



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 – Electric
Docket No. R-2024-3052359
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:

Getachew Bedasa:	I&E Statement No. 1	I&E Exhibit No. 1
D. C. Patel:	I&E Statement No. 2	I&E Exhibit No. 2
Esyan Sakaya:	I&E Statement No. 3	I&E Exhibit No. 3
Esyan Sakaya:	I&E Statement No. 3-SR	

Verifications for Getachew Bedasa, D. C. Patel, and Esyan Sakaya

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.
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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-2024-3052359
 :
 Pike County Light & Power Company – Electric :

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

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**I&E Statement No. 1
Witness: Getachew Bedasa**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT AND POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Direct Testimony

of

Getachew Bedasa

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

RATE BASE

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
3 **ADDRESS.**

4 A. My name is Getachew Bedasa. I am a Fixed Utility Financial Analyst in the
5 Technical Division of the Pennsylvania Public Utility Commission's (Commission
6 or PUC) Bureau of Investigation and Enforcement (I&E). My business address is
7 Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120.

8
9 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**
10 **BACKGROUND.**

11 A. My education and professional background are set forth in the attached
12 Appendix A.

13
14 **Q. DESCRIBE THE ROLE OF I&E IN RATE PROCEEDINGS.**

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

19
20 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

21 A. The purpose of my direct testimony is to review the base rate filing of Pike County
22 Light & Power Company - Electric (Pike Electric or Company), and make

1 recommended adjustments to the Company's proposed operating and maintenance
2 (O&M) expenses and related rate base claims for the future test year (FTY) ending
3 September 30, 2025.

4
5 **Q. DOES YOUR DIRECT TESTIMONY INCLUDE AN EXHIBIT?**

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

7
8 **Q. SUMMARIZE THE COMPANY'S OVERALL CLAIMED REVENUE**
9 **REQUIREMENT.**

10 A. The Company's base rate case was filed on January 14, 2025, requesting an
11 increase of \$1,874,600 to claimed present rate revenues of \$16,236,900 resulting
12 in a total overall revenue requirement of \$18,111,500.

13
14 **Q. PLEASE SUMMARIZE YOUR RECOMMENDED ADJUSTMENTS.**

15 A. The following table summarizes my recommended adjustments other than a
16 correction to the Company's interest expense methodology which is explained in
17 the last section of my direct testimony below:

	Company Claim	I&E Recommended Allowance	I&E Recommended Adjustment
O&M Expenses & Taxes:			
Rate Case Expense	\$53,100	\$42,500	(\$10,600)
Payroll Expense	\$482,104	\$472,104	(\$10,000)
Benefits Expense	\$173,798	\$170,193	(\$3,605)
Payroll Tax Expense	\$36,900	\$36,116	(\$784)
Intercompany Expense	\$787,977	\$580,177	(\$207,800)
Storm Expense	\$75,216	\$69,279	(\$5,937)
Excess ADIT Expense Adjustment	\$0	(\$17,420)	(\$17,420)
Total O&M & Tax Adjustments			<u>(\$256,146)</u>
Rate Base Adjustments:			
Deferred Debits	\$302,100	\$0	(\$302,100)
Deferred Credits	\$91,900	(\$126,465)	(\$218,365)
Accum. Deferred Income Taxes	(\$1,773,000)	(\$1,749,300)	\$23,700
Cash Working Capital	\$548,495	\$514,005	(\$34,490)
Total Rate Base Adjustments			<u>(\$531,255)</u>

1

2

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

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

5 A. While I and the other I&E witnesses, DC Patel and Esyan Sakaya,¹ do not agree
6 with the methods used to arrive at the requested revenue increase of \$1,874,600,
7 all of the I&E adjustments combined do not produce a downward adjustment to
8 the Company's requested increase after factoring in the correction to an error
9 shown in the filing for interest expense. Thus, I&E is accepting the Company's
10 overall requested increase of \$1,874,600, but in end result only.

¹ I&E Statement No. 2 and I&E Statement No. 3.

1 **RATE CASE EXPENSE**

2 **Q. BRIEFLY DESCRIBE THE NATURE AND TYPES OF EXPENDITURES**
3 **TYPICALLY ALLOWED AS A PART OF A REGULATED UTILITY’S**
4 **OVERALL RATE CASE EXPENSE.**

5 A. The nature and types of individual expenditures that comprise a utility’s allowable
6 claim for rate case expense are those directly incurred to compile, present, and
7 defend a utility’s request for a base rate increase before the Commission. The
8 actual expenditures and estimated costs typically found in an allowable rate case
9 expense claim include legal fees for outside counsel, fees to outside consultants,
10 and the cost of printing, document assembly, and postage.

11
12 **Q. HOW HAS THE COMMISSION TRADITIONALLY TREATED RATE**
13 **CASE EXPENSE FOR RATEMAKING PURPOSES?**

14 A. The Commission has historically stated that it considers prudently incurred rate
15 case expense as an ongoing expense, occurring at irregular intervals, related to the
16 rendering of utility service. The Commission has also cited the importance of
17 considering the subject utility’s history regarding the frequency of rate case filings
18 as an essential element to determine the normalized level of rate case expense for
19 ratemaking purposes.

20
21 **Q. HOW IS THE FREQUENCY OF RATE CASE FILINGS DETERMINED?**

22 A. The frequency is determined by calculating the average number of months

1 between the utility's recent base rate filings.

2
3 **Q. WHAT IS THE COMPANY'S CLAIM FOR RATE CASE EXPENSE?**

4 A. The Company's total rate case expense of \$212,500 is amortized over four years,
5 producing an FTY claim of \$53,100 (rounded) ($\$212,500 / 4$ years).²

6
7 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

8 A. The Company's claim is based on 85% of estimated expenses for this case and the
9 concurrently filed Pike Gas case, including costs anticipated to be incurred for
10 outside legal services and other external consultants.³ The Company has proposed
11 to amortize the entire rate case expense over four years, consistent with the time
12 between the last rate case and the current one, considering the fact that all other
13 previous cases were filed under previous ownership of this utility, and that Pike
14 Electric anticipates filing base rate cases every four years going forward.⁴

15
16 **Q. PLEASE EXPLAIN HOW THE COMPANY CALCULATED THIS CLAIM.**

17 A. The Company's claim for rate case expense in the current proceeding consists of
18 \$250,000 in total rate case expenses for the Pike Gas and Pike Electric
19 proceedings where 85% of its estimated incremental rate case cost is allocated to
20 electric operations for a total rate case expense of \$212,500 ($\$250,000 \times 85\%$).

² Pike Electric Exhibit E-4, Schedule 9.

³ I&E Exhibit No. 1, Schedule 1.

⁴ I&E Exhibit No. 1, Schedule 1, p. 2.

1 The Company's proposed four-year (48-month) amortization results in its annual
2 expense claim of \$53,100 ($\$212,500 \div 4$ years) (rounded).

3
4 **Q. HAS THE COMPANY CONFUSED THE USE OF THE TERMS**
5 **AMORTIZATION AND NORMALIZATION?**

6 A. Yes. The Company's filing presents a rate case expense claim based on
7 amortizing the total expense, and the Company has correspondingly included the
8 unamortized amount in rate base⁵ which will be addressed in the Deferred Debits
9 section of my direct testimony below. However, in response to I&E-RE-15-D,
10 conflicting information is provided in that Pike Electric states that it is normalizing
11 the expense as opposed to amortizing rate case expense.⁶

12
13 **Q. DO YOU AGREE WITH THE COMPANY'S RATE CASE EXPENSE**
14 **CLAIM?**

15 A. No. I have two areas of disagreement with Pike Electric's rate case expense claim.
16 First, the Company's claimed four-year period is not supported by the Company's
17 historic record of filing frequency. Its proposed accounting period fails to
18 properly rely upon historic data and is speculative in nature when referencing the
19 timing of potential future base rate filings. As such, it cannot be justifiably relied
20 upon to determine the appropriate period to apply normalization treatment.

⁵ Pike Electric Exhibit E-3, Schedule 6.

⁶ I&E Exhibit No. 1, Schedule 1, p. 1.

1 Second, I disagree with the Company's attempt to amortize, rather than normalize,
2 its rate case expense claim at any amount.

3
4 **Q. WHAT IS YOUR RECOMMENDATION FOR RATE CASE EXPENSE?**

5 A. I recommend that the Company's rate case expense be normalized over a period of
6 60 months, resulting in an annual expense of \$42,500 ($\$212,500 \div 60$ months) x
7 12 months), or a reduction of \$10,600 ($\$53,100 - \$42,500$) to the Company's
8 claim.

9
10 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

11 A. I disagree with the Company's claimed 48-month amortization period as it is not
12 supported by the Company's historic filing frequency. The proposed recovery
13 period fails to properly rely upon historic data. As such, the proposed 48-month
14 period should be rejected.

15 In contrast to the Company's claimed 48-month period, I recommend a 60-
16 month normalization period. The normalization period of 60 months is a
17 reasonable interval given the Company's actual base rate filing history over the
18 most recent four base rate cases, considering the base rate filings made by the
19 current and prior owner of Pike Electric.⁷ Based on the following data, the
20 Company has an average historic base rate case filing frequency of every 66

⁷ Prior rate case filing data for Pike Electric was obtained from the Commission's document management system, InfoMap.

1 months when considering the base rate cases filed by the Company's new owner,
2 Corning Energy Company, and the prior owner:⁸

Docket No.	Date Filed	Filing Interval
R-2024-3052359	January 14, 2025	51 months
R-2020-3022135	October 26, 2020	81 months
R-2013-2397237	January 17, 2014	66 months
R-2008-2046518	July 17, 2008	

3
4 Using the Company's four most recent base rate case filing dates, the average
5 interval is 66 months $[(51 + 81 + 66 \text{ months}) \div 3 \text{ intervals}]$. The Company's
6 requested 48-month recovery period is unsupported. Thus, a 48-month period
7 should be rejected, as it would result in an unreasonable increase in rates. A 60-
8 month normalization period is more appropriate because it moderates the impact
9 of the longer historic filing frequency.

10
11 **Q. HAVE OTHER UTILITIES BEEN GRANTED A NORMALIZATION**
12 **PERIOD BASED ON SPECULATION OF FUTURE FILINGS, AND IF SO,**
13 **WHAT WAS THE RESULT?**

14 A. Yes. In 2012, the Commission granted PPL Electric Utilities Corporation (PPL)
15 permission to normalize its rate case expense over a 24-month period based on the
16 expected timing of future base rate case filings.⁹ That base rate case was filed on

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

⁹ *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, pp. 47-48 (Order Entered December 28, 2012).

1 March 30, 2012; however, PPL did not file its next rate case until March 31, 2015,
2 which was 36 months after the 2012 rate case filing. It should be noted that I&E's
3 recommended normalization period in the 2012 proceeding was a 32-month
4 interval based on that company's historic filing frequency.¹⁰ The I&E
5 recommendation in that instance produced a much more accurate result than
6 relying on PPL's stated future intention to file a rate case.

7
8 **Q. ARE THERE ANY RECENT COMMISSION DECISIONS THAT SUPPORT**
9 **YOUR RECOMMENDATION FOR A RATE CASE FILING INTERVAL**
10 **BASED ON HISTORIC FILING FREQUENCY?**

11 A. Yes. The following six cases resulted in the Commission using each company's
12 historic average filing frequency.

13 First, in a base rate case filed by Emporium Water Company, the
14 Commission adopted I&E's recommended historic filing frequency finding in
15 favor of I&E's recommended five-year normalization period based on a historic
16 average filing frequency that was rounded down from 64 months.¹¹

17 Second, in a base rate case filed by the City of DuBois, the Commission
18 agreed with I&E's recommendation to use an historic filing frequency finding in

¹⁰ I&E Statement No. 2, pp. 13-14 at Docket No. R-2012-2290597.

¹¹ *Pa. PUC v. Emporium Water Company*, Docket No. R-2014-2402324, Opinion and Order, p. 50 (Order Entered January 28, 2015).

1 favor of I&E’s recommended 64-month normalization period which matched the
2 actual historic filing frequency.¹²

3 Third, in a base rate case filed by Columbia Gas of Pennsylvania, Inc., the
4 Commission held that the normalization period should align with the historic data
5 rather than the Company’s intent to file its next base rate case.¹³

6 Fourth, in a base rate case filed by PECO Energy Company - Gas Division
7 (PECO Gas), the Commission granted I&E’s recommended five-year
8 normalization period rather than the PECO Gas claim based on a three-year period
9 because the Commission determined a normalization period based on actual
10 historic filing frequency is more reliable than future speculation.¹⁴

11 Fifth, in a base rate case filed by Philadelphia Gas Works (PGW), the
12 Commission agreed with I&E’s recommended 53-month normalization period
13 rather than PGW’s claim based on a three-year period because the Commission
14 granted a normalization period based on actual historic filing frequency and not
15 PGW’s future intention to file a rate case.¹⁵

16 Finally, in the most recent base rate case filed by Columbia Water
17 Company, the Commission held that the normalization period should align with

¹² *Pa. PUC v. City of DuBois - Bureau of Water*, Docket No. R-2016-2554150, Opinion and Order, pp. 65-66 (Order Entered March 28, 2017) and *Pa. PUC v. City of DuBois - Bureau of Water*, Docket No. R-2016-2554150, Opinion and Order, p. 13 (Order Entered May 18, 2017).

¹³ *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835, Opinion and Order, pp. 78-79 (Order Entered February 19, 2021).

¹⁴ *Pa. PUC v. PECO Energy Company (Gas Division)*, Docket No. R-2020-3018929, Opinion and Order, p. 119 (Order Entered June 22, 2021).

¹⁵ *Pa. PUC v. Philadelphia Gas Works*, Docket No. R-2023-3037933, Opinion and Order, pp. 65-66 (Order Entered November 9, 2023).

1 the historic filing frequency rather than that company’s intent to file its next rate
2 case, and that the intent to file a base rate case does not justify deviating from the
3 Commission’s practice of relying on historic filing frequency.¹⁶
4

5 **Q. GIVEN THESE COMMISSION ORDERS AND THE COMPANY’S FILING**
6 **HISTORY, IS THE COMPANY’S PROPOSED 48-MONTH RECOVERY**
7 **PERIOD REASONABLE?**

8 A. No. The Company has not demonstrated that it will file its next base rate case
9 within 48 months of this rate case. My recommended 60-month normalization
10 period is in the public interest as it moderates the Company’s historic filing
11 intervals between rate case filings while also being long enough to protect
12 customers from paying an unreasonable amount in rates.
13

14 **Q. YOUR SECOND ISSUE IDENTIFIED ABOVE PERTAINS TO THE**
15 **REQUIREMENT THAT RATE CASE EXPENSE SHOULD BE**
16 **NORMALIZED RATHER THAN AMORTIZED. BRIEFLY DISCUSS THE**
17 **CONCEPT OF NORMALIZATION.**

18 A. Normalization is a ratemaking concept that describes the transformation of an
19 operating expense that recurs at irregular intervals into a normal annual test year
20 expense allowance. Normalization specifically addresses the prospective recovery

¹⁶ *Pa. PUC v. Columbia Water Company*, Docket No. R-2023-3040258, Opinion and Order, p. 34 (Order Entered January 18, 2024).

1 of an ongoing expense that recurs sporadically. Allowed normalized rate case
2 expenses are no different than any other O&M expense in that a company is given
3 the opportunity to achieve full recovery.

4
5 **Q. EXPLAIN THE CONCEPT OF AMORTIZATION.**

6 A. Amortization is an accounting procedure that extinguishes an atypical,
7 nonrecurring expense over a pre-determined number of years by charging to
8 operations a pro-rata share based on the selected amortization period. Although a
9 claim for an unrecovered normalized expense would be disallowed if requested in
10 a subsequent rate case, because the base rate case gives the opportunity to
11 reevaluate and reset the normalized level of expense, an amortization expense
12 allowance could be claimed in succeeding rate cases until the full balance is
13 extinguished.

14
15 **Q. IS THE COMPANY'S CLAIMED AMORTIZATION OF RATE CASE**
16 **EXPENSE APPROPRIATE?**

17 A. No. The Company's rate case expense claim should be normalized instead of
18 amortized because it is an ongoing expense that recurs at irregular intervals, which
19 is the precise circumstance under which normalization treatment of an expense
20 should occur.

1 **Q. IS THERE ANY OTHER ISSUE CONCERNING RATE CASE EXPENSE?**

2 A. Yes. The Company improperly claims the unamortized portion of rate case
3 expense in rate base. I address this issue in the Deferred Debits section of my
4 testimony below.

5

6 **PAYROLL EXPENSE**

7 **Q. WHAT IS INCLUDED IN PAYROLL EXPENSE?**

8 A. The Company started with its historic test year (HTY) payroll expense, then added
9 annualizations for HTY and FTY pay increases before adding claims for new
10 positions not yet filled.¹⁷

11

12 **Q. WHAT IS THE COMPANY'S CLAIM FOR PAYROLL EXPENSE?**

13 A. The Company is claiming \$482,104 for payroll expense.¹⁸

14

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

16 A. As mentioned above, the Company started with its HTY payroll expense and
17 added annualizations for HTY and FTY pay increases of 4% for union and non-
18 union positions, then the Company added its share of two new positions, the
19 assistant general manager and system planner, anticipated to be filled during the
20 FTY.¹⁹

¹⁷ Pike Electric Exhibit E-4, Schedule 4.

¹⁸ Pike Electric Exhibit E-4, Schedule 13, p. 2.

¹⁹ Pike Electric Exhibit E-4, Schedule 4.

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

2 A. I accept the Company's annualization of the HTY and FTY pay increases²¹ and the
3 newly added assistant general manager position, but I disagree with the claim for
4 the system planner position. The Company has stated that the assistant general
5 manager position will be the result of a promotion from within the Company and it
6 will be filled in April 2025.²² I accept that this promotion from within the
7 Company is likely to occur in the FTY. However, I am not convinced that the
8 system planner position will be filled in the FTY because the Company initially
9 indicated that it would be filled in April 2025,²³ next the Company indicated the
10 position would be filled in July 2025,²⁴ but the Company then contradicted itself
11 saying it was not sure when the position would ultimately be filled.²⁵ Since Pike
12 Electric has not demonstrated thus far that it has even posted the position or has
13 any specific plans to do so,²⁶ and due to the timeline for filling this position
14 already being delayed at least once, it seems unlikely that this position will be
15 filled before the end of the FTY.

²¹ Although I disagree with the way the Company displayed it in the filing.

²² I&E Exhibit No. 1, Schedule 3.

²³ Pike Electric Exhibit E-4, Schedule 4, p. 2.

²⁴ I&E Exhibit No. 1, Schedule 3.

²⁵ I&E Exhibit No. 1, Schedule 4.

²⁶ I&E Exhibit No. 1, Schedule 4.

1 **BENEFITS EXPENSE**

2 **Q. WHAT IS INCLUDED IN BENEFITS EXPENSE?**

3 A. The Company has included claims for payroll ancillary costs such as health and
4 life insurance, 401(k) matching, and workers' compensation, herein referred to as
5 benefits expense.²⁷

6
7 **Q. WHAT IS THE COMPANY'S CLAIM FOR BENEFITS EXPENSE?**

8 A. The Company is claiming a total benefits expense of \$173,798. I calculated this
9 benefits expense claim by multiplying the Company's fringe benefit rate of
10 36.05% by the FTY payroll expense claim to arrive at a benefits expense claim of
11 \$173,798.²⁸ That is $\$482,104 \times 0.3605 = \$173,798$.

12
13 **Q. WHAT IS THE BASIS FOR THE COMPANY'S CLAIM?**

14 A. The Company based its claim on the HTY benefits expense increased by a share of
15 36.05% (2.54% for 401k expense, 22.02% for health and life insurance, and
16 11.49% for workers' compensation) of the increase to payroll expense for the
17 annualized pay increases and the new positions claim in the FTY.²⁹

²⁷ Pike Electric Exhibit E-4, Schedule 5.

²⁸ Pike Electric Exhibit E-4, Schedule 13 and Pike Electric Statement No. 2, p. 40.

²⁹ Pike Electric Exhibit E-4, Schedule 5.

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

3 A. No.

5 **Q. WHAT IS YOUR RECOMMENDATION FOR BENEFITS EXPENSE?**

6 A. I recommend an allowance of \$170,193, a reduction of \$3,605 (\$173,798-
7 \$170,193) to the Company’s claim.

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

10 A. Consistent with my recommended payroll expense adjustment above, I am
11 recommending a corresponding adjustment to benefits expense by multiplying the
12 adjusted payroll expense of \$472,104 (\$482,104 - \$10,000) by the fringe benefit
13 rate of 36.05%, producing a recommended allowance of \$170,193.

14 This recommended adjustment is broken down by benefits expense
15 category for cash working capital adjustment purposes as follows:

	Company	I&E	I&E Adj.
I&E Adjustment Broken Down by Category:	<u>Claim</u>	<u>Recommendation</u>	<u>by Category</u>
401(k) Match	\$ 12,245	\$ 11,991	\$ (254)
Health & Life	106,159	103,957	(2,202)
Workers' Compensation	55,394	54,245	(1,149)
	<u>\$ 173,798</u>	<u>\$ 170,193</u>	<u>\$ (3,605)</u>

16

1 **PAYROLL TAX EXPENSE**

2 **Q. WHAT IS INCLUDED IN PAYROLL TAX EXPENSE?**

3 A. The Company has included a claim for its share of the Federal Insurance
4 Contribution Act (FICA), Medicare, and unemployment taxes, herein referred to
5 as payroll tax expense.

6

7 **Q. WHAT IS THE COMPANY'S CLAIM FOR PAYROLL TAX EXPENSE?**

8 A. The Company is claiming a payroll tax expense of \$36,900.³⁰

9

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

11 A. The Company applied a FICA/Medicare rate of 7.65% to the total salaries and
12 wages of \$482,104 and rounded off the result.³¹ Thus, $\$482,104 \times 0.0765 =$
13 $\$36,900$ (rounded).

14

15 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR PAYROLL TAX**
16 **EXPENSE?**

17 A. No.

18

19 **Q. WHAT IS YOUR RECOMMENDATION FOR PAYROLL TAX EXPENSE?**

20 A. I recommend an allowance of \$36,116, a reduction of \$784 (\$36,900 - \$36,116) to

³⁰ Pike Electric Exhibit E-4, Schedule 13, p. 2.

³¹ *Id.*

1 the Company claim.

2

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

4 A. Consistent with my recommended payroll expense adjustment above, I removed
5 the salary claimed for the system planner position of \$10,000 before applying a
6 FICA/Medicare rate of 7.65% to the total salaries and wages. Hence, my
7 recommended allowance is calculated as follows: $(\$482,104 - \$10,000) \times 0.0765 =$
8 $\$36,116$.

9

10 **INTERCOMPANY EXPENSE**

11 **Q. WHAT IS INTERCOMPANY EXPENSE?**

12 A. Intercompany expense is the cost allocated to different companies within the same
13 corporate group.

14

15 **Q. WHAT IS THE COMPANY'S CLAIM FOR INTERCOMPANY EXPENSE?**

16 A. The Company is claiming intercompany expense of \$787,977 ($\$780,177 +$
17 $\$7,800$).³²

18

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

20 A. The Company claims that the adjustment reflects the test year's level of

³² Pike Electric Exhibit E-4, Schedule 10.

1 intercompany charges not reflected in other schedules such as payroll, taxes other,
2 etc. The Company added 1% of Consumer Price Index to HTY intercompany
3 expense of \$780,177 to arrive at the claim of \$787,977.³³ That is, $(\$780,177 \times$
4 $0.01) + \$780,177 = \$787,977$.

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

8 A. No.

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

12 A. I recommend an allowance of \$580,177, a reduction of \$207,800 ($\$787,977 -$
13 $\$580,177$) to the Company claim.

14
15 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

16 A. The Company stated in response to I&E-RE-42 that the \$200,000 M&T credit card
17 charge in 2024 is a one-time historic expense.³⁴ This historic expense is
18 nonrecurring and should not be included in the FTY allowance for intercompany
19 expense. In addition, the Company stated in response to I&E-RE-16-D that the
20 1% Consumer Price Index application to intercompany expense was “an

³³ Pike Electric Statement No. 2, p. 43 & Pike Electric Exhibit E-4, Schedule 10.

³⁴ I&E Exhibit No. 1, Schedule 5.

1 estimate.”³⁵ This is speculative in nature and, as such, should not be included as a
2 part of the intercompany expense allowance.

3
4 **STORM EXPENSE**

5 **Q. HAS THE COMPANY PREVIOUSLY BEEN GRANTED PERMISSION TO**
6 **DEFER STORM COSTS AND SEEK RECOVERY IN THIS BASE RATE**
7 **PROCEEDING?**

8 A. Yes. In a previous deferral filing, the Company received permission from the
9 Commission to defer storm costs and seek to recover such costs in this instant
10 proceeding. Specifically, the Company filed a petition at Docket No. P-2018-
11 3001395 requesting deferral of storm expenses related to Hurricane Riley. The
12 Commission allowed the Company “to defer for accounting and financial
13 reporting purposes certain expenses from damage caused to its property by Winter
14 Storm Riley” under the conditions outlined in the Order entered on June 14,
15 2018.³⁶

16
17 **Q. WHEN DID THE COMPANY BEGIN RECOVERING THE DEFERRED**
18 **STORM EXPENSES AS APPROVED FOR DEFERRAL IN 2018?**

19 A. At the conclusion of the prior rate case at Docket No. R-2020-3022135, Pike

³⁵ I&E Exhibit No. 1, Schedule 6.

³⁶ *Petition of Pike County Light & Power for Authorization to Defer, for Accounting and Financial Reporting Purposes, Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses*, Docket No. P-2018-3001395, Order, p. 5 (Order Entered June 14, 2018).

1 Electric started amortizing the storm deferral of \$977,630 associated with Winter
2 Storm Riley over five years at \$195,526 per year.³⁷

3
4 **Q. WHAT IS THE COMPANY’S EXPENSE CLAIM FOR THE STORM**
5 **DEFERRAL?**

6 A. The Company claimed an amortized expense of \$75,216.³⁸

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

9 A. The Company has requested an amortization period of four years for recovery of
10 deferred storm costs remaining and not yet amortized as of the HTY for Winter
11 Storm Riley of \$346,393 and minor storms (future estimate) of \$150,000.³⁹ The
12 Company has reflected a four-year amortization period for deferred costs by
13 approximating the amount of time between the last rate change and when the new
14 rates will go into effect from the current filing.⁴⁰

15
16 **Q. HAS THE COMPANY ACKNOWLEDGED ANY ERRORS THAT NEED**
17 **TO BE CORRECTED RELATED TO ITS STORM EXPENSE CLAIM?**

18 A. Yes. In response to I&E-RE-24-D, the Company indicated that the \$150,000

³⁷ I&E Exhibit No. 1, Schedule 7 and *Pa. PUC v. Pike County Light & Power Company – Electric*, Docket No. R-2020-3022135, Joint Petition for Partial Settlement of Rate Investigation, p. 5, and Opinion and Order, p. 17 (Order Entered July 21, 2021).

³⁸ Pike Electric Exhibit E-4, Schedule 7.

³⁹ Pike Electric Exhibit E-4, Schedule 7.

⁴⁰ I&E Exhibit No. 1, Schedule 7.

1 estimate for future small storms is not an HTY cost to be amortized, but rather it is
2 a normalized storm expense claim. The Company will make a correction for this
3 misapplication in its rebuttal testimony.⁴¹
4

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

6 A. No.
7

8 **Q. WHAT IS YOUR RECOMMENDATION FOR STORM EXPENSE?**

9 A. I recommend an allowance of \$69,279, or a reduction of \$5,937 (\$75,216 -
10 \$69,279) to the Company's claim.
11

12 **Q. WHAT IS THE BASIS OF YOUR RECOMMENDATION?**

13 A. I recommend amortization of the remaining balance of \$346,393 over five years in
14 line with my rate case normalization period consistent with the Company's filing
15 frequency, which produces an allowance for storm expense amortization of
16 \$69,279 ($\$346,393 / 5$ years). The Company appears to have made an error when
17 it deducted \$195,528 for the FTY prior to determining the annual expense amount.
18 Thus, I have adjusted for that in my calculation. Additionally, I do not recommend
19 any allowance for "minor storms" based on future estimates as the Company did
20 not provide support for such estimates when asked.⁴² Instead, the Company

⁴¹ Pike Electric Exhibit E-4, Schedule 7, p. 1.

⁴² I&E Exhibit No. 1, Schedule 8, p. 1.

1 provided this table as “Q24 – Pike Storm Work Orders” which does not indicate
 2 how a future estimate for minor storms was determined:

Pike Storm Work Orders					
Prefix	Order Number	Full Desc	Type	Order Status	Cost
PKE	220016	WINTER STORM DIAZ	CAP	CLOSED	NO COST
PKE	231005	ELECTRIC - NOR'EASTER SAGE	CAP	CLOSED	\$ 29,188.30
PKE	231007	ELECTRIC - STORM LOCKOUT SUBS - STORM-1 - 07-13-2023	CAP	CLOSED	\$ 26,343.36
PKE	231008	ELECTRIC - THUNDERSTORMS 08-07-2023	CAP	CLOSED	\$ 3,287.25
PKE	241002	ELECTRIC - WINTER STORM EMBER	CAP	CLOSED	\$ 12,142.43
PKE	245001	ELECTRIC WIND STORM - 3-11-24 - MILFORD	CAP	CLOSED	\$ 103,027.28
PKE	245002	ELECTRIC - WIND STORM 4-3-24 - MILFORD	CAP	CLOSED	\$ 20,295.67
PKE	248020	ALTICE, PINE HILL FARM ROAD - WESTFALL - OH TRANSFORMER, UG SERVICE, CONDUIT, (POLE BROKE FROM STORM) -NB-0002068	CAP	CLOSED	\$ 300.66
PKE	241002	ELECTRIC WINTER STORM EMBER	CAP	CLOSED	\$ 12,142.43
PKE	245005	WINTER STORM 11/21-11/24/2024	CAP	OPEN	\$ 23,782.10
PKE	245006	WINTER STORM 12/5/2024	CAP	CLOSED	\$ 2,411.60

3
4

5 **Q. IS THERE ANY OTHER ISSUE CONCERNING THE STORM COST**
 6 **CLAIM?**

7 A. Yes. The Company inappropriately included the unamortized portion of the storm
 8 cost claim in rate base.⁴³ I will address this issue in the deferred debits section of
 9 my testimony below.

10

11 **DEFERRED DEBITS**

12 **Q. WHAT HAS THE COMPANY INCLUDED IN DEFERRED DEBITS?**

13 A. The Company has included amounts for storm costs and unamortized rate case
 14 expense net of income tax in a rate base line item called deferred debits.⁴⁴

⁴³ Pike Electric Exhibit E-3, Schedule 6.
⁴⁴ Pike Electric Exhibit E-3, Schedule 6.

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

2 A. The Company's claim for deferred debits net of income tax is \$302,100.⁴⁵

3

4 **Q. WHAT IS THE COMPANY'S BASIS FOR INCLUDING DEFERRED**
5 **DEBITS IN RATE BASE?**

6 A. This amount consists of \$150,865 before tax for deferred storm costs for Winter
7 Storm Riley and \$264,745 before tax for deferred rate case expense for a total
8 claim of \$415,610 (\$150,865 + \$264,745). Then the Company adjusts the total of
9 the two amounts, \$415,610 (\$150,865 + \$264,745) for income taxes producing a
10 deferred debits claim in rate base of \$302,100.⁴⁶

11

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

15 A. No.

16

17 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR DEFERRED**
18 **DEBITS?**

19 A. No.

⁴⁵ Pike Electric Exhibit E-3, Summary, p. 1 and Pike Electric Exhibit E-3, Schedule 6.

⁴⁶ Pike Electric E-3, Schedule 6.

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

2 A. I recommend disallowance of the Company's entire \$302,100 claim for deferred
3 debits in rate base for both the unamortized balance for Winter Storm Riley and
4 unamortized rate case expense.

5

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

7 A. The Company has a need to track such remaining balances on its books and
8 records for accounting purposes. However, it is not appropriate to include these
9 items in rate base.

10

11 **Q. PLEASE EXPLAIN WHY IT IS NOT APPROPRIATE TO INCLUDE AN**
12 **UNAMORTIZED DEFERRED STORM COST BALANCE IN RATE BASE.**

13 A. The authorization to defer, for accounting purposes, the storm costs experienced
14 for Winter Storm Riley is an exceptional accounting treatment authorized through
15 an order of the Commission that mitigates the income statement impact of the
16 extraordinary expenses realized. The permission to defer does not guarantee
17 recovery from ratepayers, nor does it specify the ratemaking treatment for the
18 deferred expenses. Including storm cost deferral balances in rate base allows the
19 Company to earn a return on and a return of storm cost expenses, which is not an
20 acceptable ratemaking practice for an operating expense.

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

3 A. The Company has accounted for its FTY rate case expense claim of \$53,100 on
4 Pike Electric Exhibit E-4, Schedule 9. In determining that amount, the Company
5 recommended amortizing this expense as opposed to normalizing it as discussed
6 previously in this testimony. The Company's deferred debits claim for rate case
7 costs is the total rate case expense claim of \$212,500. If the Company were
8 allowed to include deferred rate case costs in rate base along with capturing an
9 amount on the expense side, it would earn a return on and a return of rate case
10 expense. Any allowance for return on an expense, in addition to a return of such
11 an expense, is not an authorized and legitimate ratemaking practice. Also, as
12 stated previously, with respect to rate case expense, normalization of such a claim,
13 rather than amortization, is the appropriate ratemaking treatment, and
14 normalization does not include a remaining balance nor allow for a remaining
15 balance to be captured in rate base.

16
17 **DEFERRED CREDITS AND CORRESPONDING EXPENSE ADJUSTMENT**

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

19 A. The Company has included excess accumulated deferred income taxes (excess
20 ADIT) net of income tax in rate base as what is ultimately an increase to rate base

1 by displaying it as a negative deduction to rate base.⁴⁷

2
3 **Q. WHAT IS THE COMPANY'S CLAIM FOR DEFERRED CREDITS?**

4 A. The Company's claim for deferred credits, net of income tax, is \$91,900.⁴⁸

5
6 **Q. WHAT IS THE COMPANY'S BASIS FOR INCLUDING DEFERRED**
7 **CREDITS IN RATE BASE?**

8 A. As explained above, the double negative on Pike Electric Exhibit E-3, Summary,
9 p. 1 results in an increase to rate base. The Company is amortizing the amount
10 agreed upon in the prior rate case proceeding, amortizing the protected balance
11 over forty years and the nonprotected balance over five years.⁴⁹

12
13 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR DEFERRED**
14 **CREDITS?**

15 A. No.

16
17 **Q. WHAT IS YOUR RECOMMENDATION FOR DEFERRED CREDITS?**

18 A. I recommend an allowance of -\$126,465, or a reduction of \$218,365 (\$91,900 - (-
19 \$126,465)), which represents a decrease to rate base for the total excess ADIT

⁴⁷ Pike Electric Exhibit E-3, Summary, p. 1.

⁴⁸ Pike Electric Exhibit E-3, Schedule 7.

⁴⁹ *Pa. PUC et. al v. Pike County Light & Power Company – Electric*, Docket No. R-2020-3022135, Opinion and Order, pp. 17-18 (Order Entered July 21, 2021) and Pike Electric Exhibit E-3, Schedule 7.

1 amount (not net of income tax).⁵⁰

2
3 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

4 A. My recommendation is based on the prior Commission order that indicates “the
5 unamortized balance will continue to reduce rate base in future proceedings until
6 the balance is fully returned to ratepayers.”⁵¹ This remaining balance should not
7 be an increase to rate base as portrayed by the Company in the rate base summary.
8 Additionally, I recommend that the total amount should be reflected in rate base
9 like the treatment of routine accumulated deferred income taxes and not an amount
10 net of tax.

11
12 **Q. AS THIS DEFERRED CREDIT IS AMORTIZED, IS THERE ANY OTHER**
13 **IMPACT TO RATES THAT SHOULD BE ADDRESSED?**

14 A. Yes. The corresponding side of this entry should be a reduction to the expense
15 side of the revenue requirement. The Company has reduced the regulatory
16 liability (deferred credits) for the annual amortization amount of \$17,420;
17 however, the corresponding expense reduction is not reflected in the filing.
18 Therefore, an additional adjustment is necessary.

⁵⁰ Pike Electric Exhibit E-3, Schedule 7.

⁵¹ *Pa. PUC et. al v. Pike County Light & Power Company – Electric*, Docket No. R-2020-3022135, Opinion and Order, pp. 17-18 (Order Entered July 21, 2021).

1 **Q. WHAT IS THE CORRESPONDING EXPENSE ADJUSTMENT?**

2 A. I recommend a reduction to operating expenses of \$17,420 (\$2,766 protected +
3 \$14,654 nonprotected) for the excess ADIT expense as explained above and in the
4 prior Commission order which states as follows for the protected and nonprotected
5 portions,⁵²

6 The Company will amortize the Protected TCJA balance over
7 forty-years as a credit to expense at the rate of \$2,766 per
8 annum.

9 The Company will amortize the Non-Protected TCJA balance
10 over five-years as a credit to expense at the rate of \$14,654 per
11 annum.
12

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

14 **Q. WHAT IS ADIT?**

15 A. In a rate filing, ADIT generally represents the difference between accelerated
16 depreciation methods used for income tax purposes and book depreciation
17 methods used for ratemaking purposes. The balance is typically reflected as an
18 offset to a utility's base claim.
19

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

21 A. The Company's claim for ADIT is \$1,773,000, which is a negative offset to utility
22 plant, or a reduction, to rate base.⁵³

⁵² *Pa. PUC et. al v. Pike County Light & Power Company – Electric*, Docket No. R-2020-3022135, Opinion and Order, pp. 17-18 (Order Entered July 21, 2021).

⁵³ Pike Electric Exhibit E-3, Schedule 9.

1 **Q. DO YOU AGREE WITH THE COMPANY’S CLAIM?**

2 A. No.

3

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

5 A. I recommend an allowance of -\$1,749,300 or an increase of \$23,700 (\$1,773,000 -
6 \$1,749,300) to ADIT, representing an increase to rate base.

7

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

9 A. My recommendation aligns with I&E witness Esyan Sakaya’s direct testimony
10 related to the removal of post-FTY plant additions, the corresponding accumulated
11 depreciation, and the corresponding depreciation expense. Since those Company
12 claims are unsupported, as described by Mr. Sakaya, this corresponding
13 adjustment to ADIT is necessary as it related to the tax to book timing differences
14 for depreciation for that very same post-FTY plant.⁵⁴

15

16 **CASH WORKING CAPITAL (CWC)**

17 **Q. WHAT IS A CWC ALLOWANCE FOR RATEMAKING PURPOSES?**

18 A. CWC includes the amount of funds necessary to operate a utility during the
19 interim period between the rendition of service, including the payment of related

⁵⁴ I&E Exhibit No. 1, Schedule 9.

1 expenses, and the receipt of revenue in payment for services rendered by the
2 utility.

3
4 **Q. HOW DOES THE COMPANY CALCULATE ITS CWC CLAIM?**

5 A. The Company calculates its CWC claim using a lead/lag study. A lead/lag study
6 measures the differences in time between: (1) the time services are rendered until
7 payment of those services is received; and (2) the time between the point when a
8 utility has incurred an expense and the actual payment of the expense. Stated a
9 different way, the lead/lag study measures how many days exist on an average
10 between the midpoint of the service period and the date the payment is made.

11
12 **Q. DO YOU ACCEPT THE COMPANY'S USE OF THE LEAD/LAG
13 METHOD?**

14 A. Yes.

15
16 **Q. WHAT IS THE COMPANY'S CLAIM FOR CWC?**

17 A. The Company's claim for CWC is \$548,495.⁵⁵

18
19 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM?**

20 A. No.

⁵⁵ Pike Electric Exhibit E-3, Schedule 3, p. 2.

1 **Q. WHAT DO YOU RECOMMEND?**

2 A. I recommend an allowance of \$514,005⁵⁶ or reduction of \$34,490 (\$548,495 -
3 \$514,005) to the Company's claim.

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

6 A. My recommendation includes modification of the Company's claim based on
7 removing uncollectibles expense from the computation and reflection of all
8 recommended adjustments to O&M expenses as discussed above. These
9 components are discussed in more detail below.

10

11 **Q. WHAT IS YOUR RATIONALE FOR EXCLUDING UNCOLLECTIBLES**
12 **FROM THE CASH WORKING CAPITAL COMPUTATION?**

13 A. My understanding is the uncollectibles expense is a non-cash item and thus should
14 be excluded from the computation.

15

16 **Q. IS THERE ANY GUIDANCE THAT SUPPORTS THIS ASSERTION?**

17 A. According to "A Guide to Utility Ratemaking" by James H. Cawley and Norman
18 J. Kennard (2018 Edition), p. 123, uncollectibles is considered a non-cash item
19 and thus not included for CWC computation purposes.⁵⁷ While the discussion in

⁵⁶ I&E Exhibit No. 1, Schedule 10.

⁵⁷ https://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf, accessed March 11, 2025.

1 this Guide is related to the 1/8th Method, this exclusion should apply to a lead/lag
2 method as well as there is no cash outlay in either instance.

3
4 **Q. HOW DO YOUR PROPOSED ADJUSTMENTS, DISCUSSED ABOVE,**
5 **IMPACT YOUR RECOMMENDATION FOR CWC?**

6 A. All O&M adjustments that are cash-based expense claims are included when
7 determining the Company's overall CWC requirement. Therefore, CWC was
8 adjusted to reflect these recommended adjustments. In order to reflect the I&E-
9 recommended adjustments, I modified the Company's electronic CWC file as
10 shown on Pike Electric Exhibit E-3, Schedule 3, p. 2 for each recommended O&M
11 adjustment.⁵⁸

12
13 **Q. IS YOUR RECOMMENDED CWC ALLOWANCE A FINAL**
14 **RECOMMENDATION?**

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

⁵⁸ I&E Exhibit No. 1, Schedule 10.

1 **INTEREST EXPENSE**

2 **Q. WHAT IS INCLUDED IN INTEREST EXPENSE?**

3 A. The Company has included a claim for interest expense based on a recent debt cost
4 of 7.21% reflected in the Third Quarter 2024 distribution system improvement
5 charge (DSIC) filing, and it applies that debt cost rate to the entire rate base
6 claim.⁵⁹

7
8 **Q. WHAT IS THE COMPANY'S CLAIM FOR INTEREST EXPENSE?**

9 A. The Company is claiming \$2,814,318 for interest expense.⁶⁰

10

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

12 A. As mentioned above, the Company multiplied its total rate base claim by a debt
13 cost of 7.21% as reflected in a Third Quarter 2024 DSIC filing.

14

15 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR INTEREST
16 EXPENSE?**

17 A. No.

18

19 **Q. WHAT IS YOUR RECOMMENDATION FOR INTEREST EXPENSE?**

20 A. I recommend an allowance of \$1,263,376, or a reduction of \$1,550,942

⁵⁹ I&E Exhibit No. 1, Schedule 11.

⁶⁰ Pike Electric Exhibit E-4, Schedule 14, p. 1.

1 (\$2,814,318 - \$1,263,376) to the Company claim.

2
3 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

4 A. My recommendation reflects all I&E adjustments to rate base described herein and
5 in the direct testimony of I&E witness Esyan Sakaya, and that adjusted rate base is
6 multiplied by the Company's claimed weighted debt cost of 3.44% as claimed in
7 the rate filing as follows:⁶¹

		Rate of Return	
Per Company	Capital		Weighted
	Structure %	Cost Rate	Cost %
Total Debt	49.48	0.0695	3.44
Long-Term Debt	40.82	0.0680	2.78
Short-Term Debt	8.66	0.0758	0.66
Preferred Stock	0.00	0.0000	-
Common Equity	50.52	0.0975	4.93
TOTAL	100.00		8.37

8
9
10 **Q. PLEASE SHOW YOUR CALCULATION FOR INTEREST EXPENSE.**

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

⁶¹ Pike Electric Exhibit E-2, Schedule 3.

Interest Synchronization		
Company Claimed Rate Base		\$ 39,033,539
I&E Rate Base Adjustments		\$ (2,307,505)
I&E Rate Base		\$ 36,726,034
Weighted Debt Cost		3.44
I&E Interest Expense		\$ 1,263,376
Less Co. Interest Expense Claim		\$ 2,814,318
Net Interest for State Tax		\$ (1,550,942)
State Income Tax Rate (%)		7.99
Adjustment to State Income Taxes		\$ 123,920
Net Interest Expense for Federal Tax		\$ (1,427,022)
Federal Income Tax Rate (%)		21.0
Adjustment to Federal Taxes		\$ 299,675

1

2

3 **Q. IS YOUR INTEREST EXPENSE RECOMMENDATION A FINAL**
4 **RECOMMENDATION?**

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

10 Additionally, it should be noted that I&E is accepting the Company's
11 overall requested increase. I have pointed out numerous errors in the Company's
12 claims, thus, I&E is accepting its requested increase to the revenue requirement in
13 result only.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.

Getachew H. Bedasa

Professional and Educational Background

Work Experience:

Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania

October 2024 to Present:

Fixed Utility Financial Analyst Trainee, Bureau of Investigation and Enforcement.

- Assist in the preparation of data requests and interrogatories for prosecutory staff and analysis of operating and maintenance expenses for regulated utilities.

BD Schenker, Inc., Carlisle, Pennsylvania

October 2016 to March 2024:

Electronics Devices Screening Specialist.

- Processing electronics devices in customer facing line using different software.

GIMP General Trading Pvt Ltd Co., Addis Ababa, Ethiopia

February 2013 to June 2015:

Owner and Managing Director.

- Developed a successful business strategy for roasted coffee to enter domestic market and maintained a steady positive bottom line except for the initial year account.
- Prepared business operation standards and procedures for human resources and financial management of the company.

UNICEF Ethiopia, Asosa, Ethiopia

August 2011 to January 2013:

Education in Emergency Consultant/ coordinator (for three regional states).

- Coordinated logistics and technical supports in provision of learning spaces for Sudanese refugee children, Internally Displaced Peoples (IDPs), and host communities.
- Created framework for possible collaboration between UNICEF and World Vision Ethiopia (WVE) by identifying the areas of collaboration, the expected result/outputs and key activities/ interventions.
- Assisted in planning Education in Emergency supplies.

Education/Certification:

Degrees:

- Master's degree in Business Administration (MBA), Unity University, Ethiopia, September 2009 (evaluated by World Education Service equivalent to U.S. master's degree)
- MA in Biblical and Theological Studies, Ethiopian Graduate School of Theology, June 2002.
- BA in Management and Public Administration (Public Administration), Addis Ababa University, July 1989 (evaluated by World Education Service equivalent to U.S. bachelor's degree).

Certificates:

- Certificate of completion of Bookkeeping Basics, Intuit/Coursera, June 2024
- Certificate of completion of Assets in Accounting, Intuit/Coursera, July 2024
- Certificate of completion of Liability and Equity in Accounting, Intuit/Coursera, July 2024
- Certificate of completion of Financial Statement in Accounting, Intuit/Coursera, July 2024
- Certificates of completion of QuickBooks Pro 2020, Matrix Learning, CareerLink, May 2024.
- Certificate of completion of the course Path to Project Management, Lebanon Valley College (USA), December 20, 2016 (130 PDU/CEU Hours of PMI® and 40 PDU/CEU Hours of IIBA® courses).
- Certificate of completion of Excel 2013 GCFLearnFree.org®, December 28, 2015 (earned 1 CEU).
- Certificate of completion of Word 2013, GCFLearnFree.org®, January 11, 2016 (earned 1 CEU).
- Certificate of completion of PowerPoint 2013, GCFLearnFree.org®, January 28, 2016 (earned 1 CEU).

Utility-Related Trainings:

- PA Public Utility Commission Bureau of Audits, Introduction to Industries 101, January 15, 2025.
- National Association of Regulatory Utility Commission, How to Read and Analyze a Rate Case 2025 (6 Credit Hours), January 7-9, 2025.
- . Bureau of Investigation and Enforcement, Cost Allocation and Rate Design, December 19, 2024.
- Bureau of Investigation and Enforcement, Rates and Revenue, December 18, 2024.
- National Association of Regulatory Utility Commission, The Basics of Utility Accounting and Ratemaking, (6 Credit Hours), December 3-5, 2024.

Testimony Experience:

Submitted testimony in the following proceedings:

- Docket No. R-2022-3052359 - Pike County Light and Power Company (Electric) (case ongoing – testimony not yet filed)

I&E Exhibit No. 1
Witness: Getachew Bedasa

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT AND POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Exhibit to Accompany

the

Direct Testimony

of

Getachew Bedasa

Bureau of Investigation and Enforcement

Concerning:

OPERATING AND MAINTENANCE EXPENSES

RATE BASE

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

I&E-RE-15-D Reference Pike Electric Statement No. 2, pp. 42-43; Exhibit E-4, Schedule 9; and Exhibit E-3, Schedule 6 concerning rate case expense:

- A. Explain why it is appropriate to amortize versus normalize rate case expense.
- B. Explain the rationale for using an 85.00% allocation to Electric.
- C. Provide a detailed breakdown of the items making up the Company's rate case expense claim of \$250,000 for the current filing.
- D. Provide all current outside service contract agreements for rate case-related services.
- E. Provide invoices/receipts for the rate case-related expenses incurred to date for the current filing and continue to provide periodic updates for invoices as they are incurred.
- F. Provide justification for the Company's four-year amortization period.
- G. Provide an estimated breakdown of rate case expense for the current proceeding:
 1. If the case is settled prior to testimony.
 2. If the case is settled after testimony is prepared by the parties.
- H. Explain why it is appropriate to include deferred rate case expense of \$264,745 in rate base as shown on Pike Electric Exhibit E-3, Schedule 6.

RESPONSE:

- A. While the Company listed this item as an amortization, the Company in fact seeks to normalize rate case expense. The Company does not seek to claim any expenses incurred for prior rate cases in this filing.
- B. Pike allocates all common electric and gas expenses using an 85% / 15% ratio. The percentage was developed using a four-part formula that factors in total revenues, net plant, distribution O&M expenses, and number of customers for each service.

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- C. 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 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 E-4, Schedule 6 anticipated rate case expenses of \$250,000, of which 85% has been allocated to Pike of \$212,500.
- D. Refer to response C. above for details.
- E. The Company has currently not received full invoices from the current rate case. The Company will supplement this response with invoices when available.
- F. The Company is utilizing a four-year normalization 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 (January 14, 2025). 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.
- G. If the rate case is settled prior to the Company entering rebuttal testimony, the Company estimates approximately \$250,000 in rate case expense. If the case settles prior to hearing, the Company estimates \$350,000 in rate case expense. Pike further believes that if the Case is not settled and must be litigated it would incur costs to between \$500,000 -\$600,000.
- H. Pike does not seek to defer expenses incurred for prior rate cases for recovery in this rate case.

PROVIDED BY: Matthew Lenns, Controller

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- I&E-RE-14-D** Reference Pike Electric Statement No. 2, pp. 42-43; Exhibit E-4, Schedule 9; and Exhibit E-3, Schedule 6 concerning rate case expense. Provide the following information for the last three base rate proceedings filed with the Commission:
- A. Docket number and date of filing.
 - B. Requested revenue increase and amount incurred for each of the base rate cases listed in response to Part A above.
 - C. Claimed expenses (dollar amounts and explanations) for prior rate cases that are claimed in the instant proceeding.
 - D. Indication whether each case was fully litigated or settled.
 - E. Effective date of each rate increase.

RESPONSE:

- A. Pike County Light and Power Company has only filed one rate case since the Company was acquired in 2016 by Corning Energy Corporation, case number R-2020-3022135 was filed on October 26, 2020. The prior rate case ended with two Joint Petitions for Settlement, which were accepted by the Pennsylvania Public Utility Commission on June 21, 2021. In Docket Number R-2020-3022135, Pike requested a base rate increase of \$1,272,800. In the last rate case, 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.
- B. Refer to response A. above for details.
- C. Pike is not claiming any expenses for prior rate cases in this proceeding.
- D. Docket Number R-2020-3022135 resulted in settlements. Had that Case gone to litigation, the rate case expense would have been significantly higher.
- E. The effective date of the rate change in Docket R-2020-3022135 was August 1, 2021.

PROVIDED BY: Matthew Lennox, Controller

Pennsylvania Public Utility Commission v. Pike County Light & Power Company- Electric; Docket

No. R-2024-3052359

I&E Exhibit No. 1

Schedule 2, p. 2 of 2

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S RESPONSES
TO OFFICE OF CONSUMER ADVOCATE'S INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS, SET 7**

15. With respect to open positions included in the determination of salaries and wages and benefits in the cost of service:
- a) Please state how many open positions are included. When does the Company expect these positions to be filled?
 - b) Please provide the dollar values of each cost included in the cost of service associated with each open position (e.g., salaries, benefits, etc), in excel format with formulae intact. Please be specific where each value is represented in the cost of service.

RESPONSE: Refer to the "E-4 Revenue Requirement – Final" Excel attachment provided for the electronic version of the work paper. As stated in the testimony, and included in Schedule 4, Page 2 of the Exhibit work papers, the Company is asking for two new positions, an Assistant General Manager, and a Systems Planner. The Company plans to offer the Assistant General Manager position to an internal applicant, and that position is expected to be filled by April 2025. The Systems Planner is expected to be hired by July 2025. The dollar values of salary for both positions are included in the Excel E-4 Exhibit provided, Schedule 4, Page 2. Further, the additional positions fringe benefits are calculated on Schedule 5.

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

DATE: March 3, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- I&E-RE-9-D** Reference Pike Electric Exhibit E-4, Schedule 4, p. 2 and Pike Electric Statement No. 2, pp. 38-39 concerning additional employees. Provide the following:
- A. Basis for each position claimed.
 - B. Basis and calculation for the allocation factor attributed to each position.
 - C. Narrative explaining why the current number of positions is inadequate.
 - D. Anticipated date of position postings.
 - E. Method of recruitment.
 - F. Anticipated date of interviews for each position.
 - G. Date of anticipated hire for each position.
 - H. Confirm that the \$60,000 new employee expense is applied to Pike Electric, not Pike Gas as stated.

RESPONSE: As stated in the testimony provided, Pike seeks to hire an Assistant General Manager and an Electric Systems Planner. Due to the continued growth of the business and upcoming capital projects in the service territory, the Company must continue to expand its staff to accommodate all operating, planning, financial reporting and budgeting needs. The Assistant General Manager will perform multiple functions including projecting budgeting, materials management and procurement, analyzing actual versus budgeted amounts, and oversee customer service. The allocation was an estimate for time split between Electric and Gas expense and capital projects. The second position is for an Electric Systems Planner, which is allocated strictly to Pike Electric, which is necessary to help with planning, scheduling and implementing our contractor and internal staff capital projects, and developing new business opportunities and growth projects. The allocation of 90 percent to capital is an estimate based on the amount of time anticipated this employee will be working on new capital projects. The date of postings, recruitment method, interview dates, anticipated hire dates are not yet known at this time. The \$60,000 new employee expense should be applied to Pike Electric, not Gas.

PROVIDED BY: Matthew Lenns, Controller

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT'S
INTERROGATORIES, SET RE, NOS. 42-43**

- I&E-RE-42** Reference the response to I&E-RE-16-D and the attached Excel file, "Intercompany allocations 2022-2024":
- A. Provide a detailed breakdown for 2024 informational advertising of \$8,618 by type, samples of each type of advertising, and an explanation for the increase over the 2023 amount of \$171 and the 2022 amount of \$449.
 - B. Provide a detailed breakdown for 2024 M&T credit card charges of \$202,824 by type and an explanation for the increase over the 2023 amount of \$3,006, and the 2022 amount of -\$897.
 - C. Provide documentation for the 2024 auditing expenses of \$70,203 and \$17,139 and explain the increase over 2023 auditing expense of \$1,302, and 2022 auditing expense of \$4,365.
 - D. Provide a breakdown of audits by type for 2024 auditing expense that supports the \$70,203 and \$17,139 amounts and indicate in the response the cost for each and the yearly frequency for each different audit listed in the response.
 - E. Provide a detailed breakdown of outside services-other expense for 2024 of \$72,964, 2023 of \$63,170, and 2022 of \$65,483, and explain why the 2024 expense was nearly \$10,000 over the 2023 expense.
 - F. Explain in detail why property and liability insurance increased in 2024 to \$260,139, compared to 2023 at \$237,043 and 2022 at \$135,774, and provide a detail breakdown by type of insurance for all three years.

RESPONSE: Refer to the "Expense Detail" Excel attachment provided for detailed breakdowns as requested. The informational advertising costs of \$8,616 noted are for our vendor Alert Media, Inc., which is paid by Corning Natural Gas on Pike's behalf. The charges are the allocated portions applicable to Pike. Alert Media is used to alert customers of system outages. Refer to the "Alert Media" PDF attachments provided for copies of all invoices charged, and the allocations between companies for the periods requested. The M&T credit card charges include a one-time intercompany reclass between Pike and Corning Natural Gas of \$200,000, 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. We have provided the detailed breakdown of allocated credit card charges by month for each of the three years requested, refer to the "M&T Card" tabs for each year provided. For the 2024 auditing expenses of \$70,203 and \$17,139, those are Pike's share of the PwC 2023 annual audit and tax fees incurred, along with fees from FreedMaxick for audit and tax services

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT'S
INTERROGATORIES, SET RE, NOS. 42-43**

performed. The Company switched from FreedMaxick to PwC for the annual audit in 2023. FreedMaxick billed the Company for costs of the audit transition, and continues to provide professional services for the preparation of our consolidated tax returns. PwC now serves as our external auditor, and billed us for audit and tax services for the audit for the year ended December 31, 2023. Further, we have provided the 2024 invoices for PwC and FreedMaxick, along with the allocations highlighted of the charges allocable to Pike. Refer to the PDF copies of the invoices provided for details. Refer to the "Outside 2024", "Outside 2023" and "Outside 2022" tabs included in the Excel attachment for the other outside service expenses incurred during the periods. In all years we utilize Burr Consulting LLC for various HR matters and trainings for all companies included in Corning Energy Corporation, and the amounts included are Pike's allocations of costs incurred. Moonstone Consulting is our external consultant, Mario DiValentino, who performs regulatory consulting services for all companies included in Corning Energy Corporation, and the amounts included are Pike's allocations of costs incurred. In 2022 we utilized Andrew Pond, an external CPA who was used to prepare SEC filings, which are no longer applicable as we are now a privately owned company. The increase is due to both Burr and Moonstone increasing their annual consulting fees to the Company, and as such the amounts allocable to each Company have increased. The property & liability insurance detail is included in the "Insurance" tabs in the Excel file for each year requested, and we have further provided the full amounts of prepaid insurance booked amounts for each Company in the "Prepaid Insurance" Excel attachments provided. The increase each year is based on our quoted amounts from our insurance broker for each policy, which are listed in detail on each tab of the "Prepaid Insurance" Excel attachments, along with the allocations to each Company, including Pike.

PROVIDED BY: Matthew Lennox, Controller

DATE: March 7, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- I&E-RE-16-D** Reference Pike Electric Statement No. 2, p. 43 and Exhibit E-4, Schedule 10 concerning intercompany administrative and operating charges. Provide the following:
- A. Intercompany allocations charged to O&M expenses for the fiscal years ended September 30, 2022 and September 30, 2023.
 - B. A breakdown of intercompany allocations charged to O&M expenses for the fiscal years ended September 30, 2022; September 30, 2023; and September 30, 2024.
 - C. Basis for escalating intercompany administrative and operating charges by applying 1% CPI and a copy of source documents used to determine the 1%.

RESPONSE: Refer to the "E-4 Revenue Requirement – FINAL" Excel attachment for the electronic version showing intercompany administrative and operating charges. Further, refer to the "Intercompany allocations 2022-2024" Excel attachment for the breakdown of intercompany allocations for the years ended September 30, 2022, 2023 and 2024. The 1% escalation factor applied to administrative and operating expenses was an estimate. Published Government reports utilized by the Federal Reserve indicate that the current rate of inflation approximates 2.5%.

PROVIDED BY: Matthew Lenns, Controller

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

I&E-RE-25-D Reference Pike Electric Exhibit E-4, Schedule 7 concerning amortization of storm deferrals. Provide the following:

- A. An Excel version with all formulas intact.
- B. Basis and calculation of \$195,528 of Amortization 10/1/2024-9/30/2025.
- C. Basis for claimed four-year recovery period.

RESPONSE:

- A. Refer to the "E-4 Revenue Requirement – FINAL" Excel attachment provided for the electronic version of the schedule, with all formulas intact.
- B. The amortization of storm costs is based on the amounts included in the Joint Petition for Partial Settlement Docket No. R-2020-3022135 as discussed on page 5, paragraph e. A copy of the Joint Petition for Partial Settlement is attached.
- C. The Company utilized a four-year recovery period for deferred storm cost because it approximates the amount of time between the last rate change and the when new rates would go into effect from the current filing.

PROVIDED BY: Matthew Lennox, Controller

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- I&E-RE-24-D** Reference Pike Electric Exhibit E-3, Schedule 6; Exhibit E-4, Schedule 7; and Pike Electric Statement No. 2, p. 41 concerning amortization of storm deferrals:
- A. Provide details and workpapers concerning the amortization of Hurricane Riley costs starting with the total cost since inception of \$977,630, the amortization period of five years, the amortization amount per year specifying precise beginning and ending dates and balances for each year, and starting date for the initial amortization.
 - B. Explain the basis for including the deferred debits of \$150,865 in rate base for Hurricane Riley as claimed on Exhibit E-3, Schedule 6.
 - C. State whether the Commission Order at Docket No. P-2018-3001395 for the Company's storm deferral petition for Hurricane Riley specifically granted permission to include unamortized storm costs in rate base.
 - D. Explain why the Company believes it is appropriate to defer minor storm costs (\$150,000 in the FTY) as claimed on Exhibit E-4, Schedule 7.
 - E. Provide actual minor storm expenses by year for the fiscal years ended September 30, 2022, 2023, and 2024.

RESPONSE:

- A. The details and amortization of Hurricane Riley storm costs were addressed as part of Docket R-2020-3022135. Refer to the "Joint Petition For Partial Settlement Docket No. R-2020-3022135" attachment provided for a copy of the settlement. Please refer to page 5, paragraph e, which states: Storm Expense – Deferred storm expenses of \$977,630 will be amortized over five-years at the rate of \$195,526 per annum.
- B. The \$150,000 in estimated future small storm costs is not a historical test year cost sought to be amortized, it is a normalized estimate for future test period storm costs based on past small storm costs. The Company intended to claim this \$150,000 as an expense and will address this issue in its rebuttal testimony. Amortization is sought for Storm Riley costs. The balance of unrecovered Storm Riley costs at September 30, 2024 is \$346,393. The new annual amortization of \$75,216 was stated in error. The annual amortization sought over 4 years for deferred Storm Riley costs is \$195,528 per year. These issues will be addressed in rebuttal testimony.

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

- C. The Commission's Order at Docket No. P-2018-3001395 concerning the Company's storm deferral petition for Hurricane Riley did not grant the Company permission to include unamortized storm costs in rate base.
- D. The Company is not seeking to include unamortized storm costs in rate base. See response to B. above.
- E. Refer to the "Pike Storm Work Orders" for actual storm costs incurred during the years ended September 30, 2022, 2023 & 2024.

PROVIDED BY: Matthew Lennox, Controller

DATE: February 18, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC DIVISION'S
RESPONSES TO BUREAU OF INVESTIGATION & ENFORCEMENT DATA
REQUESTS, SET RE, NOS. 1-38**

I&E-RE-21-D Reference Pike Electric Exhibit E-3, Schedule 9 concerning accumulated deferred income taxes, explain in detail why it is appropriate to claim deferred income tax of \$23,700 in rate base for the period October 1, 2025 through March 31, 2026.

RESPONSE: The increase in the accumulated deferred income tax balance of \$23,700 was included in rate base for the period October 1, 2025 through March 31, 2026 because it is associated with the increase in plant requested by the Company and partially offsets that increase in rate base.

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

DATE: February 18, 2025

I&E Exhibit No. 1
Schedule 10, p. 1 of 1

Pike County Light And Power Company
Statement in Support of Change No. (3)
Electric Working Capital
For The Twelve Months Ending September 30, 2025

Exhibit E-3
Schedule 3
Page 2 of 2

***I&E MODIFIED**

	Rate Year <u>Amount</u>	(Lead) / <u>Lag Days</u>	Dollar <u>Days</u>	<u>Explanations for I&E Changes:</u>
Revenue Recovery	15,241,400 *	21.3	\$ 324,641,831	Pike will correct Revenues, per I&E-RE-23-D
Pennsylvania Gross Receipts Tax	<u>995,500</u>	21.3	<u>21,204,150</u>	
	16,236,900 *	<u>21.3</u>	<u>345,845,981</u>	Pike will correct Revenues, per I&E-RE-23-D
Purchased Power Expenses	7,964,400	10.0	79,644,000	
SBC Expense	11,204	30.0	336,107	
Salaries & Wages	472,104 *	8.0	3,776,832	Enter S&W Adjustment
401K Pension Match	31,648 *	8.0	253,184	Enter 401k Adjustment
Employee Welfare Expenses	420,240 *	23.0	9,665,511	Enter Health/Life and WC Adjustments
Intercompany Charges	572,377 *	30.0	17,171,319	Enter Intercompany Allocations-nonpayroll Adjustment
Uncollectible Accounts Accrual	- *	8.0	-	Remove Uncollectibles
Other O&M	1,899,884 *	23.0	43,697,343	Enter I&E Adjustment for rate case expense, storm expense
Amortizations:	-	-	-	
Storm Reserve	300,865	-	-	
Rate Case Costs	-	-	-	
PUC Assessment	36,642	-	-	
Insurance	-	-	-	
Depreciation & Amortization	1,358,200	-	-	
Taxes Other - Payroll	36,097 *	8.0	288,776	Enter Payroll Tax Expense Adjustment
- Property Tax	18,338	-	-	
Pennsylvania Gross Receipts Tax	995,500	-	-	
Income Taxes:				
Federal Income Tax	56,840	30.0	1,705,215	
Deferred Federal Income Tax	60,213	-	-	
Corporate Business Tax (State)	26,544	30.0	796,333	
Deferred State Income Tax	22,910	-	-	
Return on Invested Capita	<u>1,122,700</u>	-	-	
Total Requirement	<u>15,406,707</u>	<u>10.2</u>	<u>157,334,619</u>	
Net Lag		<u>11.1</u>	<u>\$ 188,511,361</u>	
Net Requirement (Net Lag / 365)			\$ 516,469 *	
Historical Cash Working Capital			<u>1,026,700</u>	
Net Change			<u>\$ (510,231)</u>	
Rounded			<u>\$ (510,200)</u>	

Company Claim, per Ex.E-3, Sch. 3	\$ 548,495
I&E Recommendation	<u>516,469</u>
I&E Recommended Adjustment	<u>\$ (32,026)</u>

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC'S RESPONSES TO
OFFICE OF SMALL BUSINESS ADVOCATE'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS,
SET 1**

OSBA-Pike-Electric-I-14: Reference Exhibit E-4, Schedule 14, page 3:

- (a) Please provide supporting calculations for the 7.21 percent value, using the values in Exhibit E-2 Schedule 3.
- (b) Please explain why the 7.21 percent LTD rate is applied to the entire rate base to derive interest expense.

RESPONSE: The 7.21% value is from our Pike Electric DSIC filing for Q3 2024. That is the embedded cost of debt value based on long-term debt balances as of July 31, 2024, which was filed prior to the refinancing of all of the Company's debt. Refer to the "Q3 2024 DSIC – PCL&P (ELECTRIC)" filing attachment provided for the filed DSIC, and reference page 13 of 17 of the PDF has the Effective Pre-Tax Rate of Return, which includes the cost of long-term debt of 7.21%. The 7.21% long-term debt rate is applied to the rate base as that was the Commission approved amount from the Company's DSIC filing as of the historical test period.

PROVIDED BY: Matthew Lenns, Controller

DATE: February 13, 2025

I&E Statement No. 2
Witness: D. C. Patel

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Direct Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

Rate of Return

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**CRITIQUE OF THE ACCOUNTING PANEL’S PROPOSED
COST OF EQUITY 12**

OVERALL RATE OF RETURN RECOMMENDATION 14

1 **INTRODUCTION**

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

3 A. My name is D. C. Patel, and my business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 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. WHAT IS YOUR EDUCATION AND EMPLOYMENT BACKGROUND?**

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

15

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

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

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

2 A. The purpose of my direct testimony is to address the rate of return, including
3 capital structure, cost of long-term debt, the cost of equity, and discuss an overall
4 fair rate of return for Pike County Light & Power Company - Electric (Pike
5 Electric or Company) 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. 2 contains a schedule that supports my direct testimony.
9

10 **BACKGROUND**

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

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

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

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

21
$$RR = E + D + T + (RB \times ROR)$$

22 Where:

1 RR = Revenue Requirement

2 E = Operating Expenses

3 D = Depreciation Expense

4 T = Taxes

5 RB = Rate Base

6 ROR = Overall Rate of Return

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

12

13 **Q. WHAT CONSTITUTES A FAIR AND REASONABLE OVERALL RATE**
14 **OF RETURN?**

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

19 The *Bluefield Water Works & Improvements Co. v. Public Service Comm.*
20 *of West Virginia*, 262 U.S. 679, 692-93 (1923), and the *Federal Power*
21 *Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) cases set forth
22 the principles that are generally accepted by regulators throughout the country as

1 the appropriate criteria for measuring a fair rate of return:

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

11
12 **Q. EXPLAIN HOW THE OVERALL RATE OF RETURN IS**
13 **TRADITIONALLY CALCULATED IN BASE RATE PROCEEDINGS.**

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

1 component percentage is multiplied by its corresponding effective cost rate to
2 determine the weighted cost of capital. Finally, the sum of the weighted cost rates
3 produces the overall rate of return. This overall rate of return is multiplied by the
4 rate base to determine the return portion of a company's revenue requirement.

5
6 **COMPANY'S RATE OF RETURN CLAIM**

7 **Q. WHO IS THE COMPANY'S RATE OF RETURN WITNESS?**

8 A. Pike Electric witnesses Charles Lenns, Senior Vice President and Chief Financial
9 Officer and Matthew Lenns, Controller of Corning Energy Corporation (CEC)
10 provide a combined testimony under the title "Accounting Panel" addressing the
11 Company's rate of return claim. Pike Electric is a wholly owned subsidiary of
12 CEC. In direct testimony, the Accounting Panel provides its recommendations for
13 the claimed capital structure, long-term debt cost, cost of common equity, and
14 overall rate of return for Pike Electric (Pike Electric Statement No. 2).

15
16 **Q. PLEASE SUMMARIZE PIKE ELECTRIC'S RATE OF RETURN CLAIM.**

17 A. The Accounting Panel makes the following recommendation for the return on
18 equity and overall rate of return for the FTY ending September 30, 2025 (Pike
19 Electric Statement No. 2, p. 18, line 19 through p. 19, line 3 and Pike Electric
20 Exhibit E-2, Schedule 3):

Pike County Light & Power Company (Electric) Summary of Cost of Capital			
Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	40.81%	6.80%	2.78%
Short-Term Debt	8.66%	7.58%	0.66%
Common Equity	<u>50.52%</u>	9.75%	<u>4.93%</u>
Total (rounded)	<u>100.00%</u>		<u>8.37%</u>

1

2

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

5 A. The Accounting Panel did not attempt to perform a detailed market-based cost of
6 equity analysis specific to the Company or to reflect current market conditions.
7 Instead, it applied the 9.75% (rounded) cost of equity recommendation based on
8 the approved return on equity (ROE) for the Electric Distribution System
9 Improvement Charge (DSIC) found in the second quarter of the Commission’s
10 Quarterly Earnings Summary Report as of September 18, 2024 (approved at the
11 public meeting held on October 10, 2024 at Docket No. M-2024-3051104). The
12 Accounting Panel states that the Company is willing to accept the generic DSIC
13 return rate approved by the Commission to minimize rate case costs to its
14 customers (Pike Electric Statement No. 2, p. 20, line 20 through p. 21, line 7).

1 **I&E POSITION**

2 **Q. PLEASE SUMMARIZE YOUR RATE OF RETURN RECOMMENDATION**
3 **FOR THE COMPANY.**

4 A. I accept the Company's claimed rate of return.

5

6 **CAPITAL STRUCTURE**

7 **Q. WHAT IS A CAPITAL STRUCTURE?**

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

12

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

14 A. The Company's FTY claimed capital structure is summarized in the table below
15 (Pike Electric Statement No. 2, p. 18, line 19 through p. 19, line 3):

Pike County Light & Power Company (Electric) Projected Capital Structure as of September 30, 2025	
Type of Capital	Capitalization Ratio
Long-Term Debt	40.81%
Short-Term Debt	8.66%
Common Equity	<u>50.52%</u>
Total (rounded)	<u>100.00%</u>

16

1 **Q. WHAT IS THE BASIS FOR THE COMPANY’S CLAIMED CAPITAL**
2 **STRUCTURE?**

3 A. The Accounting Panel explains that the claimed “capital structure reflects the
4 forecast ratios of capital being employed by Pike Electric, as set forth in Pike
5 Electric Exhibit E-2, Schedule 1 for the FTY ending September 30, 2025. The
6 capital structure reflects the proportions of the actual capital being used in the
7 utility’s business plus projected debt financing. The Accounting Panel asserts that
8 the claimed capital structure is reasonable when compared to the capital structure
9 of other companies and weighted to a 50/50 split between debt and equity (Pike
10 Electric Statement No. 2, p. 19, line 10 through p. 20, line 8).

11
12 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY’S**
13 **CAPITAL STRUCTURE?**

14 A. I recommend using the Company’s claimed capital structure of 40.82% long-term
15 debt (adjusted to make the total equal 100%), 8.66% short-term debt, and 50.52%
16 common equity as presented in the table above.

17
18 **Q. WHAT IS THE BASIS FOR YOUR CAPITAL STRUCTURE**
19 **RECOMMENDATION?**

20 A. I believe a capital structure of 50% long-term debt and 50% common equity is
21 optimal when trying to balance the financial integrity of a utility as well as trying
22 to control costs to ratepayers in this proceeding. Therefore, I recommend using

1 the Company's claimed capital structure.

2
3 **COST OF LONG-TERM DEBT**

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

5 A. The Accounting Panel recommends a 6.80% weighted cost rate of long-term debt
6 (which includes the coupon rate and unamortized debt issuance expenses), based
7 on the Company's projected long-term debt cost rate as of September 30, 2025.

8 This debt cost rate reflects the Company's newly refinanced long-term debt issued
9 on September 12, 2024 by the parent company, CEC, in the amount of \$17.584
10 million at a coupon rate of 6.31% (Pike Electric Statement No. 2, p. 19, lines 15-
11 20 and Pike Exhibit E-2, Schedule 2, p. 2).

12
13 **Q. WHAT IS YOUR RECOMMENDATION FOR THE COMPANY'S LONG-
14 TERM DEBT COST RATE?**

15 A. I accept the Company's FTY claimed long-term debt cost rate of 6.80%.

16
17 **Q. WHAT IS THE BASIS FOR YOUR ACCEPTANCE OF THE COMPANY'S
18 LONG-TERM DEBT COST RATE?**

19 A. I recommend using the long-term debt cost rate of 6.80% in this proceeding as it
20 is based on the Company's actual long-term debt cost rate as of September 30,
21 2024.

1 **COST OF SHORT-TERM DEBT**

2 **Q. WHAT IS THE COMPANY’S CLAIMED COST OF SHORT-TERM**
3 **DEBT?**

4 A. The Accounting Panel recommends a 7.58% short-term debt cost rate, which is
5 based on the average daily short-term debt balance of \$2,006,792 for the twelve
6 months ended September 30, 2024 reflected in the Capital Structure as of
7 September 30, 2025 as a proxy for the average short-term debt balance and
8 adjusted for the anticipated level of spending in the FTY (Pike Electric Statement
9 No. 2, p. 19, line 20 through p. 20, line 4 and Pike Exhibit E-2, Schedule 1, p. 2).

10

11 **Q. WHAT IS YOUR RECOMMENDATION FOR THE COMPANY’S SHORT-**
12 **TERM DEBT COST RATE?**

13 A. I accept the Company’s FTY claimed short-term debt cost rate of 7.58%.

14

15 **Q. WHAT IS THE BASIS FOR YOUR ACCEPTANCE OF THE COMPANY’S**
16 **SHORT-TERM DEBT COST RATE?**

17 A. I recommend using the Company’s claimed short-term debt cost rate of 7.58% in
18 this proceeding as it is based on the current interest rate for the line of credit.

1 **COST OF COMMON EQUITY**

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

4 A. Four methods commonly presented to estimate the cost of common equity are the
5 Discounted Cash Flow, the Capital Asset Pricing Model, the Risk Premium
6 Method, and the Comparable Earnings Method.

7
8 **Q. WHAT METHODS HAS THE COMPANY EMPLOYED TO DETERMINE**
9 **AN APPROPRIATE COST OF COMMON EQUITY?**

10 A. None. As stated above, the Accounting Panel did not present a detailed market-
11 based cost of equity analysis for the return on equity claim in this proceeding.

12
13 **COMPANY'S RETURN ON EQUITY CLAIM**

14 **Q. WHAT IS THE COMPANY'S CLAIM FOR THE COST OF EQUITY?**

15 A. As stated above, the Accounting Panel declined to provide a detailed cost of equity
16 analysis for the Company. Instead, it simply claims a 9.75% cost of equity, which
17 it attempts to rationalize by explaining that it matches the approved ROE for DSIC
18 purposes found in the Commission's Quarterly Earnings Summary Report and
19 opines that it is appropriate to accept the generic DSIC ROE return for Pike
20 Electric's ROE in base rate proceeding.

21 Additionally, the Company believes that the cost of an ROE witness is not a
22 necessary rate case expense for an increase of the magnitude the Company is

1 proposing and seeks to save ratepayers the cost of presenting such a witness. If
2 the Company presents an ROE witness due to the position of other parties
3 concerning ROE, the Company will seek to recover costs of such ROE witness as
4 part of its rate case expense in rebuttal testimony (I&E Exhibit No. 2).

5
6 **I&E RECOMMENDATION**

7 **Q. WHAT IS YOUR RECOMMENDED COST OF COMMON EQUITY FOR**
8 **PIKE ELECTRIC?**

9 A. For this proceeding, I recommend that the Commission accept the Company's
10 claimed cost of common equity of 9.75%. However, I recommend that the
11 Commission require Pike Electric to present a detailed market-based cost of equity
12 analysis in future base rate filings on a going forward basis.

13
14 **CRITIQUE OF THE ACCOUNTING PANEL'S PROPOSED COST OF EQUITY**

15 **Q. DO YOU AGREE WITH USING THE COMMISSION'S AUTHORIZED**
16 **DSIC RETURN RATE BASED ON THE QUARTERLY EARNINGS**
17 **SUMMARY REPORT AS THE APPROPRIATE COST OF EQUITY IN**
18 **BASE RATE PROCEEDINGS?**

19 A. No. It is my understanding that the Commission's authorized return on equity for
20 DSIC purposes is set higher than the Commission staff-calculated return on equity.
21 It is important to note that the DSIC rate is designed to encourage use of the DSIC
22 mechanism and to incentivize accelerated pipeline replacement and infrastructure

1 upgrades to bring the existing aging infrastructure closer to meeting safety and
2 reliability requirements in-between base rate filings. Additionally, it is my
3 understanding that the DSIC rate establishes a benchmark above which a utility
4 company is considered “overearning.” As such, the DSIC rate does not serve as a
5 proper measurement or proxy of a subject utility’s cost of equity in a base rate
6 proceeding.

7 The DSIC rate should not serve as a proper measurement of a subject
8 utility’s cost of equity in a base rate proceeding because that rate is subject to
9 change at quarterly intervals. In fact, 66 Pa. C.S. § 1358(b)(3) states:

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

16 In the most recent base rate proceeding for Peoples Natural Gas Company,
17 LLC, the Commission’s Vice Chair Kimberly Barrow noted in her statement:

18 The quarterly DSIC calculations are for the targeted and
19 discrete purpose of the DSIC investment, not setting an overall
20 return on equity for a company. The DSIC quarterly numbers
21 are a solid proxy utilized to incent DSIC investment; however,
22 they were not designed or meant to substitute the myriad of
23 inputs submitted to the record during a litigated base rate
24 proceeding. Notably, as highlighted by I&E, the DSIC rate
25 establishes a benchmark that is meant to cap or curb utility
26 overearnings. It is not meant to serve as a measurement for the
27 cost of equity in a base rate case proceeding.¹

¹ *Pa. PUC v. Peoples Natural Gas Company, LLC*, Docket No. R-2023-3044549 (Order Entered September 12, 2024) (Vice Chair Barrow’s Statement); See I&E Statement No. 2, p. 67; See also *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, pp. 5-7 (Supp. Implementation Order Entered September 21, 2016).

1 **OVERALL RATE OF RETURN RECOMMENDATION**

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

4 A. The Company recommends a cost of equity of 9.75% and an overall rate of return
5 of 8.37%.

6

7 **Q. WHAT IS I&E’S RECOMMENDED COST OF EQUITY AND OVERALL**
8 **RATE OF RETURN FOR PIKE ELECTRIC?**

9 A. I accept the Company’s claimed cost of equity of 9.75% and an overall rate of
10 return of 8.37% in this instance as a detailed analysis utilizing current data does
11 not substantially vary from this claim. However, I recommend that the
12 Commission should require Pike Electric to present a detailed market-based cost
13 of equity analysis in its future base rate case filings on a going forward basis and
14 not rely on the Commission’s DSIC rate for the reasons stated above.

15

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

17 A. Yes.

D. C. Patel
Professional and Educational Background

EXPERIENCE:

- Pennsylvania Public Utility Commission, Harrisburg, Pennsylvania
June 2015 to Present
Fixed Utility Financial Analyst, Bureau of Investigation and Enforcement
- Pennsylvania Insurance Department, Harrisburg, Pennsylvania
March 2013 - June 2015
Insurance Company Financial Analyst, Bureau of Company Licensing & Financial Analysis
- Pennsylvania Department of Revenue, Harrisburg, Pennsylvania
November 2010 - March 2013
Accounting Assistant, Bureau of Corporation Taxes (Accounting)
- Hersha Hospitality Management, Harrisburg, Pennsylvania
June 2007 - November 2010
Staff Accountant (Taxes), Accounting Department
- Corporate Experience-India
February 1987 - April 2007
Worked as Company Secretary for three different companies during this period, which were listed on the Stock Exchanges.

EDUCATION/CERTIFICATION:

- Gujarat State University, Ahmedabad, India:
Bachelor of Commerce (Major concentration: Accounting)
June 1980 - April 1983
Bachelor of Law
June 1983 - December 1988
- The Institute of Company Secretaries of India, New Delhi, India:
Post Graduate Professional Degree: Company Secretary
June 1983 - December 1985

RATE CASE TRAINING:

- Attended SURFA - 54th Financial Forum (ROR) in April 2023
- Attended 37th Western NARUC Utility Rate School in May 2016

WORKED ON THE FOLLOWING CASES (Testimony not required):

- R-2024-3049248 et al. City of Lock Haven - Water Department
- R-2024-3048767 - PECO Energy Co. - Gas Operations (1307(f))
- R-2024-3047014 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2022-3032167 - Columbia Gas of Pennsylvania, Inc. (Green Path Rider)
- R-2022-3031172 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2021-3024349 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2021-3023541 - National Fuel Gas Distribution Corporation (§ 1307(f))
- A-2020-3021460 - PA American Water Co.-Upper Pottsgrove-Wastewater (1329)
- A-2020-3020178 - PA American Water Co.-Valley Township-Wastewater (1329)
- A-2020-3019859 - PA American Water Co.-Valley Township-Water (1329)
- R-2020-3019661 - PECO Energy Co. - Gas Operations (1307(f))
- U-2020-3015258 - Pittsburgh Water and Sewer Authority
- R-2019-3008255 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2018-3001568 - PECO Energy Co. - Gas Operations (1307(f))
- R-2018-3000253 - Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2017-2631441 - Reynolds Water Co.
- A-2017-2629534 - PPL Electric Utilities (Restructuring Plan)
- R-2017-2602611 - PECO Energy Co. - Gas Operations (1307(f))
- R-2016-2567893 - Andreassi Gas Co.
- R-2016-2525128 - Columbia Water Co. - Marietta Division
- R-2015-2493905 - Sands, Inc.
- R-2015-2479962 - Corner Water Supply and Service Corporation
- R-2015-2479955 - Allied Utility Services, Inc.

SUBMITTED TESTIMONY IN THE FOLLOWING CASES:

- R-2024-3050208 The Newtown Artesian Water Company
- R-2024-3047068 First Energy Pennsylvania Electric Company
- R-2024-3046931 PECO Energy Co. - Electric Operations
- R-2024-3046519 Columbia Gas of Pennsylvania, Inc.
- R-2024-3045192 et al. Veolia Water Pennsylvania, Inc.
- R-2023-3042804 et al. Community Utilities of Pennsylvania , Inc.
- R-2023-3043189 et al. PA American Water Co.
- R-2023-3038630 Columbia Gas of Pennsylvania, Inc. (1307(f))
- R-2023-3037933 Philadelphia Gas Works
- R-2022-3037368 UGI Electric, Inc. - Electric Division
- A-2022-3034143 Aqua Pennsylvania, Inc. - Borough of Shenandoah (Water System) (1329)
- R-2022-3031672 and R-2022-3031673 - PA American Water Co.

- R-2022-3031211 - Columbia Gas of Pennsylvania, Inc.
- R-2021-3024773 et al. - Pittsburgh Water and Sewer Authority
- A-2021-3024058- PA American Water Co. - Borough of Brentwood (Wastewater System) - 1329
- A-2021-3024681 - PA American Water Co. - York City Sewer Authority/City of York (Wastewater System) (1329)
- R-2021-3024601 - PECO Energy Co. - Electric Operations
- A-2021-3024267 - Aqua Pennsylvania Wastewater, Inc. - Lower Makefield (WW) (1329)
- A-2020-3019634 - PA American Water Co. - Royersford Wastewater (1329)
- R-2020-3018993 - Columbia Gas Pennsylvania, Inc. (1307(f))
- R-2020-3018929 - PECO Energy Co. - Gas Operations
- R-2020-3017951 et al. - Pittsburgh Water and Sewer Authority
- A-2019-3008491 - Aqua Pennsylvania Wastewater, Inc.
- R-2019-3008212 - Citizens Electric Company of Lewisburg, PA
- R-2019-3008208 - Wellsboro Electric Company
- R-2018-3006814 - UGI Utilities, Inc. (Gas Division)
- R-2018-3002645 and 3002647 - Pittsburgh Water and Sewer Authority
- R-2018-3000834 - Suez Water Pennsylvania, Inc.
- R-2018-2647577 - Columbia Gas of Pennsylvania, Inc.
- M-2018-2640802 and M-2018-2640803 - Pittsburgh Water and Sewer Authority (Compliance Plan Stage 2)
- R-2017-2595853 - Pennsylvania American Water Co.
- R-2016-2580030 - UGI Penn Natural Gas, Inc.
- R-2016-2554150 - City of DuBois - Bureau of Water
- R-2016-2529660 - Columbia Gas of Pennsylvania, Inc.
- P-2016-2526627 - PPL Electric Utilities Corp. (DSP IV)

I&E Exhibit No. 2
Witness: D. C. Patel

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY (ELECTRIC)

Docket No. R-2024-3052359

Exhibit to Accompany

the

Direct Testimony

of

D. C. Patel

Bureau of Investigation & Enforcement

Concerning:

Rate of Return

Pennsylvania Public Utility Commission v. Pike County Light & Power Company-
Electric; Docket No. R-2024-3052359

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC'S RESPONSES TO
BUREAU OF INVESTIGATION AND ENFORCEMENT'S DATA REQUESTS,
SET RR, NOS. 1-9**

I&E-RR-8-D Reference Pike Electric Statement No. 2, pp. 20-21, lines 20 through 6 and Exhibit E-2, Schedule 3. State whether the Company has or intends to perform any type of current market-based return on equity analysis rather than relying on the Commission approved Distribution System Improvement Charge return rate, which is used in Pike Electric's ratemaking calculation for a return on common equity.

RESPONSE: The Company currently has not performed any type of market-based return on equity analysis, and has relied on the Commission approved Distribution System Improvement Charge rate. The Company has consulted with external advisers that can perform cost of equity analysis, and is prepared to submit rebuttal testimony to the extent any other party utilizes an ROE witness. The Company believes that the cost of an ROE witness is not a necessary rate case expense for an increase of the magnitude the Company is proposing and seeks to save ratepayers the cost of presenting such a witness. To the extent the Company must present such a witness due to the position of other parties, the Company will seek to recover costs of such witness as part of its rate case expense.

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

DATE: February 3, 2025

I&E Statement No. 3
Witness: Esyan A. Sakaya

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Direct Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

Rate Base
Depreciation Expense
Cost of Service
Customer Cost Analysis – Customer Charges
Revenue Allocation
Scale Back of Rates

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1 **INTRODUCTION**

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

3 A. My name is Eryan A. Sakaya. My business address is Pennsylvania Public Utility
4 Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg,
5 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 and Enforcement (“I&E”) as a Fixed Utility Valuation
10 Engineer.

11

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

13 A. My education and professional background are set forth in the attached Appendix
14 A.

15

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

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

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

2 A. The purpose of my direct testimony is to present recommendations concerning
3 Pike County Light and Power Company – Electric’s (“Pike Electric” or
4 “Company”) proposed rate increase of \$1,874,600.¹ My testimony addresses the
5 Company’s electric plant in service, accumulated depreciation, depreciation
6 expense, and cost of service.

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

9 A. Yes. I&E Exhibit No. 3 accompanies my direct testimony.

10

11 **BACKGROUND**

12 **Q. WHAT IS A FUTURE TEST YEAR (“FTY”) AND HOW IS IT USED BY A**
13 **COMPANY IN A RATE PROCEEDING?**

14 A. An FTY is a twelve-month period selected by a utility for ratemaking purposes to
15 utilize both historic and projected annualized and normalized financial
16 information. An FTY is used to allow for the time it takes to adjudicate a rate
17 proceeding by permitting a utility to select a future time period upon which to base
18 its financial information. This is necessary so that the rates set by the Commission
19 reflect up to date and synchronized financial information. By using an FTY, a

¹ Pike Electric Exhibit E-4, Summary, p. 1.

1 utility makes a projected, annualized, and normalized estimate of future revenues
2 and expenses and a corresponding rate base at the end of the FTY.

3
4 **Q. WHAT FTY HAS PIKE ELECTRIC USED IN THIS PROCEEDING?**

5 A. Pike Electric used an FTY ending September 30, 2025.²

6
7 **Q. WHAT IS RATE BASE?**

8 A. The rate base is the depreciated original cost of a utility's investment in plant
9 determined to be used and useful in public service at the end of the test year (net
10 utility plant), plus other additions and deductions that the Commission determines
11 to be necessary to keep the utility operating and providing safe and reliable service
12 to ratepayers.

13
14 **Q. HOW IS THE NET UTILITY PLANT AT THE END OF THE FTY
15 DETERMINED?**

16 A. The net utility plant is determined by subtracting the book reserve, which is the
17 accumulation of all prior depreciation expense and other items such as salvage
18 value, from the original cost of the plant in service that is used and useful at the
19 end of the test year. The net utility plant is determined by taking a "snapshot" look
20 at the depreciated original cost value of used and useful utility plant in service at a

² Pike Electric Statement No. 1, p. 18.

1 specific point in time. That point in time for this base rate case is the end of the
2 FTY.

3
4 **Q. WHAT OTHER ADDITIONS AND/OR DEDUCTIONS TO NET UTILITY**
5 **PLANT ARE APPROPRIATE WHEN DETERMINING THE ALLOWABLE**
6 **RATE BASE OF A UTILITY?**

7 A. Additions to net utility plant include items such as materials and supplies and cash
8 working capital. Deductions include items such as deferred tax credits, customer
9 deposits, contributions in aid of construction, and customer advances.

10
11 **Q. WHAT IS THE COMPANY'S NET UTILITY PLANT CLAIM?**

12 A. The Company's net utility plant claim is \$38,605,039.³ The additions to the
13 Company's net utility plant claim are cash working capital, materials and supplies,
14 prepayments, and deferred debits (net of tax).

15 The deductions to the net utility plant claim are deferred credits (net of tax),
16 customer deposits, and accumulated deferred income taxes. All these items
17 together determine the rate base claim.

18
19 **Q. HOW IS RATE BASE USED WITHIN THE RATEMAKING FORMULA?**

20 A. Rate base is one part of the financial equation used by the Commission, along with

³ Pike Electric Exhibit E-3, Summary, p. 1.

1 allowable expenses and rate of return, to determine the level of income a utility is
2 granted an opportunity to earn and the revenue level needed to achieve that return.

3 The equation used to determine the proper revenue requirement level is as follows:

4 $\text{Revenue Requirement} = (\text{Rate Base} \times \text{Rate of Return}) + \text{Allowable Expenses}.$

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

12
13 **ELECTRIC PLANT IN SERVICE**

14 **Q. WHAT IS THE COMPANY'S TOTAL ELECTRIC PLANT IN SERVICE**
15 **CLAIM?**

16 A. The Company is claiming \$43,529,439 for total electric plant in service as of
17 September 30, 2025.⁴

⁴ Pike Electric Exhibit E-3, Summary, p. 1 and I&E Exhibit No. 3, Schedule 1.

1 **Q. DOES THIS CLAIM INCLUDE PLANT ADDITIONS AND**
2 **RETIREMENTS PROJECTED TO TAKE PLACE AFTER THE FTY**
3 **ENDING SEPTEMBER 30, 2025?**

4 A. Yes. The Company's electric plant in service claim includes \$8,792,399 of
5 projected plant additions, less retirements, through March 31,2026. This
6 \$8,792,399 includes \$2,300,000 for post-FTY plant additions and \$125,000 for
7 post-FTY retirements for the period October 1, 2025 through March 31, 2026.⁵

8
9 **Q. WHAT DO YOU RECOMMEND REGARDING THE POST-FTY**
10 **ADDITIONS AND RETIREMENTS?**

11 A. I recommend that the \$2,300,000 post-FTY plant additions and the corresponding
12 \$125,000 of post-FTY retirements be removed from the \$8,792,239 of projected
13 net plant additions for the FTY.

14
15 **Q. WHY DO YOU RECOMMEND THAT THE POST-FTY PLANT**
16 **ADDITIONS AND RETIREMENTS BE DISALLOWED?**

17 A. As described above, the post-FTY plant additions and retirements are not effective
18 before the claimed test year, and the Company has admitted that the post-FTY
19 additions and retirements are based simply on average plant balances as opposed
20 to known projects with definitive end dates.⁶ Generally, for utility plant to be

⁵ Pike Electric Exhibit E-3, Schedule 1, p. 1.

⁶ I&E Exhibit No. 3, Schedule 1, p. 2.

1 recovered in rates, it must be used and useful by the end of the year selected by the
2 Company to establish rates. Because this plant will not be placed into service until
3 after September 30, 2025, it does not meet the definition of used and useful.
4 Therefore, to allow this plant in rate base would create a mismatch between plant
5 in service and other ratemaking components such as revenue and expenses that are
6 based on the FTY.

7
8 **Q. WHAT IS THE NET EFFECT OF REMOVING \$2,300,000 OF POST-FTY**
9 **PLANT ADDITIONS AND \$125,000 OF POST-FTY RETIREMENTS?**

10 A. The net effect of removing these post-FTY items is a \$2,175,000 (\$2,300,000 -
11 \$125,000) reduction to electric plant in service.⁷

12
13 **ACCUMULATED DEPRECIATION – ELECTRIC PLANT**

14 **Q. WHAT IS THE COMPANY’S CLAIM FOR TOTAL ACCUMULATED**
15 **DEPRECIATION FOR ELECTRIC PLANT?**

16 A. The Company’s claim is \$5,411,400 for accumulated depreciation for electric plant
17 in service as of September 30, 2025.⁸

⁷ I&E Exhibit No. 3, Schedule 1, column f, line 1.

⁸ Pike Electric Exhibit E-3, Summary, p. 1 and I&E Exhibit No. 3, Schedule 3, column e, line 7.

1 **Q. DOES THIS CLAIM INCLUDE PLANT ADDITIONS AND**
2 **RETIREMENTS PROJECTED TO TAKE PLACE AFTER THE FTY**
3 **ENDING SEPTEMBER 30, 2025?**

4 A. Yes. The Company's accumulated depreciation claim for electric plant includes
5 \$1,163,700 of projected plant additions, less retirements, through March 31, 2026.
6 This \$1,163,700 includes \$572,200 for post-FTY plant additions and \$125,000 for
7 post-FTY plant retirements from October 1, 2025 through March 31, 2026.⁹

8
9 **Q. WHAT DO YOU RECOMMEND REGARDING THE POST-FTY**
10 **ADDITIONS AND RETIREMENTS?**

11 A. I recommend that accumulated depreciation for electric plant be reduced by
12 \$447,200.¹⁰

13
14 **Q. WHAT IS THE NET EFFECT OF REMOVING \$572,200 OF**
15 **ACCUMULATED DEPRECIATION FOR POST-FTY PLANT AND**
16 **\$125,000 FOR POST-FTY RETIREMENTS?**

17 A. The net effect of removing \$572,200 of post-FTY accumulated depreciation and
18 adding back \$125,000 of accumulated depreciation for post-FTY plant retirements
19 is a \$447,200 (\$572,200 - \$125,000) reduction to accumulated depreciation for
20 electric plant in service.¹¹

⁹ Pike Electric Exhibit E-3, Schedule 2, p. 1.

¹⁰ I&E Exhibit No. 3, Schedule 1, column f, line 7.

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

1 **COMMON PLANT IN SERVICE**

2 **Q. DOES THE COMPANY CLAIM A PORTION OF PLANT USED BY BOTH**
3 **GAS AND ELECTRIC OPERATIONS?**

4 A. Yes. The Company has common plant that it allocated 85% to electric operations
5 and 15% to gas operations.¹²

6
7 **Q. WHAT AMOUNT OF TOTAL COMMON PLANT IS THE COMPANY**
8 **CLAIMING IN RATE BASE?**

9 A. The Company is claiming \$1,802,869 of common plant of which \$1,532,400
10 (\$1,802,869 x 0.85) is reflected in electric rate base.¹³

11
12 **Q. DOES THE THIS CLAIM INCLUDE PLANT ADDITIONS AND**
13 **RETIREMENTS PROJECTED TO TAKE PLACE AFTER THE END OF**
14 **THE FTY?**

15 A. Yes. The Company's FTY ends September 30, 2025; however, the claim for
16 common plant of \$1,802,869 includes projected plant additions less retirements
17 through March 31, 2026. This \$1,802,869 includes \$200,000 of plant additions
18 and \$50,000 of retirements from October 1, 2025 through March 31, 2026.¹⁴
19 However, because post-FTY plant additions and post-FTY retirements are
20 allocated to common plant at 85%, the Pike Electric claim for post-FTY additions

¹² Pike Electric Exhibit E-3, Schedule 1, p. 2.

¹³ Pike Electric Exhibit E-3, Summary, p. 1 and Schedule 1, p. 2.

¹⁴ Pike Electric Exhibit E-3, Schedule 1, p. 2.

1 is \$170,000 ($\$200,000 \times 0.85$) and the Pike Electric claim for post-FTY plant
2 retirements is 42,500 ($\$50,000 \times 0.85$).
3

4 **Q. WHAT DO YOU RECOMMEND REGARDING THE POST-FTY CLAIMS**
5 **MENTIONED ABOVE?**

6 A. I recommend that \$170,000 for post-FTY plant additions and the corresponding
7 \$42,500 for post-FTY plant retirements be removed from the \$1,532,400 of
8 projected common plant in service for the FTY.
9

10 **Q. WHY DO YOU RECOMMEND THAT THESE AMOUNTS BE**
11 **DISALLOWED?**

12 A. As described above, these post-FTY plant additions and retirements will not be
13 placed into service/retired in the FTY ending September 30, 2025.¹⁵
14

15 **Q. WHAT IS THE NET EFFECT OF REMOVING \$170,000 OF POST-FTY**
16 **PLANT ADDITIONS AND ADDING BACK \$42,500 FOR POST-FTY**
17 **PLANT RETIREMENTS?**

18 A. The net effect is a \$127,500 ($\$170,000 - \$42,500$) reduction to common plant in
19 service.¹⁶

¹⁵ *Id.*

¹⁶ I&E Exhibit No. 3, Schedule 1, column f, line 2.

1 **ACCUMULATED DEPRECIATION – COMMON PLANT**

2 **Q. WHAT IS THE COMPANY’S CLAIM FOR ACCUMULATED**
3 **DEPRECIATION FOR COMMON PLANT AND HOW MUCH IS THE**
4 **COMPANY REFLECTING IN RATE BASE?**

5 A. The Company is claiming \$1,544,183 for accumulated depreciation on common
6 plant, or \$1,312,600 ($\$1,544,183 \times 0.85$) and is reflected in electric rate base.¹⁷

7
8 **Q. DOES THIS CLAIM INCLUDE PLANT ADDITIONS AND**
9 **RETIREMENTS PROJECTED TO TAKE PLACE AFTER THE END OF**
10 **THE FTY?**

11 A. Yes. The Company’s FTY ends September 30, 2025; however, its claimed
12 accumulated depreciation on common plant of \$1,312,600 includes projected plant
13 additions less retirements through March 31, 2026. This claim includes \$143,000
14 for plant additions and \$50,000 for retirements from October 1, 2025 through
15 March 31, 2026.¹⁸ However, because common plant additions and retirements are
16 allocated to Pike Electric at 85%, the adjusted post-FTY accumulated depreciation
17 associated with these plant additions is \$121,550 ($\$200,000 \times 0.85$), and the
18 adjusted post-FTY accumulated depreciated associated with the retirements is
19 \$42,500 ($\$50,000 \times 0.85$).

¹⁷ Pike Electric Exhibit E-3, Schedule 2, p. 2.

¹⁸ Pike Electric Exhibit E-3, Schedule 1, p. 2.

1 **Q. WHAT DO YOU RECOMMEND REGARDING THE ACCUMULATED**
2 **DEPRECIATION ASSOCIATED WITH THE COMMON PLANT POST-**
3 **FTY ADDITIONS AND RETIREMENTS?**

4 A. I recommend that these amounts associated with post-FTY common plant
5 additions and retirements be disallowed.

6
7 **Q. WHY DO YOU RECOMMEND THAT THESE AMOUNTS BE**
8 **DISALLOWED?**

9 A. As described above, the post-FTY common plant additions and retirements will
10 not take effect until after the end of the FTY ending September 30, 2025.¹⁹

11
12 **Q. WHAT IS THE NET EFFECT OF REMOVING THE POST-FTY**
13 **ACCUMULATED DEPRECIATION FOR COMMON PLANT?**

14 A. The net effect of removing \$121,550 of accumulated depreciation for post-FTY
15 common plant additions and adding back \$42,500 of accumulated depreciation for
16 post-FTY common plant retirements is a \$79,050 (\$121,550 - \$42,500) reduction
17 to accumulated depreciation for common plant in service.²⁰

¹⁹ *Id.*

²⁰ I&E Exhibit No. 3, Schedule 1, column f, line 9.

1 **TOTAL RATE BASE**

2 **Q. WHAT TOTAL RATE BASE IS THE COMPANY CLAIMING?**

3 A. The Company is claiming \$39,033,539.²¹

4

5 **Q. WHAT RATE BASE DO YOU RECOMMEND, NOT CONSIDERING THE**
6 **ADJUSTMENTS RECOMMENDED IN I&E STATEMENT NO. 1?**

7 A. I recommend a rate base of \$37,257,289. This \$37,257,289 is \$1,776,250 less
8 than the \$39,033,539 claimed by the Company.²²

9

10 **Q. WHAT IS THE BASIS FOR THE \$1,776,250 ADJUSTMENT TO RATE**
11 **BASE?**

12 A. It is necessary to remove the total amount of post-FTY plant additions and
13 retirements as explained in each section above. The \$1,776,250 rate base
14 adjustment is comprised of a \$2,175,000 in net adjustments related to electric plant
15 and related retirements, \$127,500 in net adjustments related to common plant and
16 related retirements, \$447,200 in net adjustments related to accumulated
17 depreciation for electric plant, and \$79,050 in net adjustments related to
18 accumulated depreciation for common plant.²³

²¹ Pike Electric Exhibit E-3, Summary, p. 1, and I&E Exhibit No. 3, Schedule 1, column e, line 24.

²² I&E Exhibit No. 3, Schedule 1, columns e-g, line 24.

²³ I&E Exhibit No. 3, Schedule 1, column f, lines 6-9.

1 **DEPRECIATION EXPENSE**

2 **Q. WHAT IS DEPRECIATION EXPENSE?**

3 A. Depreciation expense is one year's worth of operating expense that represents the
4 loss of service value of plant over the life of the plant.

5

6 **Q. WHAT DEPRECIATION EXPENSE IS THE COMPANY CLAIMING?**

7 A. The Company is claiming \$1,358,200 of depreciation expense.²⁴

8

9 **Q. HOW DID THE COMPANY DETERMINE THE \$1,358,200 OF**
10 **DEPRECIATION EXPENSE?**

11 A. The Company shows a depreciable plant in service of \$44,979,229 as of
12 September 30, 2025. That amount is multiplied by a composite rate of 3.02% to
13 arrive at \$1,358,200 in depreciation expense for electric plant.²⁵

14

15 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM FOR**
16 **DEPRECIATION EXPENSE?**

17 A. No.

18

19 **Q. WHAT DO YOU RECOMMEND FOR DEPRECIATION EXPENSE?**

20 A. I recommend an allowance of \$1,288,665, or a reduction of \$69,536 (\$1,358,200 -

²⁴ Pike Electric Exhibit E-4, Summary, p. 1.

²⁵ Pike Electric Exhibit E-4, Schedule 12, p. 1.

1 \$1,288,665) to the Company's claim.

2

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

4 A. My recommendation is necessary to remove the depreciation expense associated
5 with the removal of post-FTY additions and retirements for electric plant and
6 common plant as explained in the sections of testimony above.

7

8 **Q. HOW DID YOU DETERMINE THE \$69,536 ADJUSTMENT TO**
9 **DEPRECIATION EXPENSE?**

10 A. I multiplied my recommended downward adjustment to utility plant of
11 \$2,302,500²⁶ by the Company's composite depreciation rate of 3.02% to arrive at
12 my recommended adjustment to depreciation expense of \$69,536 ($\$2,302,500 \times$
13 0.0302).

14

15 **PROPOSED INCREASE**

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

17 A. The Company showed different increases in various parts of the filing. For
18 example, on the income statement, the Company reflected an increase of
19 \$1,874,600,²⁷ while in the cost of service study, the Company reflected an increase
20 of \$2,143,894.²⁸

²⁶ I&E Exhibit No. 3, Schedule 1.

²⁷ Pike Electric Exhibit E-4, Summary p. 1.

²⁸ Pike Electric Exhibit E-6, Schedule ERP-4-E, p. 26, line 30.

1 **Q. BASED UPON YOUR ANALYSIS, WHAT IS THE APPROPRIATE**
2 **PROPOSED REVENUE INCREASE?**

3 A. I believe the Company’s proposed increase should be \$1,874,600 because that is
4 the amount that was in the customer notice provided to Pike Electric’s customers
5 on January 14, 2025. The proof of revenue is generally the best source of total
6 revenue since it summarizes the projected and or annualized number of customers,
7 surcharges, and rates the customers will pay. However, because the proof of
8 revenue in the filing is not consistent within itself, as described above, it is more
9 reasonable to base the Company’s proposed increase on what information was
10 provided directly to customers, until further clarification is provided by the
11 Company.

12
13 **Q. WHY IS IT NECESSARY TO DETERMINE PROPOSED RATE**
14 **REVENUE AND THE CORRESPONDING INCREASE IN REVENUE?**

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

18

19 **COST OF SERVICE**

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

21 A. The purpose of a COSS is to allocate or assign the costs of operating a utility
22 system to various classes of customers and functions. It is used to determine if the

1 revenue from each class is recovering the cost of providing service to that class.

2

3 **Q. WHAT IS THE RATE OF RETURN AND RELATIVE RATE OF**
4 **RETURN?**

5 A. The rate of return is the profit, typically expressed as a percentage of rate base,
6 that the Commission allows a utility the opportunity to earn in a base rate
7 proceeding. The rate of return each individual class is producing can be
8 determined in the COSS. A relative rate of return indicates how the rate of return
9 of each customer class compares to the system-average rate of return. If the
10 relative rate of return of a class is below 1.00, the revenue from that class does not
11 cover the cost of providing service to that class. If the relative rate of return is
12 above 1.00, the revenue is over-recovering the cost of providing service to that
13 class. If the relative rate return is equal to 1.00, the revenue from that class is
14 equal to its cost of providing service to that class.

15

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

17 A. Yes. The Company provided a COSS on Pike Electric Exhibits E-6 through E-8.
18 However, the COSS is based upon data from the historic test year ended
19 September 30, 2024, not for the FTY ending September 30, 2025.

1 **Q. DID THE COMPANY PROVIDE A SCHEDULE SHOWING THE RATE OF**
2 **RETURN AND RELATIVE RATE OF RETURN UNDER PROPOSED**
3 **RATES IN THE FILING OR DURING DISCOVERY?**

4 A. No. The Company only provided a schedule for proposed rates under the scenario
5 of all customer classes paying the same rate of return of 8.37%.²⁹ The schedules
6 provided both in the filing and in Excel format do not show the proposed
7 revenues, expenses, taxes, net income, and rate base by class that support each rate
8 of return and relative rate of return, but the Company did provide a schedule that
9 shows the uniform rate or return by class for proposed revenues.³⁰

10

11 **Q. DID THE COMPANY EXPLAIN ANYWHERE IN THE FILING OR IN**
12 **RESPONSES TO DISCOVERY WHY THE FIGURES USED IN ITS**
13 **PROVIDED COSS STUDY DO NOT MATCH THOSE IN THE**
14 **COMPANY’S FILING AND PROVIDED UPDATE?**

15 A. Yes. In response to I&E-RS-8-D, the Company stated that it “did not perform cost
16 of service utilizing future test year data.”³¹ Pike Electric stated that its sales and
17 revenue forecasting approach was based on an across the board 4% increase in all
18 rate classes.³² The Company’s COSS was based on data in the historic test year of
19 September 30, 2024.³³

²⁹ Pike Electric Exhibit E-6, Schedule PMN-3-E, p. 1.

³⁰ Pike Electric Exhibit E-8, p. 1.

³¹ I&E Exhibit No. 3, Schedule 2.

³² Pike Electric Statement No. 2, pp. 49-50 and Pike Electric Exhibit No. 5, Schedule 5.

³³ Pike Electric Statement No. 1, pp. 15-18 and Pike Electric Exhibit E-6, Schedule PMN-3-E p. 1.

1 **Q. DOES THE COMPANY’S EXPLANATION ALLEVIATE YOUR**
2 **CONCERNS REGARDING THE COSS UNDER PRESENT RATES AT**
3 **THE HISTORIC TEST YEAR?**

4 A. No. Not taking into consideration the same pro-forma adjustments to booked
5 financial data in the COSS that were made to the Company’s COSS shown in page
6 2 of Exhibit E-8 for ratemaking purposes results in the discrepancies depicted in
7 Pike Electric Exhibit E-6, Schedule PMN-4-E, page 1 and creates an unacceptable
8 apples to oranges comparison between the revenue requirement generated by the
9 ratemaking formula and how that revenue requirement is allocated to the various
10 customer classes in the COSS and then, therefore, recovered through rates.

11

12 **REVENUE ALLOCATION**

13 **Q. WHAT IS THE DIFFERENCE BETWEEN THE FILING AND THE COSS?**

14 A. In the filing, Pike Electric requested an overall increase of \$1,874,600 per year.³⁴
15 In Pike Electric’s COSS, line 50 of the Company’s Exhibit E-7 lists a base rate
16 sales revenue increase of \$2,143,900.

17

18 **CUSTOMER COST ANALYSIS - CUSTOMER CHARGES**

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

20 A. A customer cost analysis is a part of a COSS that is used to determine the

³⁴ Pike Electric Exhibit E-4, Summary, p. 1.

1 appropriate fixed customer charges for the various classes and meter sizes. It only
2 includes customer costs.

3
4 **Q. WHY IS IT NECESSARY TO PERFORM A CUSTOMER COST**
5 **ANALYSIS?**

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

8
9 **Q. WHAT IS A DIRECT CUSTOMER COST?**

10 A. A direct customer cost is a cost that changes with the increase or decrease of a
11 single customer. These costs include the return dollars, taxes, and depreciation
12 expense for plant used to serve individual customers such as meters, plus specific
13 customer expenses including billing costs.

14
15 **Q. WHAT IS AN INDIRECT CUSTOMER COST?**

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

1 **Q. DID PIKE ELECTRIC 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 presented a customer cost analysis in Pike Electric Exhibit PMN-5-E,
6 pp. 2-4.³⁵ However, the Company provided no testimony supporting the
7 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 shows the cost to
12 be between approximately \$36 and \$37 per month.³⁶ The Company also shows
13 the Commercial customers costs are between approximately \$58 and \$81 per
14 month.³⁷

15
16 **Q. DID THE COMPANY PROVIDE A PROPER CUSTOMER COST**
17 **ANALYSIS WITH A BREAKDOWN OF WHAT IS INCLUDED?**

18 A. No. First, it is not clear from the filing what the Company included or excluded from
19 its customer cost analysis. As shown on Pike Electric Exhibit PMN-5-E, p. 4, line
20 37-45, the Company failed to separate the costs that it claims are customer costs. For

³⁵ Pike Electric Statement No. 1, p. 17.

³⁶ Pike Electric Exhibit PMN-5-E, p. 4, line 48, columns e-f.

³⁷ Pike Electric Exhibit PMN-5-E, p. 4, line 37, columns g-h.

1 example, the claim of “Customer Distribution Secondary Component” does not
2 break down what is included in this cost. If it includes any line costs, these line costs
3 should not be included in the customer cost analysis since lines deliver electricity and
4 the cost of lines do not vary with the addition and/or loss of a customer, so the cost of
5 lines should not be considered a customer cost.³⁸

6
7 **Q. WHAT IS THE MONTHLY CUSTOMER COST FOR THE RESIDENTIAL**
8 **AND COMMERCIAL CUSTOMERS WITHOUT THE CUSTOMER**
9 **DISTRIBUTION SECONDARY COMPONENTS BEING INCLUDED?**

10 A. The monthly customer cost calculated without the customer distribution secondary
11 components being included is \$29.92 for the residential class and \$52.46 for the
12 small commercial class.³⁹

13
14 **Q. ARE YOU RECOMMENDING ANY CHANGES TO THE COMPANY’S**
15 **PROPOSED CUSTOMER CHARGES?**

16 A. No. All proposed customer charges excluding the Customer Distribution Secondary
17 Component are supported by the Company’s Customers Cost analysis.⁴⁰

³⁸ I&E Exhibit No. 3, Schedule 3.

³⁹ I&E Exhibit No. 3, Schedule 4.

⁴⁰ I&E Exhibit No. 3, Schedule 4.

1 **SCALE BACK OF RATES**

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

4 A. If the Commission grants less than the Company's requested increase, I recommend
5 that the Commission scale-back rates based upon the cost of service study that it
6 determines is reasonable on a proportional basis.

7

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

9 A. Yes.

Esyau A. Sakaya

**THE PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 North Street
HARRISBURG, PA 17120**

EXPERIENCE:

12/2018-Present

Pennsylvania Public Utility Commission-Harrisburg, PA

Fixed Utility Valuation Engineer - Assist in engineering related studies related to valuation, depreciation, cost of service, quality of service as they apply to regulated utilities. Contribute in evaluating, contrasting and conducting performance analyses in distinctive sections of valuation engineering and rate structure involving valuation concepts, original cost, rate base, fixed capital costs, inventory processing, excess capacity, cost of service, and rate design. Provide expert testimony in rate related utility cases.

4/2018-12/2018

Pennsylvania Department of Transportation-Harrisburg, PA

Photogrammetry Technician I - Created three-dimensional mapping layouts of natural and man-made features from stereoscopic images on a computer workstation. Assisted in the field placement of ground based surveyed control-points prior to aerial photography acquisition. Provided field support in the use of laser scans for comprehensive digital surveying data. Operated global positioning satellite surveying equipment to obtain accurate geodetic coordinates of pre-established benchmarks.

8/2017-4/2018

Pennoni and Associates. Consulting Engineers-King of Prussia, PA

Construction Inspector – Provided quality assurance in the onsite material testing of concrete, soils, and asphalt. Read and interpreted construction drawings and specifications of materials and components. Completed daily reports regarding project progress to engineers, project managers/superintendents, contractors, and clients.

EDUCATION:

National Association of Regulatory Utility Commissioners, Clearwater, FL
Utility Rate School; Utility Rate Making Basics, October 2019

Society of Depreciation Professionals, Philadelphia, PA
Introduction to Depreciation; Depreciation Fundamentals, September 2019

Temple University, Philadelphia, PA
Bachelor of Science; Major in Engineering Technology, 2015

Community College of Philadelphia, Philadelphia, PA
Associate of Applied Science; Major in Construction Management Technology, 2011

EDUCATION (CONTINUED):

Island School of Building Arts, Gabriola Island, BC-Canada
Certificate Graduate: Heavy Timber Construction August 2002-November 2002

Solar Energy International, Carbondale, CO
Certificate Graduate: Basic and Advanced Photovoltaic Design, April 2002-May 2002

TESTIMONY SUBMITTED:

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

NO. **Case**

1. UGI Gas Utilities - Gas Division, Docket No. R-2018-3006814
2. Newtown Artesian Water Company, Docket No. R-2018-3006904
3. Pittsburgh Wastewater, Docket No. M-2018-2640803
4. PAWC Purchase of Steelton, Docket No. A-2019-3006814
5. Philadelphia Gas Works, Docket Nos. R-2019-3009016 & R-2019-3007636
6. Community Utilities Water, Docket No. R-2019-3008947
7. Aqua Purchase of Cheltenham, Docket No. A-2019-3008491
8. UGI North, Docket No. R-2019-3009647
9. UGI Central, Docket No. R-2019-3009647
10. UGI South, Docket No. R-2019-3009647
11. Twin Lakes Utilities, Docket No. R-2019-3010958
12. Penn Power Company, Docket No. P-2019-3012628
13. UGI Gas Utilities, Docket No. R-2019-3015162
14. National Fuel and Gas Distribution, Docket No. R-2020-3015251
15. Columbia Gas of PA, Docket Nos. R-2020-3018993 & R-2020-3018835
16. Duquesne Light Company, Docket No. P-2020-3019522
17. PA American Water Co., Docket Nos. R-2020-3019369 & R-2020-3010937
18. Bethlehem Water Company, Docket No. R-2020-3020256
19. Audubon Water Company, Docket No. R-2020-3020919
20. Twin Lakes Utilities, Docket No. P-2020-3020914
21. Pike County Light and Power-Gas, Docket No. R-2020-3022134
22. Pike County Light and Power-Electric, Docket No. R-2020-3022135
23. Duquesne Light Company, Docket No. R-2021-3024750
24. Community Utilities Water, Docket No. R-2021-3025206
25. Community Utilities Wastewater, Docket No. R-2021-3025206
26. Hanover Municipal Water Works, Docket No. R-2021-3026116
27. Aqua Pennsylvania, Inc., Docket Nos. R-2021-3027385 & R-2021-3027386
28. Aqua Purchase of Willistown, Docket No. A-2021-3027268
29. National Fuel and Gas Distribution, Docket No. R-2022-3030235
30. UGI Gas Utilities, Docket No. R-2021-3030218
31. PECO Energy Company – Gas, Docket No. R-2022-3031113
32. Valley Energy, Inc., Gas, Docket No. R-2022-3032300
33. Citizens’ Electric Company, Docket No. R-2022-3032369
34. Leatherstocking Gas Company, LLC Docket No. R-2022-303276
35. National Fuel and Gas Distribution, Docket No. R-2022-3035730

36. Aqua Purchase of Shenandoah, Docket No. A-2022-3034143
37. UGI Electric Utilities, Docket No. R-2022-3037368
38. Philadelphia Gas Works, Docket No. R-2023-3037933
39. Columbia Water, Docket No. R-2023-3040258
40. Community Utilities Water, Docket No. R-2023-3042804
41. Community Utilities Wastewater, Docket No. R-2023-3042805
42. CAN DO, Inc., Docket Nos. R-2023-3040153 and R-2023-3040151
43. Veolia Water, Inc., Docket No. R-2024-3045192
44. Veolia Wastewater, Inc., No. Docket R-2024-3045193
45. Columbia Gas Company, Docket No. R-2024-3046519
46. PECO Energy Company – Electric, Docket No. R-2024-3046931
47. City of Lock Haven - Water Department., Docket No. R-2024-3049248
48. Deer Haven Wastewater LLC., Docket No. P-2024-305049
49. Deer Haven Water LLC., Docket No. P-2024-305048

I&E Exhibit No. 3
Witness: Esyan A. Sakaya

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Exhibit to Accompany

the

Direct Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

Rate Base
Depreciation Expense
Cost of Service
Customer Cost Analysis – Customer Charges
Revenue Allocation
Scale Back of Rates

Pike County Light And Power Company
R-2024-3052359
Electric Rate Base
At September 30, 2024 And 2025

Source: Exhibit E-3, Summary, Page 1

Line	Description (A)	Difference Between Historical and Future Years			Future Year at 09/30/25 (E)=(B)+(C)	I&E Adjustment (F)	I&E Future Year at 9/30/2025 (G)=(E)+(F)
		Actual Per Books at 09/30/24 (B)	Reference (C)	Amount (D)			
<u>Utility Plant:</u>							
1	Electric Plant in Service	\$ 34,737,200	(1a), (1d)	\$ 8,792,239	\$ 43,529,439	-\$2,175,000	\$41,354,439
2	Common Plant in Service (Allocated)	979,900	(1b), (1d)	552,500	1,532,400	-\$127,500	\$1,404,900
3	General Plant allocated from Corning Gas (Net)	-	(1c)	204,000	204,000	\$0	\$204,000
4	CWIP not taking interest	2,567,200	(1d)	(2,567,200)	-	\$0	\$0
5	Total Utility Plant	<u>38,284,300</u>		<u>6,981,539</u>	<u>45,265,839</u>	<u>-\$2,302,500</u>	<u>\$42,963,339</u>
<u>Utility Plant Reserves:</u>							
6	Accumulated Provision For Depreciation						
7	of Electric Plant in Service	4,247,700	(2a)	1,163,700	5,411,400	-\$447,200	\$4,964,200
8	Accumulated Provision For Depreciation	0		0	0	\$0	\$0
9	of Common Plant in Service (Allocated)	1,129,300	(2b)	183,300	1,312,600	-\$79,050	\$1,233,550
10	Retirement W.I.P	(63,200)	(2c)	-	(63,200)	\$0	-\$63,200
11	Total Utility Plant Reserves	<u>5,313,800</u>		<u>1,347,000</u>	<u>6,660,800</u>	<u>-\$526,250</u>	<u>\$6,134,550</u>
12							
13	Net Plant	<u>32,970,500</u>		<u>5,634,539</u>	<u>38,605,039</u>	<u>(1,776,250)</u>	<u>36,828,789</u>
<u>Additions to Net Plant</u>							
14	Working Capital Requirements:						
15	Cash Working Capital	1,026,700	(3)	(478,200)	548,500	\$0	\$548,500
16	Materials and Supplies	1,535,700	(4)	32,700	1,568,400	\$0	\$1,568,400
17	Prepayments	26,600	(5)	(100)	26,500	\$0	\$26,500
18	Deferred Debits (Net of Tax)	334,500	(6)	(32,400)	302,100	\$0	\$302,100
19	Total Additions	<u>2,923,500</u>		<u>(478,000)</u>	<u>2,445,500</u>	<u>\$0</u>	<u>\$2,445,500</u>
<u>Deductions to Net Plant:</u>							
20	Deferred Credits (Net of Tax)	(104,600)	(7)	12,700	(91,900)	\$0	-\$91,900
21	Customer Deposits	332,400	(8)	3,500	335,900	\$0	\$335,900
22	Accumulated Deferred Income Taxes	1,638,700	(9)	134,300	1,773,000	\$0	\$1,773,000
23	Total Deductions	<u>1,866,500</u>		<u>150,500</u>	<u>2,017,000</u>	<u>\$0</u>	<u>\$2,017,000</u>
24	Electric Rate Base	<u>\$ 34,027,500</u>		<u>\$ 5,006,039</u>	<u>\$ 39,033,539</u>	<u>\$ (1,776,250)</u>	<u>\$ 37,257,289</u>

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC'S RESPONSES TO
OFFICE OF SMALL BUSINESS ADVOCATE'S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS,
SET 1**

OSBA-Pike-Electric-I-9: Reference Exhibit E-3 Summary Page 1, Schedule 1 page 1, electric plant in service net additions:

- (a) Please explain why test year net additions include additions and retirements made after September 30, 2025.

RESPONSE: This exhibit was prepared for plant asset additions with a look-forward period of one year, plus six months, for a total period of 18 months. This provides an average plant balance for the first year that new rates are in effect.

PROVIDED BY: Matthew Lenns, Controller

DATE: February 13, 2025

**PIKE COUNTY LIGHT & POWER COMPANY- ELECTRIC'S RESPONSES TO
BUREAU OF INVESTIGATION AND ENFORCEMENT'S DATA REQUESTS,
SET RS, NOS. 1-13**

I&E-RS-8-D Provide a schedule similar to Pike Electric Exhibit E-6, Schedule PMN-2-E, p. 1 showing the \$1,874,600 proposed increase in revenue, total revenue, expenses, taxes, rate base, rate of return and relative rate of return for each class under columns (a) through (j) under proposed rates. Also, provide the schedule in Excel with formulas intact.

RESPONSE: We have unitized growth of 4%, even across customer classes for the rate year. We did not perform 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 Normand, Consultant

DATE: February 7, 2025

External Allocators – Customer Related, Page 21

7. CDISTSOLC – Acct 364 & 366 - Poles, Towers, Fixtures & Conductors – Customer Distribution Secondary Function.
This allocator represents the annual number of customers by rate class. Allocation Ratio is on Page 21, line 57.
8. CDISTSULC – Acct 365 & 367 - Conductors & Devices - Customer Distribution Secondary Function.
This allocator represents the annual number of customers by rate class. Allocation Ratio is on Page 21, line 58.
9. CDISTSALT - Acct 368 – Customer Distribution Secondary Function. Line Transformers. Allocation Ratio is on Page 21, line 59.
10. CUSTSERV – Acct 369 Service Investment – Customer Services Function.
This allocator represents the direct assignment of service plant account to the customer classes. See Workpapers for details. Allocation Ratio is on Page 21, line 61.
11. CUSTMTR – Acct 370 Meter Investment – Customer Meters Function.
This allocator represents the direct assignment of meter plant account to the customer classes. See Workpapers for detail. Allocation Ratio is on Page 21, line 62.
12. CUSTLTG - Acct 373 – Street Lighting & Signal Systems – Customer Other Function.
This allocator represents the assignment of plant to the lighting classes. Allocation Ratio is on Page 21, line 64
13. CUSTDEP - Customer Deposits – Customer Other Function
This allocator represents the assignment of customer deposits to the Residential and Small General customer classes based on the number of customers. See Workpapers for detail. Allocation Ratio is on Page 21, line 66.
14. CUSTMTRDG – Acct 902 Meter Reading Expense – Customer Accounts Expense Function
This allocator was based on the number of meters by rate class with a weighting factor applied to daily read meters. Allocation Ratio is on Page 21, line 68.
15. CUSTREC – Acct 903 Customer Records & Collection Expenses – Customer Accounts Expense Function
This allocator was based on the number of bills by rate class. Allocation Ratio is on Page 21, line 69.

I&E
Pike County Light And Power Company
Customer Cost Analysis
R-2024-3052359
September 30, 2025

Line No.	Description	Total Electric Company	Total Residential	Residential SC1	Residential Space/Water Htg SC1	Small Commercial & Industrial - Sec SC2-S	Large Commercial & Industrial - Pri SC2-P	Municipal Street Lighting SC2	Private Lighting SC3
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	AVAILABLE COMPONENT	\$0.00	\$0.00	(\$0.00)	(\$0.00)	(\$0.00)	\$0.00	\$0.00	\$0.00
2	CUSTOMER SERVICES INVESTMENT	\$6.13	\$3.72	\$3.51	\$4.99	\$17.84	\$0.00	\$0.00	\$0.00
3	CUSTOMER METER INVESTMENT	\$2.80	\$1.19	\$1.19	\$1.18	\$9.72	\$80.93	\$0.00	\$0.00
4	CUSTOMER ACCOUNT EXPENSE	\$24.87	\$24.88	\$24.89	\$24.86	\$24.84	\$27.33	\$25.08	\$24.22
5	CUSTOMER SERVICE EXPENSES	\$0.81	\$0.62	\$0.60	\$0.69	\$1.39	\$36.60	\$1.15	\$0.46
6	CUSTOMER OTHER	\$1.44	(\$0.26)	(\$0.27)	(\$0.22)	(\$1.34)	(\$12.77)	\$609.43	\$42.12
7	TOTAL CUSTOMER COST	\$36.05	\$30.15	\$29.92	\$31.51	\$52.46	\$132.09	\$635.65	\$66.80

**I&E Statement No. 3-SR
Witness: Esyan A. Sakaya**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PIKE COUNTY LIGHT & POWER COMPANY - ELECTRIC

Docket No. R-2024-3052359

Surrebuttal Testimony

of

Esyan A. Sakaya

Bureau of Investigation and Enforcement

Concerning:

Rate Base

Depreciation Expense

Cost of Service

Customer Cost Analysis – Customer Charges

Scale Back of Rates

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SCALE BACK OF RATES 7

1 **INTRODUCTION**

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

3 A. My name is Eryan A. Sakaya. My business address is 400 North Street,
4 Harrisburg, PA 17120.

5

6 **Q. ARE YOU THE SAME ERYAN A. SAKAYA WHO SUBMITTED I&E**
7 **STATEMENT NO. 3 AND I&E EXHIBIT NO. 3 IN THIS PROCEEDING?**

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
12 Pike County Light and Power Company – Electric (“Pike Electric” or “Company”)
13 Accounting Panel Statement No. 1-R submitted by witness Paul Normand and
14 Pike Electric Statement No. 2-R submitted by witnesses Charles Lenns and
15 Matthew Lenns. My surrebuttal testimony will address issues related to the rate
16 base, accumulated depreciation, annual depreciation expense, cost of service,
17 customer cost analysis, customer charges, revenue allocation, and the scale back of
18 rates.

19

20 **Q. DOES YOUR SURREBUTTAL TESTIMONY INCLUDE AN EXHIBIT?**

21 A. No.

1 **Q. HAS THE COMPANY ACCEPTED ANY OF YOUR RECOMMENDED**
2 **ADJUSTMENTS FROM DIRECT TESTIMONY?**

3 A. Yes. The Company accepted my recommendation to remove post-future test year
4 (“FTY”) rate base, accumulated depreciation, and related depreciation expense.¹
5

6 **PROPOSED INCREASE**

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

8 A. In the original filing, the Company showed different increases in various parts of
9 the filing. For example, on the income statement, the Company reflected an
10 increase of \$1,874,600,² while in the cost of service study (COSS), the Company
11 reflected an increase of \$2,143,894.³
12

13 **Q. DID THE COMPANY UPDATE ITS REQUESTED INCREASE IN**
14 **REBUTTAL TESTIMONY?**

15 A. Yes. In rebuttal testimony, the Company has updated its requested increase to
16 \$1,656,800 and its present rate revenues to \$16,236,900 resulting in an updated
17 total overall revenue requirement of \$17,893,700.⁴

¹ Pike Electric Statement No. 2-R, pp. 5-7.

² Pike Electric Exhibit E-4, Summary p. 1.

³ Pike Electric Exhibit E-6, Schedule ERP-4-E, p. 26, line 30.

⁴ Pike Electric Statement No. 2-R, p. 39.

1 **Q. DID THE COMPANY PROVIDE AN UPDATED COSS WITH ITS**
2 **REBUTTAL TESTIMONY?**

3 A. No.

4
5 **Q. HAS YOUR ORIGINAL RECOMMENDATION CHANGED REGARDING**
6 **REVENUE INCREASES AGREEING IN THE FILING?**

7 A. No. I recommend that the Company show the same increase that would reflect the
8 proposed revenue increase across all schedules and the COSS in its filing. It is
9 important that all parties have one starting point when reviewing the filing to make
10 a determination of the appropriate revenue requirement for the Company.

11

12 **COST OF SERVICE**

13 **Q. DID THE COMPANY PROVIDE A COST OF SERVICE STUDY IN THIS**
14 **PROCEEDING?**

15 A. Yes. In the original filing, the Company provided a COSS on Pike Electric
16 Exhibits E-6 through E-8. However, the COSS is based upon data from the
17 historic test year ended September 30, 2024, not for the FTY ending September
18 30, 2025.

19

20 **Q. WHAT ISSUES DID YOU HAVE WITH THE COMPANY'S COSS?**

21 A. Pike Electric only provided a schedule for proposed rates under the scenario of all

1 customer classes paying the same rate of return of 8.37%.⁵ The schedules
2 provided both in the filing and in Excel format do not show the proposed
3 revenues, expenses, taxes, net income, and rate base by class that support each rate
4 of return and relative rate of return, but the Company did provide a schedule that
5 shows the uniform rate or return by class for proposed revenues.⁶

6
7 **Q. DID THE COMPANY PROVIDE A REASON WHY THE REVENUE**
8 **REQUIREMENT IN ITS COSS DID NOT MATCH THE REVENUE**
9 **REQUIREMENT MENTIONED IN THE COMPANY’S FILING?**

10 A. Yes. The Company’s response to I&E-RS-8-D stated that Pike Electric “did not
11 perform a cost of service utilizing future test year data.”⁷ Pike Electric stated that
12 its electric sales and revenue forecasting approach was based on an across-the-
13 board 4% increase in all rate classes.⁸

14
15 **Q. DID THE COMPANY PROVIDE AN UPDATED COSS IN ITS REBUTTAL**
16 **TESTIMONY THAT SATISFIES THE PROPOSED REVENUE**
17 **REQUIREMENT?**

18 A. No.

⁵ Pike Electric Exhibit E-6, Schedule PMN-3-E, p. 1.

⁶ Pike Electric Exhibit E-8, p. 1.

⁷ I&E Exhibit No. 3, Schedule 2.

⁸ Pike Electric Statement No. 2, pp. 49-50 and Pike Electric Exhibit No. 5, Schedule 5.

1 **Q. WHAT DO YOU RECOMMEND?**

2 A. As mentioned above, the Company should provide schedules that match, and
3 further, the COSS should be based on the FTY revenue requirement not based on a
4 uniform increase to HTY results. Having so many different proposed revenue
5 figures creates an unacceptable inconsistency between the revenue requirement
6 generated by the ratemaking formula and how that revenue requirement is
7 allocated to the various customer classes in the COSS and, therefore, recovered
8 through rates.

9

10 **CUSTOMER COST ANALYSIS - CUSTOMER CHARGES**

11 **Q. DID PIKE ELECTRIC PROVIDE A SCHEDULE SHOWING WHAT IT**
12 **STATES IS A CUSTOMER COST ANALYSIS TO SUPPORT THE**
13 **PROPOSED CUSTOMER CHARGE INCREASES IN THIS**
14 **PROCEEDING?**

15 A. Yes. Pike Electric presented a customer cost analysis in Pike Electric Exhibit
16 PMN-5-E, pages 2-4.⁹ However, the Company provided no testimony supporting
17 the components of its customer cost analysis.

18

19 **Q. WHAT WERE THE RESULTS OF THE COMPANY'S CUSTOMER COST**
20 **ANALYSIS FOR RESIDENTIAL CUSTOMERS?**

21 A. The result of its customer cost analysis for residential customers shows the cost to

⁹ Pike Electric Statement No. 1, p. 17.

1 be between approximately \$36 and \$37 per month.¹⁰ The Company also shows
2 the Commercial customer cost between approximately \$58 and \$81 per month.¹¹

3
4 **Q. DID THE CUSTOMER COST ANALYSIS PROVIDE A BREAKDOWN OF**
5 **CUSTOMER COSTS?**

6 A. Yes. Pike Electric Exhibit PMN-5-E, p. 4, lines 37-45, does show what appears to
7 be a breakdown of customer costs cost.

8
9 **Q. DID THE COMPANY AGREE WITH YOUR CUSTOMER COST**
10 **ANALYSIS ASSESSMENT?**

11 A. No. The Company asserts that my analysis was inaccurate and mentioned that I was
12 wrong in my assessment of secondary circuits and line transformers in determining
13 monthly customer charges.¹²

14
15 **Q. DO YOU AGREE WITH THE COMPANY REGARDING THE USE OF**
16 **SECONDARY CIRCUITS AND TRANSFORMERS IN DETERMINING**
17 **MONTHLY CUSTOMER CHARGES?**

18 A. No. While the Company's COSS does provide a customer cost analysis that appears
19 to break down customer costs, the inclusion of secondary lines and transformers
20 should not be used as a determining factor in developing customer costs as lines

¹⁰ Pike Electric Exhibit PMN-5-E, p. 4, line 48, columns e-f.

¹¹ Pike Electric Exhibit PMN-5-E, p. 4, line 37, columns g-h.

¹² Pike Electric Statement No. 1-R, p. 9.

1 deliver electricity regardless of the addition or loss of a customer. Further, while
2 some customer locations may require an individual transformer, that is not a
3 condition that exists for every customer, so these costs are correctly shared costs that
4 should not be directly applied to customer charge fixed costs.

5
6 **SCALE BACK OF RATES**

7 **Q. WHAT SCALE BACK METHODOLOGY DID YOU RECOMMEND IF THE**
8 **COMMISSION GRANTS LESS THAN THE FULL INCREASE?**

9 A. If the Commission grants less than the Company's requested increase, I recommend
10 that the Commission scale back rates based upon a COSS that matches the proposed
11 revenue in the filing and determines rates on a reasonable and proportional basis.

12
13 **Q. DID THE COMPANY RESPOND TO YOUR SCALE BACK OF RATES**
14 **PROPOSAL?**

15 A. No. Therefore, my scale back recommendation should be approved.

16
17 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

18 A. Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : Docket No. R-2024-3052359
Pike County Light & Power Company – :
Electric :

**VERIFICATION OF
ESYAN SAKAYA**

I, Esysan Sakaya, 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/ Esysan Sakaya
Esysan Sakaya
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement

Dated: 5/19/2025