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October 17, 2025

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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

Dear Secretary Homsher:

Attached for filing with the Pennsylvania Public Utility Commission is the Joint Petition for Settlement in the above-referenced docket. In addition to the traditional supporting tables, appendices, and statements in support, the filing includes Joint Findings of Fact, Conclusions of Law and Ordering Paragraphs as Exhibits 1-3, respectively.

As shown by the attached Certificate of Service, the parties to this proceeding are being duly served with a copy of this filing. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare'.

Adeolu A. Bakare
MCNEES WALLACE & NURICK LLC

Counsel to Valley Energy, Inc.

c: Mary D. Long, Administrative Law Judge (via e-mail)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA EMAIL

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Adeolu A. Bakare

Counsel to Valley Energy, Inc

Dated this 17th day of October, 2025, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

JOINT PETITION FOR SETTLEMENT

I. INTRODUCTION

Valley Energy, Inc. ("Valley" or "Company"), the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("PUC" or "Commission"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OBSA") (individually, "Party," and collectively, "Parties"), submit this Joint Petition for Settlement ("Joint Petition" or "Settlement") of the above-captioned proceeding and respectfully request that Administrative Law Judge ("ALJ") Mary D. Long and the Commission approve all of the terms and conditions set forth in this Settlement.

II. BACKGROUND

1. On April 30, 2025, Valley filed with the Commission proposed Supplement No. 69 to Tariff – Gas Pa. P.U.C. No. 2 ("Supplement No. 69"), which requested an overall rate increase of approximately \$1,626,000 per year. In support of this filing, Valley submitted a Statement of Reasons, the supporting information required by 52 Pa. Code § 53.52(a), (b), and (c), and various other information.

2. On April 30, 2025, Valley submitted to the I&E, OCA, and OSBA its prepared direct testimony, consisting of the following statements:

- Direct Testimony of Howard S. Gorman (Valley Statement No. 1)
- Direct Testimony of Dylan W. D'Ascendis and Ryan M. Kucan (Joint Statement No. 2)
- Direct Testimony of Melissa Sullivan (Joint Statement No. 3)
- Direct Testimony of Edward E. Rogers (Valley Statement No. 4)
- Direct Testimony of Jamie Beale (Valley Statement No. 5)
- Direct Testimony of Cody Chapman (Valley Statement No. 6).

3. By Order entered May 22, 2025, the Commission allowed Supplement No. 69 to be suspended by operation of law until January 29, 2026, and ordered that the Company's rate increase filing and its existing rates, rules, and regulations be investigated. The Commission also ordered that this matter be assigned to the Office of Administrative Law Judge for scheduling of hearings. As a result, the Commission assigned this proceeding to ALJ Long. On June 2, 2025, in compliance with the Commission's Order entered on May 22, 2025, Valley filed tariff suspension Supplement No. 70 to Tariff Gas – Pa. P.U.C. No. 2 ("Supplement No. 70"), which suspended proposed Supplement No. 69 until January 29, 2026.

4. I&E filed a notice of appearance in this proceeding on May 7, 2025.
5. OCA filed a Formal Complaint in this proceeding on May 12, 2025.
6. OSBA filed a Formal Complaint in this proceeding on May 14, 2025.
7. On June 2, 2025, Valley, along with Wellsboro Electric Company ("Wellsboro") and Citizens' Electric Company of Lewisburg, PA ("Citizens") moved to consolidate the proceedings with Wellsboro and Citizens' 2025 Base Rate Filings, located at docket numbers R-2025-4054392 and R-2025-4054394.

8. On June 5, 2025, ALJ Long issued an Order granting the motion for consolidation and ordering the parties to engage in discovery.

9. On July 2, 2025, pursuant to the Prehearing Order, Valley submitted revised prepared direct testimony to replace Joint Statement No. 2 with statements sponsored separately by Dylan W. D'Ascendis and Ryan M. Kucan, respectively. Valley submitted the following:

- Direct Testimony of Dylan W. D'Ascendis (Revised Joint Statement No. 2)
- Direct Testimony of Ryan M. Kucan (Joint Statement No. 2A).

10. On July 15, 2025, OCA, I&E, and OSBA submitted direct testimony. OCA submitted the following:

- Direct Testimony of Greg R. Meyer (OCA Statement No. 1)
- Direct Testimony of Christopher C. Walters (OCA Statement No. 2)
- Direct Testimony of Michael Deupree (OCA Statement No. 3)
- Direct Testimony of LeeAnn Wise (OCA Statement No. 4).

I&E submitted the following:

- Direct Testimony of Christine Wilson (I&E Statement No. 1)
- Direct Testimony of D.C. Patel (I&E Statement No. 2)
- Direct Testimony of Esyan A. Sakaya (I&E Statement No. 3).

OSBA submitted the following:

- Direct Testimony of Justin B. Farr (OSBA Statement No. 1).

11. On August 13, 2025, Valley, OCA, and OSBA served prepared rebuttal testimony. Valley submitted the following rebuttal statements:

- Rebuttal Testimony of Howard S. Gorman (Valley Statement No. 1R)
- Rebuttal Testimony of Edward E. Rogers (Valley Statement No. 4R)
- Rebuttal Testimony of Jamie Beale (Valley Statement No. 5R).

OSBA submitted the following rebuttal statement:

- Rebuttal Testimony of Justin B. Farr (OSBA Statement No. 1-R).

OCA submitted the following rebuttal statements:

- Rebuttal Testimony of Greg R. Meyer (OCA Statement No. 1R)
- Rebuttal Testimony of Christopher C. Walters (OCA Statement No. 2R).

12. On August 28, 2025, Valley, OCA, I&E, and OSBA submitted surrebuttal testimony. Valley submitted the following statements:

- Surrebuttal Testimony of Howard Gorman (Valley Statement No. 1SR).

OCA submitted the following statements:

- Surrebuttal Testimony of Greg R. Meyer (OCA Statement No. 1SR)
- Surrebuttal Testimony of Christopher C. Walters (OCA Statement No. 2SR)
- Surrebuttal Testimony of Michael Deupree (OCA Statement No. 3SR)
- Surrebuttal Testimony of LeeAnn Wise (OCA Statement No. 4SR).

I&E submitted the following statements:

- Surrebuttal Testimony of Christine Wilson (I&E Statement No. 1-SR)
- Surrebuttal Testimony of D. C. Patel (I&E Statement No. 2-SR)
- Surrebuttal Testimony of Esyan Sakaya (I&E Statement No. 3-SR).

OSBA submitted the following statement:

- Surrebuttal Testimony of Justin B. Farr (OSBA Statement No. 1-SR).

13. During this proceeding, numerous settlement discussions were held among the Parties. As a result of those discussions, a settlement-in-principle was reached among the Parties. The agreement of the Parties is embodied in this Settlement.

III. TERMS OF SETTLEMENT

The terms of the Settlement are as follows:

14. The Parties agree to a stipulated increase in the Company's annual revenue requirement of \$1,105,000, which is an approximately 17% increase in the Company's distribution revenues at present rates, using a FPFTY ending December 31, 2026. The rate increases may be implemented by the Company via a compliance tariff effective on one day's notice that is in compliance with the Commission's final order entered in this proceeding. Table A includes the current, originally proposed, and stipulated rates that result from this settlement.

15. The Company will normalize rate case expense over three years. No unamortized rate case expense will be claimed in rate base in the settlement rates.

16. The Parties agree that the Pennsylvania Corporate Net Income ("CNI") Tax rate in this proceeding will be set at 7.49%. The Company will reflect the actual CNI tax rates for the post-2026 tax years through the State Tax Adjustment Surcharge and via future base rate proceedings.

17. The Company's revenue requirement does not include costs for one-time credit card payments, which will continue to be the responsibility of the customers who use this bill payment option.

18. The Company's Utility Plant balances for the FPFTY and FTY are accepted as filed for purposes of the post-test year reporting agreed to in Paragraph 25 and any subsequent request to implement a Distribution System Improvement Charge ("DSIC").

19. Except as provided above, the revisions to the proposed revenue requirement shall not otherwise be ascribed to any specific proposed adjustment or position of any Party.

20. The Company's revenue requirement increase will be allocated among the Company's rate classes in accordance with the allocation methodology set forth in Appendix A to this Settlement. The distribution rates and bill comparisons for each class are set forth in Appendices B, B1, and B2.

21. The Company will implement a Residential ("Rate R") Customer Charge of \$13.80 per month, approximately a 12% increase from the existing \$12.35 monthly charge. The Company will also implement a Commercial Rate ("Rate C") Customer Charge of \$25.00 per month, approximately a 14% increase from the existing \$21.95 monthly charge.

22. The Company will memorialize written internal operating procedures that provide applicants with the ability to explore, in conjunction with the request for the deposit, whether the applicant may qualify for a waiver due to the household income and train its customer service representative employees based on the written procedures.

23. The Company will establish tracking of payment plans that includes the following possible resolutions of the payment arrangements: Completed—by Customer; Completed—Third-party Payment; Renegotiated—Change in Income; Renegotiated—Other (including voluntary company renegotiation); Abandoned by Customer (e.g., moved out of territory, etc.); and Not Completed—Termination Pursued.

24. The Company will establish written internal operating procedures addressing how Federal Poverty Income Guideline ("FPIG") ranges are used, what verification is needed for low-income verification, and how payments and terms are calculated.

25. The Company will provide OCA, I&E, and OSBA an update to Company Exhibit__(HSG-1), Schedule C3 no later than April 1, 2026, which should include actual plant additions and retirements by month for the year ending December 31, 2025. An additional update will be provided for actual plant additions and retirements through December 31, 2026, no later than April 1, 2027. These updates will be filed under the docket number of this proceeding.

26. The Company will include the following information about OSBA.

- a. Information about OSBA will be included in a newsletter or bill insert at least once per year, with the first communication occurring by June 1, 2026.
- b. Information about the OSBA will be added to the Company website with a hyperlink.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

27. This Settlement was achieved by the Parties after an extensive investigation of the Company's base rate filing, including formal and informal discovery and the submission of direct testimony, rebuttal testimony, and surrebuttal testimony by the Parties. The Settlement is lawful and supported by the record of this proceeding.

28. With the approval of the Settlement, the Parties and the Commission avoid the time, expense and uncertainty that would occur if the Parties were required to fully litigate the issues in this proceeding.

29. The Parties are providing support of the Settlement via Statements in Support, which are attached to the Settlement as Appendices C through F. These

statements will set forth additional arguments and reasons supporting approval of this Settlement without modification as appropriate and in the public interest.

V. CONDITIONS OF SETTLEMENT

30. This Settlement is conditioned upon the Commission's approval of terms and conditions contained herein without modification. If the Commission modifies the Settlement, any Party may elect to withdraw from this Settlement and may proceed with litigation, and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon the other Parties within five (5) business days after the entry of an order modifying the Settlement.

31. The Settlement is proposed by the Parties to settle all issues in the instant proceeding and is made without any admission against, or prejudice to, any position that any Party may adopt during any subsequent litigation of this proceeding or any other proceeding.

32. If the ALJ adopts the Settlement without modification, the Parties waive their rights to file exceptions and reply exceptions.

33. If the Commission does not approve the Settlement, and the proceeding continues to further hearings, the Parties reserve their respective rights to present testimony and to conduct full cross-examination, briefing, and argument.

34. The Commission's approval of this Settlement shall not be construed to represent approval of any Party's position on any issue.

35. It is understood and agreed among the Parties that this Settlement is the result of compromises and does not necessarily represent the position(s) that would be advanced by any Party if this proceeding were fully litigated.

VI. CONCLUSION

WHEREFORE, the Parties respectfully request as follows:

1. That the ALJ and the Commission make the following findings (and any other findings and conclusions as may be required or appropriate):
 - a. The Company's proposed base rate increase and tariff, as modified by the terms of this Settlement, are compliant with the requirements of the Pennsylvania Public Utility Code.
 - b. Approval of this Settlement is in the public interest.
 - c. The Company shall submit a compliance filing implementing the rate and tariff changes agreed to in this Settlement, to be effective on January 29, 2026.
2. That the ALJ recommends and the Commission approve this Settlement including all terms and conditions thereof.

3. That the Commission enter an Order consistent with this Settlement, approving the Company's proposed rate increase and other tariff changes.

Dated: October 17, 2025

Respectfully submitted,



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Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Summary Of Rates- Present, Originally Proposed and Proposed in Settlement
All Rates EXCLUDE GCR

Line	Present Rates	Originally Proposed	Proposed in Settlement	Originally Proposed Increase Over Present Rates	Proposed in Settlement Increase Over Present Rates	Originally Proposed / Present Rates	Proposed in Settlement / Present Rates
Rate R- Residential							
1							
2	Customer Charge per Bill	\$12.35	\$14.00	\$13.80	\$1.65	\$1.45	13.36% 11.74%
3							
4	<u>Commodity charge per ccf</u>						
5	All usage	\$0.37095	\$0.50747	\$0.45930	\$0.13652	\$0.08835	36.80% 23.82%
6	Rate C- Commercial						
7	Customer Charge per Bill	\$21.95	\$25.00	\$25.00	\$3.05	\$3.05	13.90% 13.90%
8							
9	<u>Commodity charge per ccf</u>						
10	All usage	\$0.27929	\$0.37250	\$0.33960	\$0.09321	\$0.06031	33.37% 21.59%
11	Rate I- Large Industrial Firm						
12	Customer Charge per Bill	\$0.00	\$300.00	\$300.00	\$300.00	\$300.00	
13							
14	<u>Commodity charge per ccf</u>						
15	Block 1	\$0.14158	\$0.18343	\$0.17002	\$0.04185	\$0.02844	29.56% 20.09%
16	Block 2	\$0.08696	\$0.09734	\$0.09012	\$0.01038	\$0.00316	11.94% 3.63%
17	Block 3	\$0.05697			\$0.04037	\$0.03315	NA (1) NA (1)
18	(1) The percentage changes for Block 3 are Not Applicable, because Block 3 was merged into Block 2.						
19	<u>Demand charge per mcf</u>						
20	Block 1	\$1.55432	\$2.01379	\$1.86654	\$0.45947	\$0.31222	29.56% 20.09%
21	Block 2	\$0.80660	\$1.04504	\$0.96863	\$0.23844	\$0.16203	29.56% 20.09%
22	Rate IS- Interruptible Service						
23	Customer Charge per Bill	\$82.00	\$100.00	\$100.00	\$18.00	\$18.00	21.95% 21.95%
24							
25	<u>Transport charge per ccf</u>						
26	All usage	\$0.0867	\$0.1124	\$0.1041	\$0.0257	\$0.0174	29.66% 20.06%
27	Rate SI- Small Industrial						
28	Customer Charge per Bill	\$82.00	\$100.00	\$100.00	\$18.00	\$18.00	21.95% 21.95%
29							
30	<u>Demand charge per mcf</u>						
31	All usage	\$0.1869	\$0.2427	\$0.2243	\$0.0558	\$0.0374	29.87% 20.01%

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Summary Of Rates- Present, Originally Proposed and Proposed in Settlement
All Rates EXCLUDE GCR

Line	Present Rates	Originally Proposed	Proposed in Settlement	Originally Proposed Increase Over Present Rates	Proposed in Settlement Increase Over Present Rates	Originally Proposed / Present Rates	Proposed in Settlement / Present Rates
32	Rate ST- Transport Firm						
33	Customer Charge per Bill	\$82.00	\$100.00	\$18.00	\$18.00	21.95%	21.95%
34							
35	<u>Transport charge per ccf</u>						
36	All usage	\$0.1869	\$0.2427	\$0.0558	\$0.0374	29.87%	20.01%
37	Transport. Firm- DDQ						
38	Customer Charge per Bill	\$21.95	\$25.00	\$3.05	\$3.05	13.90%	13.90%
39							
40	<u>Transport charge per ccf</u>						
41	All usage	\$0.2793	\$0.3725	\$0.0932	\$0.0603	33.37%	21.59%
42	Transport. Interruptible						
43	Customer Charge per Bill	\$82.00	\$100.00	\$18.00	\$18.00	21.95%	21.95%
44							
45	<u>Transport charge per ccf</u>						
46	All usage	\$0.0867	\$0.1124	\$0.0257	\$0.0174	29.66%	20.06%

AppIndex

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026
INDEX TO APPENDICES

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3	Appendix B	Summary Of Present And Proposed Tariff Rates	AppB
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AppA **Valley Energy, Inc. (PA)**
Rate Case with Fully Projected Future Test Year 2026

Revenue At Present and Proposed Rates
Fully Projected Future Test Year December 31, 2026

Line	Rate Class	Revenue - Present Rates	Revenue - Proposed Rates	Proposed Increase
1	<u>Residential Sales Customers</u>			
2	Rate R- Residential	3,159,547	3,794,196	634,649
3				
4	<u>Commercial and Industrial Sales Customers</u>			
5	Rate C- Commercial	940,986	1,126,925	185,940
6	Rate IS- Interruptible Service	20,236	24,315	4,079
7	Rate SI- Small Industrial	15,049	18,137	3,088
8		976,270	1,169,377	193,106
9				
10	<u>Transportation Customers</u>			
11	Transport. Firm	362,559	435,320	72,761
12	Transport. Firm- Fixed	536,493	982,033	0
13	Transport. Firm- Volumetric	445,540		
14	Transport. Firm- DDQ	279,509	338,731	59,222
15	Rate I - Large Industrial	360,079	432,398	72,319
16	Transport. Interruptible	362,919	435,811	72,892
17		2,347,099	2,624,293	277,194
18				
19	TOTAL	\$6,482,916	\$7,587,865	\$1,104,949
20				

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Summary Of Present And Proposed Tariff Rates
Historic Year December 31, 2024 and Fully Projected Future Test Year December 31, 2026

Line	Present Rates (excluding GCR)	GCR Current	Present Rates (including GCR present rate)	Proposed Rates (excluding GCR)	GCR Current	Proposed Rates (including GCR present rate)	Proposed Increase (excluding GCR)	Proposed Increase (including GCR present rate)	
1	Rate R- Residential								
2	Customer Charge per Bill		\$12.35	\$12.35		\$13.80	\$13.80	11.74%	11.74%
3									
4	<u>Commodity charge per ccf</u>								
5	All usage	\$0.37095	\$0.34569	\$0.71664	\$0.45930	\$0.34569	\$0.80499	23.82%	12.33%
6	Rate C- Commercial								
7	Customer Charge per Bill		\$21.95	\$21.95		\$25.00	\$25.00	13.90%	13.90%
8									
9	<u>Commodity charge per ccf</u>								
10	All usage	\$0.27929	\$0.34569	\$0.62498	\$0.33960	\$0.34569	\$0.68529	21.59%	9.65%
11	Rate I- Large Industrial Firm								
12	Customer Charge per Bill		\$0.00	\$0.00		\$300.00	\$300.00		
13									
14	<u>Commodity charge per ccf</u>								
15	Block 1	\$0.14158	\$0.34569	\$0.48727	\$0.17002	\$0.34569	\$0.51571	20.09%	5.84%
16	Block 2	\$0.08696	\$0.34569	\$0.43265	\$0.09012	\$0.34569	\$0.43581	3.63%	0.73%
17	Block 3	\$0.05697	\$0.34569	\$0.40266					
18									
19	<u>Demand charge per mcf</u>								
20	Block 1	\$1.554320		\$1.55432		\$1.86654	\$1.86654	20.09%	20.09%
21	Block 2	\$0.806600		\$0.80660		\$0.96863	\$0.96863	20.09%	20.09%
22	Rate IS- Interruptible Service								
23	Customer Charge per Bill		\$82.00	\$82.00		\$100.00	\$100.00	21.95%	21.95%
24									
25	<u>Transport charge per ccf</u>								
26	All usage	\$0.08672		\$0.0867		\$0.10412	\$0.1041	20.06%	20.06%

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Summary Of Present And Proposed Tariff Rates
Historic Year December 31, 2024 and Fully Projected Future Test Year December 31, 2026

Line	Present Rates (excluding GCR)	GCR Current	Present Rates (including GCR present rate)	Proposed Rates (excluding GCR)	GCR Current	Proposed Rates (including GCR present rate)	Proposed Increase (excluding GCR)	Proposed Increase (including GCR present rate)	
27	Rate SI- Small Industrial								
28	Customer Charge per Bill	\$82.00	\$82.00	\$100.00		\$100.00	21.95%	21.95%	
29									
30	<u>Demand charge per mcf</u>								
31	All usage	\$0.1869	\$0.3457	\$0.5326	\$0.2243	\$0.3457	\$0.5700	20.01%	7.02%
32	Rate ST- Transport Firm								
33	Customer Charge per Bill	\$82.00	\$82.00	\$100.00		\$100.00	21.95%		
34									
35	<u>Transport charge per ccf</u>								
36	All usage	\$0.1869	\$0.1869	\$0.2243		\$0.2243	20.01%	20.01%	
37	Transport. Firm- DDQ								
38	Customer Charge per Bill	\$21.95	\$21.95	\$25.00		\$25.00	13.90%	13.90%	
39									
40	<u>Transport charge per ccf</u>								
41	All usage	\$0.2793	\$0.2793	\$0.3396		\$0.3396	21.59%	21.59%	
42	Transport. Interruptible								
43	Customer Charge per Bill	\$82.00	\$82.00	\$100.00		\$100.00	21.95%		
44									
45	<u>Transport charge per ccf</u>								
46	All usage	\$0.0867	\$0.0867	\$0.1041		\$0.1041	20.06%	20.06%	

AppB1

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Bill Comparisons (including GCR present rate)
Fully Projected Future Test Year December 31, 2026
Rate R- Residential

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
1		Minimum	\$12.35		\$13.80		\$1.45	11.74%
2		10	19.52	\$1.95164	21.85	\$2.18499	2.33	11.96%
3		20	26.68	1.33414	29.90	1.49499	3.22	12.06%
4	All Residential, Apr-Sep	36	38.15	1.05970	42.78	1.18832	4.63	12.14%
5		50	48.18	0.96364	54.05	1.08099	5.87	12.18%
6	All Residential, Annual	76	66.81	0.87914	74.98	0.98657	8.16	12.22%
7	All Residential, Oct-Mar	117	96.20	0.82220	107.98	0.92294	11.79	12.25%
8		150	119.85	0.79897	134.55	0.89699	14.70	12.27%
9		200	155.68	0.77839	174.80	0.87399	19.12	12.28%
10		250	191.51	0.76604	215.05	0.86019	23.54	12.29%

Rate C- Commercial

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
16		Minimum	\$21.95		\$25.00		\$3.05	13.90%
17		25	37.57	\$1.50298	42.13	\$1.68529	4.56	12.13%
18		50	53.20	1.06398	59.26	1.18529	6.07	11.40%
19		100	84.45	0.84448	93.53	0.93529	9.08	10.75%
20		200	146.95	0.73473	162.06	0.81029	15.11	10.28%
21	All Commercial, Annual	258	183.19	0.71006	201.80	0.78219	18.61	10.16%
22		300	209.44	0.69815	230.59	0.76862	21.14	10.09%
23		400	271.94	0.67986	299.12	0.74779	27.17	9.99%
24		500	334.44	0.66888	367.65	0.73529	33.20	9.93%
25		750	490.69	0.65425	538.97	0.71862	48.28	9.84%
26		1,000	646.93	0.64693	710.29	0.71029	63.36	9.79%

AppB1

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Bill Comparisons (including GCR present rate)
Fully Projected Future Test Year December 31, 2026

Rate SI- Small Industrial

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Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
		Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
	Minimum	\$82.00		\$100.00		\$18.00	21.95%
	2,000	1,147.18	\$0.57359	1,239.98	\$0.61999	92.80	8.09%
	4,000	2,212.36	0.55309	2,379.96	0.59499	167.60	7.58%
	6,000	3,277.54	0.54626	3,519.94	0.58666	242.40	7.40%
	8,000	4,342.72	0.54284	4,659.92	0.58249	317.20	7.30%
	10,000	5,407.90	0.54079	5,799.90	0.57999	392.00	7.25%
	12,000	6,473.08	0.53942	6,939.88	0.57832	466.80	7.21%
	14,000	7,538.26	0.53845	8,079.86	0.57713	541.60	7.18%
	16,000	8,603.44	0.53772	9,219.84	0.57624	616.40	7.16%
	18,000	9,668.62	0.53715	10,359.82	0.57555	691.20	7.15%
	20,000	10,733.80	0.53669	11,499.80	0.57499	766.00	7.14%

AppB2

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Bill Comparisons (excluding GCR)
Fully Projected Future Test Year December 31, 2026
Rate R- Residential

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
1		Minimum	\$12.35		\$13.80		\$1.45	11.74%
2		10	16.06	\$1.60595	18.39	\$1.83930	2.33	14.53%
3		20	19.77	0.98845	22.99	1.14930	3.22	16.27%
4	All Residential, Apr-Sep	36	25.70	0.71401	30.33	0.84263	4.63	18.01%
5		50	30.90	0.61795	36.77	0.73530	5.87	18.99%
6	All Residential, Annual	76	40.54	0.53345	48.71	0.64088	8.16	20.14%
7	All Residential, Oct-Mar	117	55.75	0.47651	67.54	0.57725	11.79	21.14%
8		150	67.99	0.45328	82.70	0.55130	14.70	21.62%
9		200	86.54	0.43270	105.66	0.52830	19.12	22.09%
10		250	105.09	0.42035	128.63	0.51450	23.54	22.40%

Rate C- Commercial

Line	Average	Sales (ccf)	Present Rates		Proposed Rates		Increase	
			Monthly Bill	Cost per ccf	Monthly Bill	Cost per ccf	\$ per Monthly	%
16		Minimum	\$21.95		\$25.00		\$3.05	13.90%
17		25	28.93	\$1.15729	33.49	\$1.33960	4.56	15.75%
18		50	35.91	0.71829	41.98	0.83960	6.07	16.89%
19		100	49.88	0.49879	58.96	0.58960	9.08	18.21%
20		200	77.81	0.38904	92.92	0.46460	15.11	19.42%
21	All Commercial, Annual	258	94.01	0.36437	112.62	0.43650	18.61	19.80%
22		300	105.74	0.35246	126.88	0.42293	21.14	20.00%
23		400	133.67	0.33417	160.84	0.40210	27.17	20.33%
24		500	161.60	0.32319	194.80	0.38960	33.21	20.55%
25		750	231.42	0.30856	279.70	0.37293	48.28	20.86%
26		1,000	301.24	0.30124	364.60	0.36460	63.36	21.03%

services company that currently also owns Wellsboro Electric Company ("Wellsboro") and Citizens' Electric Company of Lewisburg, PA ("Citizens").

B. Procedural Background

2. On April 30, 2025, Valley filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 69 to Tariff Gas – Pa. P.U.C. No. 2 ("Supplement No. 69"), proposing to increase annual revenues by approximately \$1,626,000 per year, with a proposed effective date of June 29, 2025.¹ In support of this filing, Valley submitted a Statement of Reasons, the supporting information required by 52 Pa. Code § 53.52(a), (b), and (c), and various other information.

3. The OCA and OSBA filed Complaints with the Commission challenging Valley's request. In addition, I&E filed a Notice of Appearance.

4. By Order entered May 22, 2025, the Commission allowed Supplement No. 69 to be suspended by operation of law until January 29, 2026, and ordered that the Company's rate increase filing and its existing rates, rules, and regulations be investigated. The Commission also ordered that this matter be assigned to the Office of Administrative Law Judge for scheduling of hearings and issuance of a Recommended Decision. As a result, the Commission assigned this proceeding to Administrative Law Judge ("ALJ") Mary D. Long.

¹ Valley Statement No. 1, Exhibit__(HSG-1), Schedule C1.

5. In compliance with the Commission's Order entered on May 22, 2025, Valley filed tariff suspension Supplement No. 70 to Tariff Gas – Pa. P.U.C. No. 2 ("Supplement No. 70"), which suspended proposed Supplement No. 69 until January 29, 2026.

6. On June 2, 2025, Valley, along with Wellsboro and Citizens', jointly moved to consolidate the proceedings with Wellsboro's and Citizens' 2025 Base Rate Filings, located at docket numbers R-2025-4054392 and R-2025-4054394.

7. On June 5, 2025, ALJ Mary Long issued an Order granting the motion for consolidation, setting forth a litigation schedule, and ordering the parties to engage in discovery.

8. Pursuant to the schedule set forth in ALJ Long's June 5, 2025, Order, the Parties submitted multiple rounds of testimony, as detailed in Section II of the Joint Petition. The Company also responded to numerous sets of written interrogatories, providing detailed explanations of various issues related to its request.

9. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation."² Consistent with the Commission's policy, the Parties engaged in multiple settlement meetings and exchanged settlement proposals to amicably resolve this matter. As a result of those efforts, the Parties reached a unanimous agreement in principle, which has subsequently been memorialized in the Joint Petition.

² 52 Pa. Code § 69.391; see also 52 Pa. Code § 5.231.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

10. It is the policy of the Commission to encourage settlements.³

11. In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.⁴

12. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest.⁵

13. All Parties to this proceeding have joined in the Settlement.

14. Wellsboro believes that the Settlement is just, reasonable, in the public interest, and should be approved without modification.

III. SETTLEMENT TERMS AND CONDITIONS

15. This Settlement was achieved by the Parties after an extensive investigation of the Company's base rate filing, including formal and informal discovery and the

³ 52 Pa. Code § 5.231(a).

⁴ 52 Pa. Code § 69.401.

⁵ See *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assoc.*, Docket No. R-00881147, 74 Pa. PUC 767 (Opinion and Order entered July 22, 1991).

submission of direct testimony, rebuttal testimony, and surrebuttal testimony by certain of the Parties. The Settlement is lawful and supported by the record of this proceeding.

A. Revenue Requirement

1. Revenue Requirement Increase

16. The Parties agree to a stipulated increase in the Company's annual revenue requirement of \$1,105,000, effective on one day's notice. Valley's original filing requested an increase of approximately \$1,626,000 per year and its Rebuttal filing requested an increase of approximately \$1,286,000 per year. For a Residential customer using 76 Ccf/month, the proposed original, rebuttal and settlement rates represented increases in distribution bills (excluding GCR) of 29.66%, 23.44%, and 20.14% respectively. The corresponding total distribution bill increases (including GCR) are 18.0%, 14.22%, and 12.22%. The corresponding monthly distribution bill increase amounts are \$17.62, \$9.50 and \$8.16.⁶

17. Since Valley's last base rate increase in January 2023, Valley has continued to systematically replace its aging distribution infrastructure. These projects include replacing troubled vintage plastic pipelines and service lines, installing relief stations to reduce over-pressurization on portions of the territory served by low-pressure systems, and undertaking normal maintenance and repair actions on the system.⁷ Additionally, Valley

⁶ See Valley Statement No. 1, Exhibit__(HSG-1), Schedules B5-1, B5-2; Valley Statement No. 1R, Exhibit__(HSG-1R), Schedules B5-1, B5-2; Appendices B1, B2.

⁷ See Statement of Reasons at 3; Valley Statement No. 4 at 4-5; Valley Statement No. 1, Exhibit__(HSG-1), Schedules C1-6, WP2_B.

has completely eliminated cast iron and bare steel mains from its system, which increases safety and reliability. Valley is completing the replacement of troubled Aldyl-A vintage plastic pipelines and service lines, and projects to fully replace these within three to five years.⁸ By the end of 2026, the Company will have invested over \$5 million in new utility facilities and replacements in comparison to the investment that is reflected in current rates.⁹ Valley also prepares periodic Distribution Management Integrity Plans ("DIMPs") which provide a systematic approach for maintaining the reliability of the system and inform the Company's annual capital plans.¹⁰ Finally, Valley's Operations and Maintenance ("O&M") costs are over \$450,000 higher for the FPFTY when compared to the last rate case.¹¹

18. The proposed distribution rates will promote the continued provision of safe and reliable service by ensuring that Valley will have an opportunity to earn a fair and reasonable return on the resources invested in the distribution system. Valley will be able to continue its capital investment in system improvements, as well as the current maintenance and replacement policies that have resulted in very safe, adequate, and reliable service for customers.¹² The new rates will also enhance Valley's ability to obtain capital,

⁸ See Valley Statement No. 4 at 5.

⁹ See Statement of Reasons at 4.

¹⁰ See Valley Statement No. 4 at 4-5.

¹¹ See Statement of Reasons at 4.

¹² See Valley Statement No. 4 at 7-11. Witness Rogers discusses multiple factors that contribute to high company performance, including a low number of customer complaints, favorable customer feedback, high responsiveness to emergency calls, successful grant

(cont'd footnote)

when necessary, to fund major system improvement projects that may be necessary in the future.

19. In addition, this amount will permit the Company, in the short term, to cope with the enhanced business and financial risks discussed by witness Dylan D'Ascendis that exist due to the Company's size, operational characteristics, and credit obligations.¹³ Although Valley believes that, if this proceeding were fully litigated, the Commission would find that the Company is entitled to all or a substantial portion of the fully requested rate increase as calculated and supported by witness Howard Gorman in his Rebuttal Testimony, in the interest of avoiding the expense and uncertainty of continued litigation in this matter, Valley has agreed to accept an annual revenue increase in the amount of \$1,105,000. The compromise will also moderate the impact of the revenue increase upon the rates charged to Valley customers.

2. Rate Case Normalization

20. The Company will normalize rate case expense over three years. No unamortized rate case expense will be claimed in rate base in the settlement rates. This settlement provision balances concerns raised by I&E concerning amortized rate case

funding for an expansion project in East Athens, low lost and unaccounted for gas, new technology adoption, and completing replacement of all cast iron and bare-steel mains, and most vintage plastic mains, without assessing a Distribution System Improvement Charge.

¹³ See Joint Statement No. 2 at 10–13, 47-51.

expense while preserving an opportunity for Valley to recover its actual rate case expense over time.¹⁴

3. Pennsylvania Corporate Net Income Tax

21. The Parties agree that the Pennsylvania Corporate Net Income ("CNI") Tax rate in this proceeding will be set at 7.49%. The Company will reflect the actual CNI tax rates for the post-2026 tax years through the State Tax Adjustment Surcharge and via future base rate proceedings. This settlement term corrects the Company's initial proposed revenue requirement to reflect the correct CNI tax rate.¹⁵

4. Credit Card Payment Fees

22. The Company's revenue requirement does not include costs for one-time credit card payments, which will continue to be the responsibility of the customers who use this bill payment option.

5. Utility Plant Balance

23. The Company's Utility Plant balances for the FPFTY and FTY are accepted as filed for purposes of the post-test year reporting described in Paragraph 29 and any subsequent request to implement a Distribution System Improvement Charge ("DSIC").

¹⁴ See I&E Statement No. 1 at 7-9

¹⁵ *Id.* at 25.

6. Revenue Requirement Not Ascribable to Party or Adjustment

24. Except as provided above, the revisions to the proposed revenue requirement shall not otherwise be ascribed to any specific proposed adjustment or position of any Party.

B. Allocation of Rate Increases

25. The Company's revenue requirement increase will be allocated among the Company's rate classes in accordance with the allocation methodology set forth in Appendix A to the Joint Petition. The distribution rates for each class are set forth in Appendix B to the Joint Petition.

C. Customer Charges

26. The Company will implement a Residential ("Rate R") Customer Charge of \$13.80 per month, an approximately 12% increase from the existing \$12.35 monthly charge. The Company will implement a Commercial ("Rate C") Customer Charge of \$25.00 per month, an approximately 14% increase from the existing \$21.95 monthly charge. These customer charge increases balance affordability concerns raised by OCA with the cost-of-service positions raised by the Company.¹⁶ The proposed Customer Charges for other rate classes, and other information, are presented in Appendix B.

D. Security Deposit Policy

27. The Company will memorialize written internal operating procedures that provide applicants with the ability to explore, in conjunction with the request for the

¹⁶ See I&E Statement No. 3 at pgs. 9; OCA Statement No. 3 at 3-10; *see also* Valley Statement No. 1R at 8-9.

deposit, whether the applicant may qualify for a waiver due to the household income and train its customer service representative employees based on the written procedures. This settlement term supports the Company's goal of providing responsive and helpful customer service.

E. Payment Plans

28. The Company will establish tracking of payment plans that includes the following possible resolutions of the payment arrangements: Completed—by Customer; Completed—Third-party Payment; Renegotiated—Change in Income; Renegotiated—Other (including voluntary company renegotiation); Abandoned by Customer (e.g., moved out of territory, etc.); and Not Completed—Termination Pursued.

29. The Company will establish written internal operating procedures addressing how Federal Poverty Income Guideline ("FPIG") ranges are used, what verification is needed for low-income verification, and how payments and terms are calculated. This settlement term addresses customer service concerns raised by OCA and will result in more detailed records of payment plans.

F. Post-Case Reporting of Plant Addition/Retirements

30. The Company will provide OCA, I&E and OSBA with an update to Company Exhibit__(HSG-1), Schedule C3 for the years 2024-2025 no later than April 1, 2026, and an update for the years 2025-2026 no later than April 1, 2027. These updates will be filed under the docket number of this proceeding. The updated schedules will include actual capital expenditures, plant additions, and retirements by month for the twelve months ending December 31, 2025, and December 31, 2026, respectively. This

settlement term provides additional reporting to allow parties to monitor the Company's plant-in-service beyond the FTY.

G. OSBA Customer Notices

31. The Company will include the following information about OSBA.

- a. Information about OSBA will be included in a newsletter or bill insert at least once per year, with the first communication occurring by June 1, 2026.
- b. Information about the OSBA will be added to the Company website with a hyperlink.

32. These settlement terms address communication matters of interest to OSBA and are intended to increase awareness of OSBA's services for the Company's small business customers.

IV. CONCLUSION

33. Based on all of the testimony and exhibits submitted by Valley and the other Parties, the Company respectfully submits that approval of the Joint Petition without modification is appropriate and in the public interest. The Joint Petition results in a base rate increase that will allow the Company to continue to provide safe and reliable gas service to its customers. In addition, the Joint Petition represents a compromise solution that adequately addresses the needs the Parties to this proceeding.

34. Further, the Joint Petition results in base rates that are just, reasonable, and non-discriminatory, while also implementing provisions that result in fair and appropriate treatment of the Company and its customers. Finally, the Joint Petition avoids the expense

and uncertainty of fully litigating all of the matters in this proceeding and otherwise advances the policy of this Commission to encourage parties to resolve contested proceedings through settlement processes.

WHEREFORE, Valley respectfully requests that the Commission approve the Joint Petition for Settlement without modification.

Respectfully submitted,

MCNEES WALLACE & NURICK LLC

By 

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Dated: October 17, 2025

Administrative Law Judge (“ALJ”) Mary D. Long and the Commission approve the Settlement in its entirety.

I. INTRODUCTION

A. DESCRIPTION OF I&E

I&E is charged with representing the public interest in Commission proceedings related to rates, rate-related services, and applications affecting the public interest. In doing so, I&E work to balance the interests of customers, utilities, and the regulated community as a whole to ensure that a utility’s rates are just, reasonable, and nondiscriminatory.¹ In negotiated settlements, it is incumbent upon I&E to identify how amicable resolution of any such proceeding may benefit the public interest and to ensure that the public interest is served.

B. PROCEDURAL BACKGROUND

On April 30, 2025, Valley Energy, Inc. (“Valley” or “Company”) filed Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 2 (“Supplement 69”) pursuant to 66 Pa. C.S. § 1308, seeking a general rate increase. Supplement 69 issued April 30, 2025, to be effective June 29, 2025, proposes an increase to Valley’s base distribution rates designed to produce an additional \$1.6 million in revenue, a 19% increase. Pursuant to the proposed increase in rates, the bill for a residential customer of Valley using 76 Ccf/month would increase from \$66.81 to \$78.84/month, an increase of 18%.

On May 7, 2025, I&E filed a Notice of Appearance in this proceeding. On May

¹ See 66 Pa.C.S. §§ 1301(a), 1304.

12, 2025, the Office of Consumer Advocate (“OCA”) filed a Notice of Appearances and Formal Complaint in this proceeding. On May 14, 2025, the Office of Small Business Advocate (“OSBA”) filed a Notice of Appearances and Formal Complaint in this proceeding.

On May 22, 2025, the Commission entered an Order pursuant to Section 1308(d) of the Public Utility Code suspending the implementation of the proposed rates by operation of law until January 29, 2026, and opening an investigation into the lawfulness, justness, and reasonableness of the proposed rates, rules, and regulations contained therein. The case was assigned to the Office of Administrative Law Judge for scheduling of such hearings as may be necessary culminating in the issuance of a Recommended Decision.

A telephonic Prehearing Conference was held on June 3, 2025, before ALJ Long, at which a procedural schedule was established and evidentiary hearings were scheduled for September 4, 5, and 10, 2025. Telephonic and in-person public input hearings were held on August 19 and 21, 2025 respectively.

A hearing was held on September 4, 2025 in Harrisburg wherein the parties’ written testimonies and exhibits were entered into the record. I&E submitted the following exhibits:

- I&E Statement No. 1 – Direct Testimony of Christine Wilson
- I&E Exhibit No. 1
- I&E Statement No. 2 – Direct Testimony of D.C. Patel
- I&E Exhibit No. 2
- I&E Statement No. 3 – Direct Testimony of Esyan Sakaya

- I&E Exhibit No. 3
- I&E Statement No. 1-SR – Surrebuttal Testimony of Christine Wilson
- I&E Statement No. 2-SR – Surrebuttal Testimony of D.C. Patel
- I&E Statement No. 3-SR – Surrebuttal Testimony of Esyan Sakaya
- Verifications of Christine Wilson, D.C. Patel and Esyan Sakaya

The hearings on September 5 and 10, 2025 were cancelled upon notification that the Joint Petitioners had reached a full settlement of all issues as set forth in the Joint Petition.

II. LEGAL STANDARDS FOR APPROVAL OF SETTLEMENT

“The prime determinant in the consideration of a proposed Settlement is whether the settlement is in the public interest.”² The Commission has recognized that a settlement “reflects a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”³ Settlements conserve precious administrative resources and provide regulatory certainty with respect to the disposition of issues. The very nature of a settlement requires a review and discussion of all issues raised by the parties and a negotiated compromise on the part of all parties. Commission policy encourages settlements because, in the Commission’s judgment, the results achieved from a negotiated settlement are often preferable to those achieved at the conclusion of a fully litigated proceeding.⁴

² *Pennsylvania Public Utility Commission v. Philadelphia Electric Company*, 60 PA PUC 1, 22 (1985).

³ *Pennsylvania Public Utility Commission v. C S Water and Sewer Associates*, 74 PA PUC 767, 771 (1991).

⁴ See 52 Pa. Code §§ 5.231(a), 69.401.

III. SETTLEMENT TERMS AND CONDITIONS

A. Revenue Requirement (Joint Petition ¶¶14-19)

1. Revenue Requirement Increase (Joint Petition ¶14)

The Settlement provides that Valley shall be permitted to establish rates designed to produce additional annual operating revenue of \$1.105 million as opposed to the Company's requested \$1.6 million increase. A table attached to this Statement in Support as Appendix A includes the current, originally proposed, and stipulated rates that result from this settlement.

I&E witness Christine Wilson recommended in direct testimony a rate increase of \$1,212,076 based on adjustments made to Valley's operating and maintenance ("O&M") expense, cash working capital, rate base, and rate of return claims,⁵ and recommended in surrebuttal testimony a rate increase of \$1,085,803 based on the Company's updated request presented in rebuttal testimony.⁶ The \$1.105 million rate increase represents a compromise among the Joint Petitioners' proposals and is therefore in the public interest.

The Joint Petitioners have agreed upon the additional annual revenues as a "black box" settlement. A "black box" settlement does not specifically identify the resolution of any disputed issues. Instead, an overall increase to base rates is agreed to and parties retain all rights to further challenge all issues in subsequent proceedings. A "black box" settlement benefits ratepayers as it allows for the

⁵ I&E Statement No. 1, pp. 3-5.

⁶ I&E Statement No. 1-SR, pp. 3-5.

resolution of a proceeding in a timely manner while avoiding significant additional expenses. A previous Chairman of the Commission has commented on “black box” settlements and stated that:

Determination of a company’s revenue requirement is a calculation that involves many complex and interrelated adjustments affecting revenue, expenses, rate base and the company’s cost of capital. To reach an agreement on each component of a rate increase is an undertaking that in many cases would be difficult, time-consuming, expensive and perhaps impossible. Black box settlements are an integral component of the process of delivering timely and cost-effective regulation.⁷

This “black box” revenue increase balances the interests of ratepayers and the Company. Valley will receive sufficient operating funds in order to provide safe and adequate service to ratepayers. Additionally, a black box settlement negates the need for the parties in a rate case to come to an agreement on each and every element of the Company’s filing; an undertaking that would likely not be possible. Black box settlements are an efficient and appropriate way to resolve base rate cases. As such, I&E supports the “black box” revenue increase as being in the public interest.

⁷ See Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Wellsboro Electric Company*, Docket No. R-2010-2172662 (Order Entered January 13, 2011); See also Statement of Commissioner Robert F. Powelson, *Pennsylvania Public Utility Commission v. Valley’ Electric Company of Lewisburg, Pennsylvania*, Docket No. R-2010-2172665 (Order Entered January 13, 2011).

2. Rate Case Normalization (Joint Petition ¶15)

Pursuant to the terms of the Settlement, Valley will normalize rate case expense over three years. No unamortized rate case expense will be claimed in rate base in the settlement rates.

I&E witness Wilson, based on the result of Valley's 2019 rate case, accepted the Company's proposed 36-month (3-year) period but recommended that rate case expense be normalized rather than amortized. Wilson's recommendation is reasonable due to rate case expense being ongoing expense that recurs at irregular intervals and is well supported by Commission precedent.⁸ As such, I&E supports this term as being in the public interest.

3. Pennsylvania Corporate Net Income Tax (Joint Petition ¶16)

Pursuant to the terms of the Settlement, the Parties agree that the Pennsylvania Corporate Net Income ("CNI") Tax rate in this proceeding will be set at 7.49%. The Company will reflect the actual CNI tax rates for the post-2026 tax years through the State Tax Adjustment Surcharge and via future base rate proceedings. This rate is consistent with the recommendation of I&E witness Wilson based on Act 53 of 2022⁹ and as such this term is supported by I&E as being in the public interest.

4. Credit Card Payment Fees (Joint Petition ¶17)

I&E has no specific comments on the settlement provision regarding the

⁸ I&E Statement No. 1, pp. 9-12; I&E Statement No. 1-SR pp. 6-9.

⁹ I&E Statement No. 1, pp. 30-32

costs for one-time credit card payments but supports the Settlement in its entirety as being in the public interest.

5. Utility Plant Balance (Joint Petition ¶18)

I&E has no specific comments on the settlement provision regarding the Utility Plant Balance but supports the Settlement in its entirety as being in the public interest.

**6. Revenue Requirement Not Ascribable to Party or Adjustment
(Joint Petition ¶19)**

I&E supports this provision as part of the “black box” revenue increase.

B. Allocation of Rate Increases (Joint Petition ¶20)

Pursuant to the terms of the Settlement, Valley’s revenue requirement increase will be allocated among the Company's rate classes in accordance with the allocation methodology set forth in Appendix A to the Joint Petition for Settlement. The distribution rates and bill comparisons for each class are set forth in Appendices B, B1, and B2 attached to the Joint Petition.

The agreed upon rate structure and rate design represents a compromise among the Joint Petitioners’ proposals and is supported by I&E as being in the public interest.

C. Customer Charges (Joint Petition ¶21)

Pursuant to the terms of the Settlement, Valley will implement a Residential ("Rate R") Customer Charge of \$13.80 per month, approximately a 12% increase from the existing \$12.35 monthly charge. The Company will also implement a Commercial Rate ("Rate C") Customer Charge of \$25.00 per month, approximately a 14% increase from the existing \$21.95 monthly charge.

Though no cost of service study was provided in this case, I&E views the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case. Ultimately, the customer charges demonstrate a compromise of the interests of the parties, and this term is thus supported by I&E as being in the public interest.

D. Security Deposit Policy (Joint Petition ¶22)

I&E has no specific comments on the settlement provision regarding the establishment of procedures for a security deposit policy but supports the Settlement in its entirety as being in the public interest.

E. Payment Plans (Joint Petition ¶23-24)

I&E has no specific comments on the settlement provision regarding the establishment of payment plans but supports the Settlement in its entirety as being in the public interest.

F. Post-Case Reporting of Plant Additions/Retirements (Joint Petition ¶25)

Pursuant to the terms of the Settlement, Citizens will provide OCA, I&E and OSBA an update to Company Exhibit HSG-1, Schedule C3 no later than April 1, 2026, to include actual plant additions and retirements through December 31, 2025. An additional update of the same exhibit/data through December 31, 2026 will also be provided no later than April 1, 2027. These updates will be filed under the docket number of this proceeding.

I&E supports this provision, which is consistent with the recommendation of I&E

witness Sakaya,¹⁰ as being in the public interest because this data will allow the Commission and the parties to better gauge the accuracy of Valley's projected investments in future proceedings.

G. OSBA Customer Notices (Joint Petition ¶26)

I&E has no specific comments on the settlement provision regarding the inclusion of contact information for the OSBA but supports the Settlement in its entirety as being in the public interest.

IV. CONCLUSION

I&E submits that the acceptance of this Settlement negates the need for evidentiary hearings, which would compel the extensive devotion of time and expense for the preparation, presentation, and cross-examination of multiple witnesses, the preparation of Main and Reply Briefs, the preparation of Exceptions and Replies, and the potential of filed appeals, all yielding substantial savings for all parties and ultimately all customers. Moreover, the Settlement provides regulatory certainty with respect to the disposition of issues and final resolution of this case which all parties agree benefits their discrete interests.

I&E's agreement to settle this case is made without any admission or prejudice to any position that I&E might adopt during subsequent litigation or the continuation of this litigation in the event the Settlement is rejected by the Commission or otherwise properly withdrawn by any of the Joint Petitioners.

If the ALJ recommends that the Commission adopt the Settlement as proposed,

¹⁰ I&E Statement No. 3-SR pp. 2-3

I&E has agreed to waive the right to file Exceptions. However, I&E has not waived its right to file Exceptions with respect to any modifications to the terms and conditions of the Settlement, or any other matters that may be proposed by the ALJ in their Recommended Decision. I&E also reserves the right to file Reply Exceptions to any Exceptions that may be filed by any party to this proceeding.

The Settlement is also conditioned upon the Commission's approval of all terms and conditions contained therein, and should the Commission fail to approve or otherwise modify the terms and conditions of the Settlement, the Joint Petition may be withdrawn by I&E or any of the signatories.

I&E represents that all issues raised in testimony have been satisfactorily resolved through discovery and discussions with the Company or are incorporated or considered in the resolution proposed in the Settlement. This Settlement exemplifies the benefits to be derived from a negotiated approach to resolving different regulatory proposals which were initially far apart. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding, and specifically those addressed and resolved in this Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary as I&E represents that the Settlement maintains the proper balance of the interests of all parties. I&E is satisfied that no further action is necessary and considers its investigation of this rate filing complete.

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

Respectfully Submitted,



Adam J. Williams
Prosecutor
PA Attorney ID No. 310019

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Dated: October 17, 2025

Table A

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Page 1 of 2

Summary Of Rates- Present, Originally Proposed and Proposed in Settlement
All Rates EXCLUDE GCR

Line	Present Rates	Originally Proposed	Proposed in Settlement	Originally Proposed Increase Over Present Rates	Proposed in Settlement Increase Over Present Rates	Originally Proposed / Present Rates	Proposed in Settlement / Present Rates
Rate R- Residential							
1							
2	Customer Charge per Bill	\$12.35	\$14.00	\$13.80	\$1.65	\$1.45	13.36% 11.74%
3							
4	<u>Commodity charge per ccf</u>						
5	All usage	\$0.37095	\$0.50747	\$0.45930	\$0.13652	\$0.08835	36.80% 23.82%
6	Rate C- Commercial						
7	Customer Charge per Bill	\$21.95	\$25.00	\$25.00	\$3.05	\$3.05	13.90% 13.90%
8							
9	<u>Commodity charge per ccf</u>						
10	All usage	\$0.27929	\$0.37250	\$0.33960	\$0.09321	\$0.06031	33.37% 21.59%
11	Rate I- Large Industrial Firm						
12	Customer Charge per Bill	\$0.00	\$300.00	\$300.00	\$300.00	\$300.00	
13							
14	<u>Commodity charge per ccf</u>						
15	Block 1	\$0.14158	\$0.18343	\$0.17002	\$0.04185	\$0.02844	29.56% 20.09%
16	Block 2	\$0.08696	\$0.09734	\$0.09012	\$0.01038	\$0.00316	11.94% 3.63%
17	Block 3	\$0.05697			\$0.04037	\$0.03315	NA (1) NA (1)
18	(1) The percentage changes for Block 3 are Not Applicable, because Block 3 was merged into Block 2.						
19	<u>Demand charge per mcf</u>						
20	Block 1	\$1.55432	\$2.01379	\$1.86654	\$0.45947	\$0.31222	29.56% 20.09%
21	Block 2	\$0.80660	\$1.04504	\$0.96863	\$0.23844	\$0.16203	29.56% 20.09%
22	Rate IS- Interruptible Service						
23	Customer Charge per Bill	\$82.00	\$100.00	\$100.00	\$18.00	\$18.00	21.95% 21.95%
24							
25	<u>Transport charge per ccf</u>						
26	All usage	\$0.0867	\$0.1124	\$0.1041	\$0.0257	\$0.0174	29.66% 20.06%
27	Rate SI- Small Industrial						
28	Customer Charge per Bill	\$82.00	\$100.00	\$100.00	\$18.00	\$18.00	21.95% 21.95%
29							
30	<u>Demand charge per mcf</u>						
31	All usage	\$0.1869	\$0.2427	\$0.2243	\$0.0558	\$0.0374	29.87% 20.01%

Table A

Valley Energy, Inc. (PA)
Rate Case with Fully Projected Future Test Year 2026

Summary Of Rates- Present, Originally Proposed and Proposed in Settlement
All Rates EXCLUDE GCR

Line	Present Rates	Originally Proposed	Proposed in Settlement	Originally Proposed Increase Over Present Rates	Proposed in Settlement Increase Over Present Rates	Originally Proposed / Present Rates	Proposed in Settlement / Present Rates
32	Rate ST- Transport Firm						
33	Customer Charge per Bill	\$82.00	\$100.00	\$18.00	\$18.00	21.95%	21.95%
34							
35	<u>Transport charge per ccf</u>						
36	All usage	\$0.1869	\$0.2427	\$0.0558	\$0.0374	29.87%	20.01%
37	Transport. Firm- DDQ						
38	Customer Charge per Bill	\$21.95	\$25.00	\$3.05	\$3.05	13.90%	13.90%
39							
40	<u>Transport charge per ccf</u>						
41	All usage	\$0.2793	\$0.3725	\$0.0932	\$0.0603	33.37%	21.59%
42	Transport. Interruptible						
43	Customer Charge per Bill	\$82.00	\$100.00	\$18.00	\$18.00	21.95%	21.95%
44							
45	<u>Transport charge per ccf</u>						
46	All usage	\$0.0867	\$0.1124	\$0.0257	\$0.0174	29.66%	20.06%

I. INTRODUCTION

A. Description of the Office of Consumer Advocate

The OCA is a statutory advocate with the authority and duty to represent the interest of consumers as a party before the Commission in public utility rate requests.¹ The OCA's interest in this case is to ensure that utility consumers – who ultimately pay the revenue requirement to the utility – are paying no more than is necessary to ensure that public utility service remains adequate, reliable, and safe while allowing the utility to have the opportunity to recover its prudently incurred costs and earn a fair rate of return on its investments.

B. Procedural Background

On April 30, 2025, Valley Energy, Inc. (Valley) filed Supplement No. 69 to Tariff – Gas Pa. P.U.C. No. 2 with the Commission, to become effective on June 29, 2025. Valley's initial filing requested an overall rate increase of \$1.6 million per year, which was 25.08% higher than present overall rates, based on a fully projected future test year (FPFTY) ending December 31, 2026. Within this increase, Valley proposed that residential customers' rates increase by 29.56%.

On May 12, 2025, the OCA filed a Formal Complaint and Public Statement against Valley's proposed rate increase.

On May 22, 2025, the Commission entered an Order at the captioned docket, suspending the tariff by operation of law until January 29, 2026, instituting an investigation

¹ 71 P.S. § 309-4.

to determine the lawfulness, justness, and reasonableness of the proposed and existing rates, rules, and regulations, and assigning the rate filings to the Office of Administrative Law Judge (OALJ) for the prompt scheduling of hearings as may be necessary culminating in the issuance of a recommended decision.

There were four joint Public Input Hearings for Valley, Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company,² at which no individuals testified under oath on behalf of Valley's proposed rate increase.³ The Public Input Hearings were held as follows:

- August 19, 2025, at 1:00 PM and 6:00 PM telephonic; and
- August 21, 2025, at 1:00 PM and 6:00 PM in-person in Wellsboro's service territory.⁴

Consistent with the procedural schedule issued by ALJ Long, the OCA served on the ALJ and the parties its written Direct, Corrected Direct, Rebuttal, and Surrebuttal Testimonies on July 15, 2025, July 31, 2025, August 13, 2025, and August 28, 2025,

² Wellsboro Electric Company and Citizens' Electric Company of Lewisburg, PA are affiliate utilities of Valley's under the same parent company. All three filed for rate increases at the same time and the procedural schedule was designed so all three proceedings could run parallel with each other. The Wellsboro proceeding can be found at Docket No. R-2025-3054392 and the Citizens' proceeding can be found at Docket No. R-2025-3054394.

³ Valley's customers were not given the option to attend an in-person Public Input Hearing held at a location within Valley's service territory.

⁴ No consumers testified at the telephonic Public Input Hearings. Only customers of Wellsboro testified at the in-person Public Input Hearings that were held in Wellsboro's service area. The Commission did not hold in-person Public Input Hearings in Valley's or Citizens' service territories.

respectively, in which the OCA either opposed or recommended adjustments to Valley's requests.

The Bureau of Investigation and Enforcement (I&E), Office of Small Business Advocate (OSBA), OCA, and Valley (collectively, Settling Parties) engaged in extensive settlement discussions to resolve the issues in the consolidated proceedings. Prior to the evidentiary hearings which had been scheduled for September 4, the Settling Parties reached and transmitted a unanimous settlement in principle on all issues pertaining to Valley. In accordance with ALJ Long's September 9, 2025, Interim Order, the OCA now submits this Statement in Support of the Joint Petition for Settlement. As explained below, the OCA submits that the Settlement is supported by substantial evidence and consistent with applicable law, and its approval would serve the public interest. Accordingly, the OCA respectfully requests that the Commission approve the Settlement without modification.

II. STANDARDS FOR APPROVAL OF SETTLEMENT

The policy of the Commission is to encourage settlements, and the Commission has stated that settlement outcomes are often preferable to those achieved at the conclusion of a fully litigated proceeding.⁵

In order to be approved, the proposed rates, rules, and regulations in Valley's gas tariff must be lawful, just, reasonable, in conformity with regulations and orders of the

⁵ 52 Pa. Code §§ 5.231, 69.401

Commission, and consistent with sound ratemaking principles and public policy.⁶ A public utility may obtain “a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment.”⁷

The Commission “has broad discretion in determining whether rates are reasonable” and “is vested with discretion to decide what factors it will consider in setting or evaluating a utility’s rates.”⁸ The Commission’s discretion to determine if a requested rate is just and reasonable includes the “power to make and apply policy” concerning the appropriate balance between rates charged to consumers and returns allowed to utility investors.⁹

Additionally, rates must not be unduly discriminatory among customer groups.¹⁰ The Commission has discretion to determine reasonable classification of service of rates as may be justified “by a variety of considerations including the quantity of service used, the nature of the use, the time of the use, the pattern of the use, differences of conditions of service or cost of service.”¹¹

A utility’s cost of providing service guides the ratemaking process.¹² Additional important ratemaking concerns include quality of service, rate gradualism, and rate

⁶ 66 Pa. C.S. § 1301(a).

⁷ *City of Lancaster Sewer Fund v. Pa. PUC*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

⁸ *Popowsky v. Pa. PUC*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996).

⁹ *Popowsky v. Pa. PUC*, 665 A.2d 808, 812 (Pa. 1995).

¹⁰ 66 Pa. C.S. § 1304.

¹¹ *Zucker v. Pa. PUC*, 402 A.2d 1377, 1382 (Pa. Cmwlth. 1979).

¹² *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1019-21 (Pa. Cmwlth. 2006) (*Lloyd*).

affordability.¹³ In reaching a decision on whether to grant Valley’s rate increase as well as its various rule and tariff changes, the Commission must give “due consideration to the interests of consumers.”¹⁴

The Commission’s policy promotes settlements.¹⁵ In order to approve a Settlement, the Commission must determine that the proposed terms and conditions are in the public interest.¹⁶ “It is the Commission’s duty to determine the public interest and to protect the rights of the public.”¹⁷ The Commission recognizes that settlements represent “a compromise of the positions held by the parties of interest, which, arguably fosters and promotes the public interest.”¹⁸ Consistent with the Commission’s other statutory responsibilities, the Commission must determine the public interest with “due consideration to the interests of consumers.”¹⁹ The Commission’s policy to encourage settlements does so only to the extent that the results achieved from a negotiated settlement

¹³ *Pa. PUC v. Columbia Gas of Pa, Inc.*, R-2020-3018835 (Order Feb. 19, 2021), at 46-47 (citing 66 Pa. C.S. §§ 523, 526(a)) (citing also *Lloyd*, 904 A.2d at 1020 and *Pa. PUC v. Twin Lakes Util., Inc.*, 2020 Pa. PUC LEXIS 340, *46-54 (Order Mar. 26, 2020)).

¹⁴ 71 P.S. § 309-5 (2).

¹⁵ 52 Pa. Code §§ 5.231, 69.401.

¹⁶ *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. P.U.C. 1, 22 (1985); *Pa. PUC v. City of Bethlehem – Water Dept.*, Docket No. R-2020-3020256 (Order entered Apr. 15, 2021) (*City of Bethlehem*) at 13 (citing *Pa. PUC v. York Water Co.*, Docket No. R 00049165 (Order entered Oct. 4, 2004); *Pa. PUC v. C. S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) (*CS Water and Sewer*)).

¹⁷ *Duquesne Light Co. v. Pa. PUC*, 715 A.2d 540, 546 (Pa. Cmwlth. 1998) (citations omitted).

¹⁸ *CS Water and Sewer*, 74 Pa. P.U.C. at 771.

¹⁹ 71 P.S. § 309-5 (2).

are preferable to those secured at the conclusion of a fully litigated proceeding.²⁰

Proponents of an order bear the burden of proof.²¹ Because the Settling Parties request that the Commission enter an order adopting the settlement without modification, they share the burden of proof to show that the terms and conditions of the settlement serve the public interest.²²

It is well-established that the “degree of proof before administrative tribunals as well as before most civil proceedings is satisfied by establishing a preponderance of the evidence.”²³ For a Commission decision to be supported by substantial evidence, it must be supported by such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.²⁴ The evidence must be substantial and legally credible, not mere “suspicion” or a “scintilla” of evidence.²⁵

III. SETTLEMENT TERMS AND CONDITIONS

The OCA submits that the Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. The OCA further submits that the Settlement is in the public interest, and the OCA supports Commission approval of the Settlement without modification. The OCA points to the substantial evidence in the record to support the provisions addressed by the OCA below and relies on

²⁰ 52 Pa. Code § 69.401.

²¹ 66 Pa.C.S. § 332(a).

²² 66 Pa.C.S. § 332(a); *City of Bethlehem*, at 13.

²³ *Lansberry v. Pa. PUC*, 578 A.2d 600, 602 (Pa. Cmwlth. 1990) (*Lansberry*).

²⁴ *Dutchland Tours, Inc. v. Pa. PUC*, 337 A.2d 922, 925 (Pa. Cmwlth. 1975).

²⁵ *Lansberry*, 578 A.2d at 602.

the other Settling Parties to the settlement to address those provisions that are significant and material to them in their respective statements in support. While the OCA does not address all issues contained within the Settlement in this Statement in Support, the OCA does not oppose terms and conditions not expressly addressed herein.

This Settlement is a “black box” settlement of all revenue requirement and cost allocation issues. Black box means that the Settling Parties did not stipulate precisely as to how they arrived at the conclusion on the settlement term.²⁶ Black box settlements provide timely resolution of disputes without the significant expense of prolonged litigation. The OCA submits that it is unlikely that the Settling Parties would have been able to reach consensus on each disputed recommendation in this matter as policy and legal positions differed widely among the Settling Parties. The Commission has routinely determined that unless an issue is resolved in a manner specifically prescribed in a settlement, how or why each party reaches agreement on a specific settlement term is of no consequence to the ultimate conclusion of whether the settlement is in the public interest so long as the settlement term is supported by the record and consistent with applicable law.²⁷

²⁶ *Pa. PUC v. Columbia Gas of Pa, Inc.*, 2022 PA. PUC LEXIS 402, *37 (Order entered Dec. 8, 2022) (*Columbia*), Docket Nos. R-2022-3031211, *aff'd*, 2024 Pa. Commw. Unpub. LEXIS 525.

²⁷ *See id.*

A. Revenue Requirement (Settlement at ¶¶14-19)

1. Revenue Requirement Increase (¶14)

In Paragraph 14, the Settling Parties agreed to settle the revenue increase issue, as follows:

14. The Parties agree to a stipulated increase in the Company's annual revenue requirement of \$1,105,000, an approximately 17% increase in the Company's distribution revenues at present rates, using a FPFTY ending December 31, 2026. The rate increases may be implemented by the Company via a compliance tariff effective on one day's notice that is in compliance with the Commission's final order entered in this proceeding. Table A includes the current, originally proposed, and stipulated rates that result from this settlement.

In its initial filing, Valley proposed to increase its total annual operating revenues by \$1,626,122, a 25.1% increase over distribution revenues at present rates, using a FPFTY ending December 31, 2026.²⁸ Under Valley's initial proposed increase, residential customers using 76 Ccf per month faced a 29.66% increase in their monthly bill for distribution charges.²⁹ Valley revised its proposed increase down to \$1,285,942 in Rebuttal after incorporating adjustments recommended from other parties' direct testimony.³⁰ Company witness Howard S. Gorman claimed that Valley needed additional revenue in order to cover increased costs and capital expenditures.³¹

In response, OCA witness Greg R. Meyer recommended in rebuttal testimony that Valley's rate increase in annual distribution revenues should be limited to \$927,429 based

²⁸ OCA Complaint, ¶ A.

²⁹ Valley St. 1 at 159; OCA Complaint, ¶ D.

³⁰ Valley St. 1R at 2.

³¹ Valley St. 1 at 3-4.

on the OCA's revenue adjustments, which is \$358,513 less than Valley's revised claim of \$1,285,942.³² Mr. Meyer recommended downward adjustments to Valley's claimed costs in the FPFTY by factoring in a Return on Equity (ROE) of 9.5% as recommended by OCA witness Christopher C. Walters.³³ Mr. Meyer's proposed adjustments to Valley's claims included annualized payroll expense, non-labor operation and maintenance expenses, depreciation expense, purchased gas adjustment clause, state corporate net income tax rate, regulatory commission expense, cash working capital, revenue allocation, and rate design.³⁴

Under the Settlement, Valley will be permitted to increase annual operating revenues by \$1.1 million, an approximately 17% increase over annual distribution revenues at present rates.³⁵ The agreed-upon rate increase is \$521,122 less than Valley's as-filed request. The OCA submits that the Settlement revenue requirement increase provides sufficient funds for Valley to provide and maintain adequate, efficient, safe, and reasonable service and facilities while ensuring that customers pay no more than is necessary for the same. Based on the OCA's analysis of Valley's filing, discovery responses received, testimony filed, and the other terms contained in the Settlement, the revenue increase under the Settlement represents a result that is within the range of likely outcomes in the event of full litigation of the case. As a result, this provision of the Settlement is supported by

³² OCA St. 1R at 3.

³³ *See* OCA St. 2R at 2.

³⁴ OCA St. 1, Ex. GRM-1; OCA St. 1R, Ex. GRM-1R.

³⁵ Settlement ¶14.

substantial evidence in the record and consistent with the requirement that rates be just and reasonable.

When viewed as a whole, the Settlement includes important customer service enhancements explained herein that might not otherwise be achieved through litigating this case. The revenue requirement increase in the Settlement, when accompanied by other important conditions in the Settlement, yields a result that serves the public interest. Thus, the Commission should approve it without modification.

2. Rate Case Normalization (§15)

In paragraph 15, the Settling Parties agreed to settle the rate case normalization issue, as follows:

The Company will normalize rate case expense over three years. No unamortized rate case expense will be claimed in rate base in the settlement rates.

OCA witness Mr. Meyer supported I&E witness Ms. Wilson's argument to normalize the rate case expense, rather than amortizing it as Valley had initially proposed.³⁶ But unlike Ms. Wilson, who proposed a 60-month normalization period, Mr. Meyer supported a three-year period based on Valley's two recent rate case filings.³⁷ Mr. Meyer noted that equal recovery over a multi-year period reflects the proper ratemaking principle, and he posited that the multi-year period in this case should be three years.³⁸

³⁶ OCA St. 1R at 5-6; I&E St. 1 at 8-9.

³⁷ *Id.* at 6.

³⁸ *Id.*

Valley also initially requested rate base treatment for the unamortized rate case expense balance.³⁹ Ms. Wilson proposed excluding the unamortized rate case expense from the rate base, due to its nature as an operating expense.⁴⁰ Mr. Meyer emphasized Ms. Wilson's testimony, underscoring that the rate case expense constitutes one of a utility's normal operating expenses.⁴¹ Because the rate case expense is an operating expense, Mr. Meyer noted that its inclusion in the rate base would allow Valley's shareholders to profit unjustly from this standard, recurring expense.⁴² Thus, this settlement provision reasonably serves the public interest, and the Commission should approve it without modification.

3. Pennsylvania Corporate Net Income Tax (§16)

In paragraph 16, the Settling Parties agreed to settle the Pennsylvania Corporate Net Income (CNI) Tax issue, as follows:

The Parties agree that the Pennsylvania Corporate Net Income ("CNI") Tax rate in this proceeding will be set at 7.49%. The Company will reflect the actual CNI tax rates for the post-2026 tax years through the State Tax Adjustment Surcharge and via future base rate proceedings.

In his rebuttal testimony, OCA Witness Mr. Meyer supported I&E and OSBA's direct testimony regarding the 2026 state CNI Tax rate of 7.49%.⁴³ Based on the Pennsylvania General Assembly's enactment of a phased reduction of CNI Tax in 2022,

³⁹ *Id.*

⁴⁰ I&E St. 1 at 13.

⁴¹ *See* OCA St. 1R at 6.

⁴² *See id.*

⁴³ OCA St. 1R at 5. *See also* OSBA St. 1 at 4-6 (explaining corporate tax adjustment); I&E St. 1 at 31-32 (same).

the CNI Tax rate decreases by 0.5% each year.⁴⁴ The Company initially used a 9.99% CNI Tax rate, even though the rate will have decreased to 7.49% throughout 2026.⁴⁵ OCA witness Mr. Meyer agreed with I&E and OSBA's testimony regarding the statutorily defined tax rate, and he incorporated the correct 7.49% rate into his revenue requirement calculation.⁴⁶ Paragraph 16 reflects the accurate 7.49% rate. Thus, this settlement provision reasonably serves the public interest, and the Commission should approve it without modification.

4. Credit Card Payment Fees (¶17)

In paragraph 17, the Settling Parties agreed to settle the credit card payment fees issue, as follows:

The Company's revenue requirement does not include costs for one-time credit card payments, which will continue to be the responsibility of the customers who use this bill payment option.

OCA Witness LeeAnn Wise recommended that the Company remove the \$3.95 fee associated with making online payments through the web-based application called SmartHub and instead absorb the fees as an administrative expense.⁴⁷ Valley does not assess a fee for customers who pay using checks, money orders, or bank transfers—only for customers who pay by credit or debit cards through SmartHub.⁴⁸ Ms. Wise testified

⁴⁴ OSBA St. 1 at 5.

⁴⁵ *Id.* (citing Valley St. 1 at 15).

⁴⁶ *Id.*

⁴⁷ OCA St. 4 at 4-7.

⁴⁸ *Id.* at 5.

that punishing a normal payment method unreasonably burdens that payment method and thereby harms customers, especially low-income customers.⁴⁹

In Rebuttal testimony, Valley witness Edward Rogers responded that customers have many free payment options, some customers receive rewards for using their credit cards, and other household services sometimes require credit card payment fees.⁵⁰ Additionally, Mr. Rogers commented that at Valley's office and three strategically located banks, customers can pay with cash.⁵¹ To illustrate the possible consequences of eliminating the fee, Mr. Rogers used the example of a New York gas utility that eliminated credit card fees, which led to a 53% increase in credit card payments.⁵² He testified that Valley's costs from credit card payments would increase due to fee elimination, and would exceed the OCA's adjustment based on fee collection.⁵³

Ms. Wise countered that the fee-free payment options Mr. Rogers relied on also carry administrative and operational costs—but the Company absorbs those.⁵⁴ This results in an unfair disadvantage for users of a convenient, modern payment option, she emphasized.⁵⁵ Furthermore, she noted several examples of Pennsylvania utilities that had

⁴⁹ *Id.* at 5-6.

⁵⁰ Valley St. 4R at 12.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ OCA St. 4SR at 5.

⁵⁵ *Id.*

eliminated various card payment fees.⁵⁶ While she acknowledged that eliminating the fee would likely increase usage, she highlighted that the Company had not provided any evidence that the costs from this increased usage would outweigh the benefits to customers—including vulnerable, low-income customers.⁵⁷

Although Ms. Wise made cogent arguments against the fee, the Settling Parties reached an agreement that Valley was not ready to eliminate the fee in this particular rate case, as part of a holistic settlement.⁵⁸ Viewing the settlement as a whole, the OCA agrees that this provision reasonably serves the public interest in this rate case, and the Commission should approve it without modification.

5. Utility Plant Balance (¶18)

In paragraph 18, the Settling Parties agreed to settle the utility plant balance issue, as follows:

The Company's Utility Plant balances for the FPFTY and FTY are accepted as filed for purposes of the post-test year reporting agreed to in Paragraph 25 and any subsequent request to implement a Distribution System Improvement Charge ("DSIC").

In this proceeding, the OCA's expert witnesses did not dispute or adjust downward the Company's Utility Plant balances for the FPFTY and FTY. This provision establishes the base level of plant investment that must be realized before any incremental expenditures can be recovered through the DSIC. The OCA submits that this provision provides clarity

⁵⁶ *Id.* at 6.

⁵⁷ *Id.* at 6-7.

⁵⁸ *See* Settlement ¶17.

with regard to the implementation of a DSIC and affords protection for ratepayers that the DSIC will not begin until after the FPFTY and the plant investment noted in the settlement are reached.

6. Revenue Requirement Not Ascribable to Party or Adjustment (§19)

In paragraph 19, the Settling Parties agreed as follows:

Except as provided above, the revisions to the proposed revenue requirement shall not otherwise be ascribed to any specific proposed adjustment or position of any party.

In this paragraph, the Settling Parties agree that except as specifically provided above, the Settlement revenue requirement increase is a “black box” and shall not otherwise be ascribed to any specific proposed adjustment or position of any Party.⁵⁹

As explained above, the OCA believes that it is unlikely that the Settling Parties would have been able to reach settlement on this matter if the Settling Parties were required to precisely provide the individual adjustments that totaled the agreed upon Settlement revenue requirement increase. Based on the OCA’s analysis of the Company’s filing, discovery responses received, testimony filed, and the other terms contained in the Settlement, the revenue increase under the Settlement represents a result that is within the range of likely outcomes in the event of full litigation of the case. As a result, this provision of the Settlement is supported by substantial evidence in the record and consistent with the requirement that rates be just and reasonable. Additionally, when viewed as a whole, the Settlement includes important customer service enhancements explained herein that might

⁵⁹ Settlement ¶19.

not otherwise be achieved by and through litigation of this case. The revenue requirement increase in the Settlement, when accompanied by other important conditions in the Settlement, yields a result that serves the public interest.

B. Allocation of Rate Increases (§20)

In Paragraph 20, the Settling Parties agreed to settle the rate increase allocation issue, as follows:

The Company's revenue requirement increase will be allocated among the Company's rate classes in accordance with the allocation methodology set forth in Appendix A to this Settlement. The distribution rates and bill comparisons for each class are set forth in Appendices B, B1, and B2.

In his direct testimony, Valley witness Mr. Gorman proposed a proportionate distribution increase across rate classes.⁶⁰ OCA witness Mr. Deupree reviewed and accepted as reasonable Valley's proposed allocation, considering Valley's lack of a cost basis in this or prior proceedings.⁶¹ This proportionate distribution ensures that no one customer class bears an overly burdensome proportion of Valley's rate increase.⁶² Thus, it reasonably furthers the public interest and should be approved without modification.

C. Customer Charges (§21)

In Paragraph 21, the Settling Parties agreed to settle the customer charge issue, as follows:

The Company will implement a Residential ("Rate R") Customer Charge of \$13.80 per month, approximately a 12% increase from the existing \$12.35 monthly charge. The Company will also implement a Commercial Rate

⁶⁰ See Valley St. 1 at 4, 159.

⁶¹ OCA St. 3 at 3.

⁶² *Id.*

("Rate C") Customer Charge of \$25.00 per month, approximately a 14% increase from the existing \$21.95 monthly charge.

Valley proposed to increase residential customer charges from \$12.35 to \$14.00 and commercial customer charges from \$21.95 to \$25.00 per monthly bill.⁶³ In his analysis of the testimony presented in this proceeding, OCA witness Deupree recommended that the Commission reject Valley's proposed increase in customer charges because Valley had no cost basis for the proposed charge.⁶⁴ Mr. Deupree also recommended that if the Commission accepted the customer charges, it should cap them at no more than the overall system average increase.⁶⁵ In rebuttal testimony, Valley witness Mr. Gorman disputed Mr. Deupree's contention that Valley's proposed residential and customer charges exceeded averages among a peer group of regional utilities, including a \$13.79 regional average for residential customers and a \$22.65 average for commercial customers.⁶⁶ Mr. Gorman claimed that the higher rates accounted for future rate uncertainty and are consistent with a peer group of Pennsylvania utilities.⁶⁷

Mr. Deupree maintained his conclusions and recommendations in his surrebuttal testimony.⁶⁸ The settlement reflects the \$13.79 average from Mr. Deupree's testimony

⁶³ Valley St. 1 at 25, 30.

⁶⁴ OCA St. 3 at 11.

⁶⁵ *Id.*

⁶⁶ Valley St. 1R at 5, 8.

⁶⁷ *Id.* at 9.

⁶⁸ OCA St. 3SR at 1-3.

because it proposes a customer charge of \$13.80, which is an increase of around 12%.⁶⁹ The increase to the commercial charge reflects a similar percentage increase of around 12%.⁷⁰ These increases are reasonable and in the public interest because they reflect the average customer charges of a peer group of regional gas utilities, thereby balancing the need of customers for affordable service and control over high bills, with Valley's interest in increasing rates and mitigating price risk.⁷¹ Thus, they should be approved without modification.

D. Security Deposit Policy (¶22)

In Paragraph 22, the Settling Parties agreed to settle the security deposit policy issue, as follows:

The Company will memorialize written internal operating procedures that provide applicants with the ability to explore, in conjunction with the request for the deposit, whether the applicant may qualify for a waiver due to the household income and train its customer service representative employees based on the written procedures.

OCA witness LeeAnn Wise recognized that Valley does verify income prior to charging a security deposit, and that it uses Federal Poverty Level guidelines to determine income levels.⁷² Ms. Wise stated that Valley, however, did not show that it has formal written procedures to support income verification prior to charging a security deposit,

⁶⁹ See Settlement ¶21.

⁷⁰ See *id.*

⁷¹ See OCA St. 3 at 4-5.

⁷² OCA St. 4 at 8.

where a low-income customer may qualify for a waiver.⁷³ Thus, Ms. Wise recommended that Valley implement performance metrics and documented policies, as well as improved communications with low-income customers.⁷⁴

Valley witness Jamie Beale responded that Valley did not think that it needed such policies and procedures.⁷⁵ Valley's existing training and informal management of its customer service representative team sufficiently addressed its customer service problems, in its view.⁷⁶ In response, Ms. Wise reiterated the importance of formal, written procedures to ensure clarity, uniformity, and consistency.⁷⁷ She also emphasized the importance of performance metrics in achieving equity, accountability, and transparency for customers facing financial hardships.⁷⁸

The Settlement effectuates Ms. Wise's testimony because it requires written procedures and training for Valley's customer representatives.⁷⁹ The procedures and training ensure that eligible customers facing financial hardships have the opportunity and necessary information to seek a deposit waiver. This outcome promotes justice by ensuring that those most in need have access to relief that helps them to avoid financial hardship.

⁷³ *See id.*

⁷⁴ *Id.* at 9.

⁷⁵ Valley St. 5R at 7.

⁷⁶ *Id.* at 7-8.

⁷⁷ OCA St. 4SR at 1-2.

⁷⁸ *Id.* at 3.

⁷⁹ *See* Settlement ¶22.

Thus, this provision of the Settlement reasonably serves the public interest, and the Commission should approve it without modification.

E. Payment Plans (¶¶23-24)

In Paragraphs 23-24, the Settling Parties agreed to the following provisions:

23. The Company will establish tracking of payment plans that includes the following possible resolutions of the payment arrangements: Completed—by Customer; Completed—Third-party Payment; Renegotiated—Change in Income; Renegotiated—Other (including voluntary company renegotiation); Abandoned by Customer (e.g., moved out of territory, etc.); and Not Completed—Termination Pursued.

24. The Company will establish written internal operating procedures addressing how Federal Poverty Income Guideline ("FPIG") ranges are used, what verification is needed for low-income verification, and how payments and terms are calculated.

OCA witness Wise recognized Valley's existing payment plans based on Federal Poverty Income guidelines, but she identified areas for improvement in those plans.⁸⁰ Ms. Wise commented that Valley does not track the success of its payment arrangements in terms of customer outcomes, and instead merely monitors for customer compliance and sends notification of upcoming payments.⁸¹ Performance metrics and ongoing analysis, by contrast, would allow Valley to determine whether the plans are achieving their intended goals effectively.⁸² Therefore, Ms. Wise recommended that Valley implement written plan

⁸⁰ OCA St. 4 at 9-11.

⁸¹ *Id.* at 10.

⁸² *Id.*

policies with internal controls, separated by income levels.⁸³ She also recommended ongoing evaluation of payment agreement outcomes to improve program success.⁸⁴

In response, Valley witness Ms. Beale testified that their small customer service team effectively addresses payment plan issues through informal training and processes.⁸⁵ Additionally, she mentioned that Valley follows PUC Chapter 14 guidelines that are no longer legally required, and that Valley is proud of its efforts to try to connect customers to available resources to ensure that their service remains active.⁸⁶

Ms. Wise reiterated the importance of written policies and performance metrics to ensure transparency, standardization, and ongoing improvement.⁸⁷ The Settlement effectuates Ms. Wise's testimony because it requires written policies that track performance based on defined processes and outcomes.⁸⁸ This outcome promotes justice by ensuring that Valley appropriately tracks and improves its payment plan processes to ensure that the plans effectuate their purpose to help customers in need. Thus, this settlement provision reasonably serves the public interest, and the Commission should approve it without modification.

⁸³ *Id.* at 11.

⁸⁴ *Id.*

⁸⁵ Valley St. 5R at 8.

⁸⁶ *Id.*

⁸⁷ OCA St. 4SR at 3.

⁸⁸ *See* Settlement ¶¶23-24.

F. Post-Case Reporting of Plant Additions and Retirements (¶25)

In Paragraph 25, the Settling Parties agreed to the following provision:

The Company will provide OCA, I&E, and OSBA an update to Company Exhibit __ (HSG-1), Schedule C3 no later than April 1, 2026, which should include actual plant additions and retirements by month for the year ending December 31, 2025. An additional update will be provided for actual plant additions and retirements through December 31, 2026, no later than April 1, 2027. These updates will be filed under the docket number of this proceeding.

I&E witness Eryan A. Sakaya recommended in his direct testimony that Valley provide I&E and the OCA with an update to Valley Exhibit HSG-1, Schedule C3 according to the specifications stated directly above in the Settlement provision.⁸⁹ Mr. Sakaya made this recommendation to help determine how closely Valley's projected investments match the actual investments made in the FTY and FPFTY.⁹⁰ Otherwise, Valley could require customers to pay for projected investment that does not become used and useful during the projected timeframes.⁹¹ Valley accepted Mr. Sakaya's recommendation.⁹²

This Settlement provision provides accountability and transparency regarding the implementation of Valley's projected investments to ensure their alignment with actual investments that enter service. Thus, the provision reasonably serves the public interest, and the Commission should approve it without modification.

⁸⁹ I&E St. 3 at 6-7.

⁹⁰ *Id.*

⁹¹ *See id.*

⁹² I&E St. 3SR at 3 (citing Valley St. 5R at 5).

IV. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement, taken as a whole, represent a fair and reasonable resolution of the issues and claims arising in this proceeding. The OCA further submits that, for the reasons detailed above, the Commission should approve the Settlement without modification, as it serves the public interest.

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Dated: October 17, 2025

Respectfully submitted,

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR SETTLEMENT
ON BEHALF OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

I. INTRODUCTION

a. Description of the Case

On April 30, 2025, Valley Energy, Inc. ("Valley" or "Company") filed proposed Supplement No. 69 to Tariff Gas Pa. P.U.C. No. 2, containing proposed changes in rates, rules, and regulations calculated to produce \$1.6 million (19%) in additional annual revenues, an increase in residential customer's bills using 76 Ccf/month from \$66.81 to \$78.84/month (18%), to become effective June 29, 2025. By order entered on May 22, 2025, the Commission suspended the proposed tariff until January 29, 2026, and directed an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the rate filings.

Valley, the Bureau of Investigation and Enforcement ("I&E") of the Pennsylvania Public Utility Commission ("PUC" or "Commission"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OBSA") (individually, "Party," and collectively, "Parties"), submit this Joint Petition for Settlement ("*Joint Petition*" or "*Settlement*") of the above-captioned proceeding and respectfully request that Administrative Law Judge ("ALJ")

Mary D. Long and the Commission approve all of the terms and conditions set forth in this *Settlement*.

b. Description of the OSBA

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint on May 14, 2025.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Settlement. The *Joint Petition* addresses the issues raised by this office in this proceeding. Therefore, the OSBA submits this Statement in Support of the *Settlement*.

II. STATEMENT IN SUPPORT

a. Settlement Overview

Section 5.231(a) of the Commission’s regulations, 52 Pa. Code § 5.231(a) (Formal Proceedings; Hearings; Settlement and Stipulations; Offers of Settlement) states, as follows:

It is the policy of the Commission to encourage settlements. Similarly, Section 69.401 of the Commission’s regulations, 52 Pa. Code § 69.104 (Settlement Guidelines and Procedures for Major Rate Cases – Statement of Policy; General) states, as follows: In the Commission’s judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.

i. Revenue Requirement

Valley filed with the Commission proposed Supplement No. 69 to Tariff – Gas Pa. P.U.C. No. 2 ("Supplement No. 69"), which requested an overall rate increase of approximately \$1,626,000 per year. During the negotiations, the Parties agreed to a stipulated increase in the Company's annual revenue requirement of \$1,105,000, which is an approximately 17% increase in the Company's distribution revenues at present rates, using a FPFTY ending December 31, 2026.

The OSBA submits that the *Joint Petition's* resolution of the revenue requirement issue is a just and reasonable result.

ii. Customer Charges

The Company will implement a Residential ("Rate R") Customer Charge of \$13.80 per month, approximately a 12% increase from the existing \$12.35 monthly charge. The Company will also implement a Commercial Rate ("Rate C") Customer Charge of \$25.00 per month, approximately a 14% increase from the existing \$21.95 monthly charge.

The OSBA submits that the *Joint Petition's* resolution of the customer charge issue is a just and reasonable result.

iii. Allocation of Rate Increase

The OSBA is not addressing this issue.

iv. Security Deposit Policy

The OSBA is not addressing this issue.

v. Payment Plans

The OSBA is not addressing this issue.

vi. ***Post-Case Reporting of Plant Additions and Retirements***

The OSBA is not addressing this issue.

vii. ***OSBA Customer Notices***

Information about the OSBA will be added to the Company website with a hyperlink. The Company will also include Information about OSBA in a newsletter or bill insert at least once per year, with the first communication occurring by June 1, 2026.

The OSBA submits that the *Joint Petition's* resolution of providing information about the OSBA in a newsletter and on the Company's web site is beneficial to the Company's commercial consumers and that this is a just and reasonable result.

b. Settlement Benefits

This *Settlement* was achieved by the Parties after an extensive investigation of the Company's base rate filing, including formal and informal discovery and the submission of direct testimony, rebuttal testimony, and surrebuttal testimony by the Parties. The *Settlement* is lawful and supported by the record of this proceeding. With the approval of the *Settlement*, the Parties and the Commission avoid the time, expense and uncertainty that would occur if the Parties were required to fully litigate the issues in this proceeding.

III. CONCLUSION

Therefore, for the reasons set forth in the *Joint Petition*, as well as the issue set forth in this Statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Settlement* in its entirety.

Respectfully submitted,

/s/ Rebecca Lyttle _____

Rebecca Lyttle

Assistant Small Business Advocate

Attorney ID No. 201399

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Office of Small Business Advocate
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Dated: October 16, 0225

EXHIBIT 1

PROPOSED FINDINGS OF FACT

Black Box Revenue Requirement

1. The Company's initial filing included a revenue requirement increase of \$1,626,000. *See* Valley Statement No. 1, Exhibit__(HSG-1), Schedule C1.

2. In Rebuttal Testimony, Valley provided an updated Schedule C1 showing adjustments to present and proposed revenue. *See* Valley Statement No. 1R, (Exhibit__HSG-1R), Schedule C1 (R). On Rebuttal, the Company requested a revenue requirement increase of approximately \$1,286,000.

Rate Case Normalization

3. The Company's filing included an estimated rate case expense to be amortized over three years. *See* Valley Statement No. 1 at 14; I&E Statement No. 1 at 7. The Company's filing also included an unamortized portion of rate case expense as a regulatory asset in rate base. *See* I&E Statement No. 1 at 13.

4. I&E argued that the Company's rate case expense should be normalized for ratemaking purposes. *See* I&E Statement No. 1 at 9. I&E additionally argued that it would be inappropriate to include the unamortized rate case expense in rate base. *See* I&E Statement No. 1 at 14.

PA Corporate Net Income Tax

5. The Company's original filing inadvertently used a 9.99% PA Corporate Income Tax Rate for 2026, contrary to the 7.49% rate that will go into effect in 2026

pursuant to Pennsylvania House Bill 1342 and Act 53 of 2022. *See* Valley Statement No. 1R at 2-3.

6. Both I&E and OSBA identified this error and recommended that the correct rate of 7.49% should be used. *See* I&E Statement No. 1 at 31; OSBA Statement No. 1 at 5.

7. The Company acknowledged this error in rebuttal testimony and corrected the PA Corporate Income Tax Rate for 2026 in Exhibit__(HSG-1R). *See* Valley Statement No. 1R at 2-3.

Credit Card Payment Fees

8. SmartHub is a web and mobile application administered primarily by the Company, with support provided as needed by the software vendor and C&T IT. Customers can use SmartHub to pay bills and are assessed a \$3.95 fee for such payments. *See* OCA Statement No. 4 at 4. Customers are also charged a \$3.95 fee to pay via phone using Interactive Voice Response ("IVR") technology. *See* OCA Statement No. 4 at 5. This fee is charged to recover costs incurred by a third-party payment vendor for all electronic payments. *See* OCA Statement No. 4 at 5. The Company additionally accepts checks, money orders, or bank transfers with no processing fees to consumers. A customer can also enroll in direct debit withdrawal from their bank account without a processing fee. *See* OCA Statement No. 4 at 5.

9. In Direct Testimony, OCA proposed that the Company should be required to absorb the fee for SmartHub and IVR payment and the revenue requirement be adjusted accordingly. *See* OCA Statement No. 4 at 6.

10. In Rebuttal Testimony, the Company argued that its current practice of passing transaction fees through to the Customers incurring those costs is the most fair and equitable way to recover the costs. *See* Valley Statement No. 4R at 11-12.

Utility Plant Balance

11. The Company proposed utility plant balances for the FPFTY and FTY in Mr. Gorman's Direct Testimony and Exhibits. *See* Valley Statement No. 1, Exhibit__(HSG-1), Schedule C3; *see also* Valley Statement No. 1 at 13-14.

Customer Charges

12. In its initial filing, the Company proposed a monthly charge for Residential customers of \$14.00 and a proposed Commercial charge for \$25.00. *See* Valley Statement No. 1, Exhibit__(HSG-1), Schedule B5.

13. In testimony, OCA argued that the Commission should reject the Company's proposed increase to the customer charge. *See* OCA Statement No. 3 at 10. I&E argued that any increase in customer charges should be scaled back if the Commission grants an increase less than the full increase. *See* I&E Statement No. 3 at 9.

Allocation of Rate Increases

14. The Company's proposed equal revenue allocation was presented in Valley Statement No. 1, Exhibit__(HSG-1), Schedule B5. *See* Valley Statement No. 1 at 7.

15. OCA agreed with the Company's proposed equal revenue allocation and found it to be reasonable, absent a cost-of-service study. *See* OCA Statement No. 3 at 3.

Security Deposit Policy

16. The Company assesses a security deposit when a customer does not meet credit score requirements. *See* OCA Statement No. 4 at 8.

17. The Company verifies income prior to charging a security deposit and uses Federal Poverty Guidelines to determine income levels. *See* OCA Statement No. 4 at 8.

18. Per the Company's current process, if a customer was charged a security deposit and should not have been charged, the Company issues a refund by crediting the customer's account. *See* OCA Statement No. 4 at 8.

19. OCA recommended that the Company continue its existing process and implement formal policies or procedures to formalize the practice and ensure that employees are trained appropriately. *See* OCA Statement No. 4 at 8-9.

Payment Plans

20. The Company offers payment plans to their customers but does not track the outcome of the payment arrangements. *See* OCA Statement No. 4 at 9-10.

21. In testimony, the OCA recommended that the Company establish metrics for measuring the success of payment plans and set documented plan policies, including how the Federal Poverty Income ranges are used, what verification is needed for low-income verification, and how payments and terms are calculated. *See* OCA Statement No. 4 at 11.

EXHIBIT 2

PROPOSED CONCLUSIONS OF LAW

1. Valley's rates must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa.C.S. §§ 1301, 1304.
2. Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment." *City of Lancaster Sewer Fund v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Commw. Ct. 2002).
3. Utilities have the burden of proving that each element of the rate increase request is just and reasonable. *Univ. of Pa. v. Pa. PUC*, 485 A.2d 1217, 1226 (Pa. Cmwlth. 1984).
4. Public utilities are not, however, required to affirmatively defend claims that have gone unchallenged. *See Allegheny Ctr. Assoc.'s v. Pa. PUC*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).
5. The ultimate burden of proof does not shift from the utility seeking a rate increase; however, where a party proposes an adjustment to the utility's rate making claim, that party must present evidence or analysis that demonstrates the reasonableness of its proposed adjustment. *See e.g., Pa. PUC v. Phila. Elec. Co.*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS 155 (Order dated May 16, 1990); *see also Pa. PUC v. Breezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45, at *10 (Order dated Jan 31, 1991).
6. A party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof. *See, e.g., Pa. PUC v. Metro. Edison Co., et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5, at *111-12 (Order entered Jan.11, 2007).
7. It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231(a).
8. In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.
9. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water*

& Sewer Assoc., Docket No. R-00881147, 74 Pa. PUC 767 (Opinion and Order entered July 22, 1991).

10. The rates, terms and conditions of the Joint Petition are just, reasonable and in the public interest and satisfy all of the Commission's criteria for approval of a settlement.

EXHIBIT 3

PROPOSED ORDERING PARAGRAPHS

IT IS ORDERED:

1. That the Joint Petition is granted and the Settlement is approved, without modification.
2. That Valley Energy, Inc. shall not place into effect the rates, rules, and regulations contained in Supplement No. 69 to Tariff Gas – Pa. P.U.C. No. 2 regarding its cost recovery base rates for gas service revenues within its service territory.
3. That Valley is authorized to file a tariff or tariff supplement containing rates, rules and regulations, consistent with the findings herein, and Appendices attached to the Joint Petition for Settlement, to produce an annual increase in gas distribution base rate operating revenues of approximately \$1.105 million.
4. That Valley's tariffs and/or tariff supplements may be filed on at least one day's notice to become effective on January 29, 2026, after entry of the Commission's Order approving the Settlement.
5. That the following formal complaints at the respective docket numbers be dismissed and marked closed by the Commission's Secretary's Bureau:

<u>Complainant</u>	<u>Docket No.</u>
Office of Consumer Advocate	C-2025-3055106
Office of Small Business Advocate	C-2025-3055189

6. That upon Commission approval of the tariff or tariff supplement filed by Valley in compliance with the Commission's Opinion and Order, the investigation at Docket No. R-2025-3054393 be marked closed.