-2024-3052357

**PIKE COUNTY LIGHT & POWER COMPANY – GAS DIVISION’S RESPONSES
TO BUREAU OF INVESTIGATION & ENFORCEMENT’S
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENT
SET PS NOS. 1-25**

I&E-PS-25 Provide Pike Gas’ 2024 annual report as soon as it becomes
available.

RESPONSE: Refer to the “PHMSA” reports provided for all calendar years 2020
through 2024.

PROVIDED BY: Steve Grandinali, Consultant

DATE: March 11, 2025

2024 Annual Report

PART B - SYSTEM DESCRIPTION											
1.GENERAL											
	STEEL				PLASTIC	CAST/ WROUGHT IRON	DUCTILE IRON	COPPER	OTHER	RECONDITION ED CAST IRON	SYSTEM TOTAL
	UNPROTECTED		CATHODICALLY PROTECTED								
	BARE	COATED	BARE	COATED							
MILES OF MAIN	1.87	0	0	2.11	11.62	4.86	0	0	0	0	20.46
NO. OF SERVICES	178	0	0	145	739	0	0	0	0	0	1062

**I&E Statement No. 3-SR
Witness: Ethan H. Cline**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (GAS)

Docket No. R-2024-3052357

Surrebuttal Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

**WEATHER NORMALIZATION ADJUSTMENT
RATE BASE
DEPRECIATION EXPENSE
FORFEITED DISCOUNTS
COST OF SERVICE
CUSTOMER CHARGES
REVENUE ALLOCATION
SCALE BACK**

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SCALE BACK OF RATES	15

1 **INTRODUCTION**

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

3 A. My name is Ethan H. Cline. My business address is 400 North Street, Harrisburg, PA
4 17120.

5
6 **Q. ARE YOU THE SAME ETHAN H. CLINE WHO SUBMITTED I&E
7 STATEMENT NO. 3 AND I&E EXHIBIT NO. 3 ON APRIL 3, 2025?**

8 A. Yes.

9
10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of Paul
12 M. Normand, identified as Pike County Light and Power Company (“Pike County
13 (Gas)” or “Company”) Statement No. 1-R (Gas), and Charles Lenns and Matthew
14 Lenns (“the Accounting Panel”), identified as Pike County Light and Power Company
15 Statement No. 2-R (Gas), which were submitted on behalf of Pike County Light and
16 Power Company (Gas), and witness Mark D. Ewen, identified as Office of Small
17 Business Advocate (“OSBA”) Statement No. 1-R, which was submitted on behalf of
18 the Office of Small Business Advocate.

19
20 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

21 A. No.

1 **WEATHER NORMALIZATION ADJUSTMENT**

2 **Q. WHAT DID YOU RECOMMEND REGARDING THE COMPANY’S WNA**
3 **PROPOSAL?**

4 A. I recommended that the Commission reject the Company’s Weather Normalization
5 Adjustment (“WNA”) proposal.¹ In the event that the Commission does not reject the
6 Company’s WNA proposal, I recommended that the Commission establish a 3%
7 deadband.²

8
9 **Q. DID THE COMPANY RESPOND TO YOUR RECOMMENDATION?**

10 A. Yes. The Company disagreed with my recommendation and continues to request the
11 implementation of a WNA.³ The Company also did not object to a 3% deadband as a
12 condition for implementing the WNA.⁴

13
14 **Q. HOW DID THE COMPANY ADDRESS YOUR RECOMMENDATION TO**
15 **REJECT THE WNA?**

16 A. The Company provided responses to five of the fourteen questions contained in the
17 Commission’s Final Policy Statement Order at Docket No. M-2015-2518883 that I
18 addressed in my direct testimony and provided a discussion regarding budget billing.⁵

¹ I&E Statement No. 3, p. 4.

² *Id.* p. 12.

³ Pike Gas Statement No. 2-R, p. 5.

⁴ *Id.* p. 32.

⁵ *Id.* at pp. 32-33.

1 **Q. HOW DID THE COMPANY RESPOND TO THE QUESTION REGARDING**
2 **COST CAUSATION PRINCIPLES AS TO BOTH FIXED AND VARIABLE**
3 **COSTS?**

4 A. The Company claimed “[t]he WNA is designed to pass back or recover costs
5 contained in the tail blocks. If the customer charges were increased to only recover
6 fixed costs, there would not be a need for a WNA, they would all be recovered in the
7 customer charge.”⁶

8
9 **Q. DID THE COMPANY FULLY ADDRESS THE CONCERNS YOU RAISED**
10 **REGARDING COST CAUSATION PRINCIPLES IN YOUR DIRECT**
11 **TESTIMONY?**

12 A. No. The Company did not address my concern, discussed on page 9 of I&E
13 Statement No. 3, that charging customers more through the WNA when usage is
14 down results in customers paying for a product they are not receiving. Therefore, I
15 continue to believe that the WNA stands directly opposed to cost of service and cost
16 causation principles.

17
18 **Q. HOW DID THE COMPANY ADDRESS THE QUESTIONS REGARDING**
19 **CUSTOMER INCENTIVES AND DISINCENTIVES FOR CUSTOMERS TO**
20 **EMPLOY EFFICIENCY MEASURES?**

21 A. The Company claimed that the WNA uses customers’ actual consumption in the

⁶ *Id.* at p. 32.

1 calculation and, “[t]o the extent that a customer has installed more energy efficiency
2 equipment, their energy usage would be less and their WNA adjustment smaller than
3 customers that have not installed more energy efficient equipment.”⁷

4
5 **Q. DO YOU AGREE WITH THE COMPANY’S POSITION?**

6 A. No. Under the Company’s explanation, customers are effectively punished for not
7 having energy-efficiency equipment, potentially because they cannot afford to install
8 this more expensive equipment. Additionally, as I stated on pages 9-10 of I&E
9 Statement No. 3, the benefit to the customers from paying a higher cost to purchase
10 the more expensive energy efficient appliances would be severely eroded with the
11 introduction of the WNA. Therefore, the WNA serves as a disincentive for energy
12 efficiency.

13
14 **Q. HOW DID THE COMPANY ADDRESS THE QUESTION OF APPROPRIATE**
15 **CONSUMER PROTECTIONS?**

16 A. The Company did not address consumer protections. It only mentioned the 3%
17 deadband that I recommended as a condition of approval of the WNA.⁸

18
19 **Q. DO YOU BELIEVE THAT A 3% DEADBAND PROVIDES SUFFICIENT**
20 **CONSUMER PROTECTIONS?**

21 A. No. The 3% deadband does not serve as a consumer protection. Instead, it is merely

⁷ *Id.* at pp. 32-33.

⁸ *Id.* at p. 33.

1 a reflection that “normal weather” is variable rather than static. The fact that the
2 Company did not provide a discussion of any other consumer protections proves that
3 they do not exist, which supports my recommendation that the WNA be rejected.
4

5 **Q. HOW DID THE COMPANY RESPOND TO THE QUESTION REGARDING**
6 **WHETHER THE WNA IS UNDERSTANDABLE TO CUSTOMERS?**

7 A. The Company stated that it “agrees that the actual mechanics involved in the
8 calculation of the WNA, and other portions of a customer bill may not always be
9 readily understood by all customers. Ratemaking concepts in general are not always
10 readily understood by customers. That is the nature of complex issues like
11 ratemaking.”⁹
12

13 **Q. PLEASE RESPOND TO THE COMPANY’S RESPONSE TO THE QUESTION**
14 **OF WHETHER OR NOT THE WNA IS UNDERSTANDABLE TO**
15 **CUSTOMERS.**

16 A. The Company did not provide a response to the question, nor did it provide any
17 methods that it would take to reduce confusion. Instead, the Company’s testimony is
18 simply a dismissal of the concerns raised by the Commission through its questions.
19 The Company’s unwillingness to adequately inform its customers is further evidence
20 that the WNA should be rejected.

⁹ *Id.*

1 **Q. HOW DID THE COMPANY RESPOND TO YOUR POSITION THAT THE**
2 **COMPANY’S EXISTING BUDGET BILLING PROGRAM IS A BETTER**
3 **METHOD FOR BILL MANAGEMENT THAN A WNA?¹⁰**

4 A. The Company agreed that the budget billing program allows customers to better
5 budget and spread the cost of their monthly energy usage over the course of a year,
6 but then claimed that budget billing working in conjunction with the WNA would
7 produce more normalized bills over a course of years.¹¹
8

9 **Q. DID THE COMPANY PROVIDE ANY SUPPORT FOR ITS CLAIM THAT**
10 **BUDGET BILLING WORKING IN CONJUNCTION WITH THE WNA**
11 **WOULD PRODUCE MORE NORMALIZED BILLS OVER A COURSE OF**
12 **YEARS?**

13 A. No. The Company did not provide any further discussion or support for its claim that
14 budget billing in conjunction with the WNA would produce more normalized bills
15 over a course of years.
16

17 **Q. DO YOU AGREE WITH THE COMPANY’S CLAIM?**

18 A. No. The changes in bills from the WNA, in addition to the necessary yearly
19 reconciliation already associated with budget billing, would eliminate any year-over-
20 year ability to anticipate bills for customers.

¹⁰ I&E Statement No. 3, p. 5.

¹¹ Pike Gas Statement No. 2-R, p. 33.

1 **Q. DO YOU WANT TO CHANGE YOUR RECOMMENDATION REGARDING**
2 **THE WNA?**

3 A. No. The Company did not provide any further testimony that supports the WNA as a
4 reasonable alternative ratemaking methodology. Therefore, I continue to recommend
5 that the Commission reject the Company's WNA proposal.
6

7 **Q. DID THE COMPANY ADDRESS ANY OTHER ISSUES RELATED TO THE**
8 **WNA?**

9 A. Yes. The Company claimed that it reflected a revenue adjustment of \$91,543 in the
10 year ending September 30, 2025, associated with the WNA and that both I&E and the
11 Office of Consumer Advocate ("OCA") should have removed the adjustment
12 consistent with the recommendations to deny the WNA.
13

14 **Q. DO YOU AGREE THAT THE \$91,543 IS ASSOCIATED WITH THE WNA**
15 **AND SHOULD BE REMOVED IF THE WNA IS DENIED?**

16 A. No. There should be no revenue adjustment included in the base rate case associated
17 with the WNA as its purpose is to adjust a customer's bill based on weather *after* a
18 revenue requirement based on normal weather has been determined. The \$91,543
19 described by the Company appears to be a revenue adjustment to normalize weather,
20 which is a standard adjustment for all utilities in base rate cases and should not be
21 removed.

1 **RATE BASE**

2 **Q. WHAT ADJUSTMENT TO RATE BASE DID YOU RECOMMEND?**

3 A. I recommended a reduction to the Company's claimed rate base of \$1,050,200.
4 Specifically, the \$1,050,200 is comprised of a \$1,201,900 adjustment to net plant in
5 service (reduction of \$1,189,200 in gas plant and \$12,700 in allocated common plant)
6 and decreases of \$133,600 and \$18,100 in accumulated depreciation.¹²

7
8 **Q. DO YOU HAVE ANY CORRECTIONS TO YOUR TESTIMONY AND**
9 **EXHIBIT REGARDING RATE BASE?**

10 A. Yes. The total recommended rate base shown on page 22 of I&E Statement No 3 as
11 well as I&E Exhibit No. 3, Schedule 11 of \$9,361,642 is incorrect. Instead, the total
12 rate base recommendation from my direct testimony should be \$9,628,842.
13 Additionally, the Company identified that my adjustments to depreciation reserve did
14 not reflect the impact of retirements during the October 1, 2025 – March 31, 2026
15 time period. Reflecting the retirements would result in an accumulated depreciation
16 of \$86,600 for gas plant and \$1,830 for common plant allocated to gas for a total of
17 \$88,430.¹³

18
19 **Q. DO YOU AGREE WITH THE COMPANY'S CORRECTIONS TO YOUR**
20 **ACCUMULATED DEPRECIATION CLAIM?**

21 A. Yes. I agree with the Company's corrected accumulated depreciation claim.

¹² I&E Statement No. 3, pp. 22-23.

¹³ Pike Gas Statement No. 2-R, pp. 6-7.

1 **Q. DID THE COMPANY AGREE TO ELIMINATE THE POST FUTURE TEST**
2 **YEAR PLANT ADDITIONS, ASSOCIATED ACCUMULATED**
3 **DEPRECIATION RESERVE, AND ACCUMULATED DEFERRED INCOME**
4 **TAXES?**

5 A. Yes. The Company agreed to reduce its rate base by \$1,124,270 to reflect the
6 elimination of the post future test year plant additions, associated accumulated
7 depreciation reserve, and accumulated deferred income taxes.¹⁴
8

9 **Q. DO YOU AGREE WITH THE COMPANY'S UPDATED RATE BASE**
10 **CLAIM?**

11 A. Yes. The Company's updated rate base claim of \$9,537,672 shown on Pike Gas
12 Statement No. 2-R, Appendix A Rebuttal, Pike AP-G Update, Schedule 1 is
13 reasonable.
14

15 **ANNUAL DEPRECIATION EXPENSE**

16 **Q. WHAT ADJUSTMENT TO THE COMPANY'S \$333,100 CLAIM FOR**
17 **ANNUAL DEPRECIATION EXPENSE DID YOU RECOMMEND?**

18 A. I recommended that the Company's claimed annual depreciation expense be reduced
19 by \$34,900 from \$333,100 to \$298,200.¹⁵

¹⁴ *Id.* at p. 7.

¹⁵ I&E Statement No. 3, p. 24.

1 **Q. HOW DID THE COMPANY RESPOND TO YOUR ANNUAL**
2 **DEPRECIATION EXPENSE RECOMMENDATION?**

3 A. The Company pointed to the difference between my recommendation and that OCA
4 witness Jennifer L. Rodgers' recommended adjustment of \$33,279, which was caused
5 by OCA witness Rodgers using a weighting of the composite depreciation rate in her
6 calculation. The Company then accepted the OCA's annual depreciation expense
7 adjustment.

8
9 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION?**

10 A. Yes. The OCA's recommended \$33,279 adjustment to annual depreciation expense is
11 reasonable and, therefore, I will also adopt that recommendation.

12
13 **COST OF SERVICE**

14 **Q. DID THE COMPANY PROVIDE A COST OF SERVICE STUDY ("COSS") IN**
15 **THIS PROCEEDING?**

16 A. Yes. The Company performed and provided a series of COSSs in its filing sponsored
17 by Pike Gas witness Paul M. Normand on pages 5-6 of Pike Gas Statement No. 1.
18 Mr. Normand prepared an Embedded COSS under present and proposed rates. He
19 classified all the costs in the COSS as either demand-related or customer-related.¹⁶

¹⁶ Pike Gas Statement No. 1, p. 7.

1 **Q. DID YOU AGREE WITH THE COMPANY’S PROPOSED COSS**
2 **METHODOLOGY?**

3 A. No. I did not agree with the Company’s proposed COSS methodology of classifying
4 costs as either demand-related or customer-related. I recommended the Commission
5 base its allocation of costs on the peak and average methodology that does not
6 allocate the cost of mains on a customer basis.¹⁷

7
8 **Q. DID ANY PARTIES OPPOSE YOUR RECOMMENDATION TO USE THE**
9 **PEAK AND AVERAGE METHODOLOGY TO ALLOCATE COSTS?**

10 A. Yes. Both the Company and the OSBA opposed my recommendation to use the Peak
11 and Average methodology to allocate costs.

12
13 **Q. WHY DID THE COMPANY OPPOSE YOUR RECOMMENDATION TO USE**
14 **THE PEAK AND AVERAGE METHODOLOGY TO ALLOCATE COSTS?**

15 A. The Company claimed that “design day allocation of mains is totally consistent with
16 the engineering design and planning process that drive the capital investments made
17 to deliver gas to customers on the coldest expected load or design day. No other
18 allocation method mentioned recognizes the major planning criteria for a gas utility.
19 Absent a minimum system customer component, the only rational approach to the
20 allocation [of] mains is the design day demands.”¹⁸

¹⁷ I&E Statement No. 3, p. 27.

¹⁸ Pike Gas St. No. 1-R, p. 9.

1 **Q. WHY DID THE OSBA OPPOSE YOUR RECOMMENDATION TO USE THE**
2 **PEAK AND AVERAGE METHDOLOGY?**

3 A. OSBA witness Ewen referenced the arguments against the Peak and Average
4 methodology laid out on page 6 of OSBA Statement No. 1 which amount to his claim
5 that mains costs are not causally related to average use. Mr. Ewen also claimed that
6 Commission Orders, including the 2021 Columbia Gas Order at Docket No. R-2020-
7 3018835 (“2021 Columbia Gas Order”) that I cited to in my direct testimony in
8 support of the Peak and Average method, reaffirm that the terms and conditions of
9 settlements are not relied upon as precedential and that cost of service studies should
10 be evaluated on a case-by-case basis.¹⁹

11
12 **Q. DO YOU AGREE WITH MR. EWEN THAT THE TERMS AND**
13 **CONDITIONS OF SETTLEMENTS ARE NOT PRECEDENTIAL?**

14 A. Yes.
15

16 **Q. IS THE 2021 COLUMBIA GAS ORDER THE RESULT OF A SETTLEMENT?**

17 A. No. The 2021 Columbia Gas case was fully litigated and, therefore, the dispositions
18 in the Order could and should be seen as precedential. This includes the
19 Commission’s stated opinion that specifically rejects the arguments offered by both
20 the Company and OSBA for not using the Peak and Average methodology to allocate
21 costs.

¹⁹ OSBA Statement No. 1-R, pp. 3-4.

1 **Q. WHAT DID THE COMMISSION STATE IN THE 2021 COLUMBIA GAS**
2 **ORDER REGARDING THE DESIGN DAY ALLOCATION OF MAINS?**

3 A. The Commission stated on page 217 of the 2021 Columbia Gas Order:

4 It is not reasonable to allocate distribution mains investment
5 based solely on design peak day demands as in Columbia's
6 Customer-Demand ACCOSS. The basic reason Columbia
7 invests in its distribution system is to meet the annual demands
8 for gas by customers. Additionally, a portion of the total cost of
9 distribution service is related to installing a system with enough
10 throughput capacity to meet design peak demands in excess of
11 annual demands.²⁰

12
13 The Company's rebuttal testimony stands in direct opposition to this
14 Commission Order and should be rejected.

15
16 **Q. DID THE COMMISSION ADDRESS WHETHER OR NOT MAIN COSTS**
17 **ARE CAUSALLY RELATED TO AVERAGE USE?**

18 A. Yes. The Commission stated on page 217 of the 2021 Columbia Gas Order that
19 "[f]urthermore, distribution mains exist and are related to both annual demands and
20 peak demands."²¹ This stands in direct opposition to Mr. Ewen's claim, which should
21 be rejected as not consistent with Commission precedent.

22
23 **Q. DID THE COMPANY ADDRESS ANY OTHER ASPECT OF THE PEAK AND**
24 **AVERAGE METHODOLOGY?**

25 A. Yes. Mr. Normand claimed that the allocations between the Peak demand and

²⁰ *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835, p. 217 (Order Entered February 19, 2021).

²¹ *Id.*

1 Average demand should be 75% / 25% rather than the 50% / 50% that I
2 recommended based on the ratio of annual gas throughput to design day demand. He
3 further claims that a 50/50 relationship magnifies the shift from demand to average
4 use.²²

5
6 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION?**

7 A. No. Despite claiming that a 75/25 allocation is more reasonable, the Company did
8 not provide a cost of service study using that allocation. As such, I am unable to
9 analyze a cost of service study under those circumstances, and therefore I continue to
10 recommend the cost of service study attached to my direct testimony that uses the
11 Peak and Average methodology with a 50/50 relationship.

12
13 **REVENUE ALLOCATION**

14 **Q. WHAT DID YOU RECOMMEND REGARDING THE RATE INCREASES**
15 **PROPOSED BY THE COMPANY?**

16 A. Absent the Commission reducing the requested increase to a level that does not result
17 in such significant increases described on pages 31-33 of I&E Statement No. 3, I
18 recommended that the Company's rate increase be phased in over two years. That
19 way, instead of a single overall increase of 83%, customers will have two increases of
20 41.5%, spaced one year apart. This approach is less likely to cause ratepayers to
21 experience rate shock.

²² Pike Gas Statement No. 1-R, p. 10.

1 **Q. DID ANY PARTIES ADDRESS YOUR PHASE IN RECOMMENDATION?**

2 A. No. Therefore, I continue to recommend that the Company's rate increase be phased
3 in over two years.
4

5 **SCALE BACK OF RATES**

6 **Q. WHAT SCALE BACK METHODOLOGY DID YOU RECOMMEND IF THE**
7 **COMMISSION GRANTS LESS THAN THE FULL INCREASE?**

8 A. If the Commission grants less than the Company's requested increase, I recommended
9 that the Commission scale-back rates based upon the cost of service study that it
10 determines is reasonable on a proportional basis, except that no class should receive a
11 rate decrease.²³
12

13 **Q. DID ANY PARTIES ADDRESS YOUR SCALE BACK RECOMMENDATION?**

14 A. No. Therefore, I continue to recommend that the Commission scale-back rates based
15 upon the cost of service study that it determines is reasonable on a proportional basis,
16 except that no class should receive a rate decrease.
17

18 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes.

²³ I&E Statement No. 3, p. 38.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2024-3052357
	:	
Pike County Light & Power Company – Gas	:	

**VERIFICATION OF
ZACHARI WALKER**

I, Zachari Walker, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents identified as:

- I&E Statement No. 1
- I&E Exhibit No. 1

were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an evidentiary hearing in this matter. This Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

/s/ Zachari Walker
Zachari Walker
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: May 19, 2025

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2024-3052357
	:	
Pike County Light & Power Company – Gas	:	

**VERIFICATION OF
CHRISTOPHER KELLER**

I, Christopher Keller, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents identified as:

- I&E Statement No. 2
- I&E Exhibit No. 2

were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an evidentiary hearing in this matter. This Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

/s/Christopher Keller
Christopher Keller
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: May 19, 2025

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2024-3052357
	:	
Pike County Light & Power Company – Gas	:	

**VERIFICATION OF
ETHAN H. CLINE**

I, Ethan H. Cline, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents identified as:

- I&E Statement No. 3
- I&E Exhibit No. 3
- I&E Statement No. 3-SR

were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an evidentiary hearing in this matter. This Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

/s/ Ethan H. Cline
Ethan H. Cline
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: 5/20/25

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

Pike County Light & Power Company – Gas

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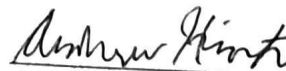
Docket No. R-2024-3052357

**VERIFICATION OF
ANDREW W. HIORTH**

I, Andrew W. Hiorth, on behalf of the Bureau of Investigation and Enforcement, hereby verify that the documents identified as:

- I&E Statement No. 4
- I&E Exhibit No. 4

were prepared by me or under my direct supervision and control. Furthermore, the facts contained therein are true and correct to the best of my knowledge, information and belief and I expect to be able to prove the same at an evidentiary hearing in this matter. This Verification is made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



Andrew W. Hiorth
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: 5/19/25