

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2025-3054392
Office of Consumer Advocate	:	C-2025-3055105
Office of Small Business Advocate	:	C-2025-3055193
Zachary and Ashely Wattles	:	C-2025-3054985
	:	
v.	:	
	:	
Wellsboro Electric Company	:	

RECOMMENDED DECISION

Before
Mary D. Long
Administrative Law Judge

INTRODUCTION

This decision recommends approval of the Joint Petition for Settlement. The Joint Petition will permit Wellsboro Electric Company to increase its annual revenue by \$ 2.5 million, a 39% increase over current revenues. The Joint Petition recommends a two-year implementation of the proposed increase, which would increase revenue \$1.8 million, effective January 29, 2026, and increase revenue an additional \$700,000, effective January 29, 2027.

The suspension deadline is January 29, 2026, and the last reasonable public meeting before the deadline is January 15, 2026.

HISTORY OF THE PROCEEDINGS

On April 30, 2025, Wellsboro Electric (Wellsboro) filed proposed Supplement No. 162 to Tariff Electric Pa. P.U.C. No. 8, containing proposed changes in rates, rules, and regulations calculated to produce \$2.9 million (22.0%) in additional annual revenues, to become effective June 29, 2025.

On May 5, 2025, Zachary and Ashely Wattles filed a Formal Complaint.

On May 12, 2025, and May 14, 2025, the Office of Consumer Advocate (OCA) and the Office of Small Business Advocate (OSBA), respectively, filed Formal Complaints.

On May 15, 2025, the Bureau of Investigation and Enforcement (I&E) entered a Notice of Appearance.

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.

By notice dated May 22, 2025, this matter was assigned to me and scheduled for a prehearing conference on June 3, 2025. I served a prehearing conference order the same day, which directed the Parties wishing to actively participate in the litigation of the proceedings to file prehearing conference memoranda on or before June 2, 2025.

On June 2, 2025, Wellsboro, along with Valley Energy, Inc. and Citizens' Electric Company of Lewisburg, PA moved to consolidate the proceedings with Valley Energy's¹ and Citizens'² 2025 Base Rate Filings.

Also on June 2, 2025, the Solar Energy Industries Association and the Coalition for Community Solar Access (collectively, Joint Solar Advocates), filed a Joint Petition to Intervene in Wellsboro Electric and Citizens' Electric.

The June 3, 2025, prehearing conference was convened as scheduled. Counsel for Wellsboro, I&E, OCA, OSBA, and Joint Solar Advocates appeared. I did not rule on the petition to intervene of the Joint Solar Advocates because Wellsboro requested an opportunity to file an answer to the Joint Petition to Intervene of the Joint Solar Advocates.

I granted the Company's request to consolidate the base rate cases of Citizens, Wellsboro and Valley Energy for the purposes of discovery and litigation. However, I stated that each rate request must be supported by its own record.

At the prehearing conference, the Parties agreed to a schedule for the exchange of written testimony and for evidentiary hearings. I denied the OCA's request for public input hearings.

On June 23, 2025, the Company filed an Opposition to the Joint Petition to Intervene of the Joint Solar Advocates. By Initial Decision served on July 7, 2025, I granted the Companies' motion and denied the intervention of the Joint Solar Advocates.

¹ R-2025-4054393.

² R-2025-4054394.

The Companies (Wellsboro, Valley Energy and Citizens) filed a Motion for a Protective Order on June 20, 2025. I granted the motion on July 1, 2025.

By letter dated July 17, 2025, the Chairman of the Commission directed the scheduling of public input hearings. Public Input hearings were held on August 19, 2025, and August 21, 2025.

The evidentiary hearing was convened on September 4, 2025. Counsel for each of the Parties appeared. The Parties notified me that they had reached a settlement in principle and that all Parties had agreed to waive cross-examination of all witnesses. Each party offered written testimony and exhibits which were admitted into the record without objection.

On September 10, 2025, I issued an interim order which set forth the requirements for the filing of the petition for settlement and statements in support. Those documents were due on or before October 17, 2025. That order also provided that any party wishing to object to the proposed settlement must file written objections on or before October 27, 2025.

On October 17, 2025, the Parties filed a Joint Petition for Settlement and Statements in Support.³ No objections to the Joint Petition were filed. In accordance with the September 10, 2025, interim order, the record closed on October 28, 2025.

³ Solar Projects, an intervenor in the Citizens' Base Rate, filed a Main Brief, on September 26, 2025, regarding a litigated issue in Citizens' Base Rate Proceeding. Wellsboro filed a Motion to Strike the brief. Solar Projects admitted that the brief was filed by accident on the Wellsboro docket and filed a corrected Main Brief at the Citizens' Base Rate docket. By interim order entered on October 27, 2025, I granted the motion to strike.

PUBLIC INPUT HEARINGS

By letter dated July 17, 2025, the Chairman of the Commission directed the scheduling of public input hearings. Accordingly, by notice dated July 23, 2025, two telephone public input hearings were scheduled for August 19, 2025, and two in-person public input hearings were scheduled in Wellsboro, Pennsylvania on August 21, 2025. As instructed, the Company published notice of the hearings in a newspaper of general circulation, the *Wellsboro/Mansfield Gazette*, on August 7, and August 14, 2025.⁴

No witnesses testified at either of the telephone public input hearings.

Four witnesses testified at the 1:00 p.m. public input hearing convened in Wellsboro, Pennsylvania.

Allen Morrow is retired. Mr. Morrow testified that his electric bills had increased an average of \$50 per month in the last year. Mr. Morrow conceded that this increase was attributable to the increase in the supply portion of his bill but explained that the additional increase in distribution charges coupled with the increase in supply charges created a hardship for his household.⁵

Candace Callahan echoed Mr. Morrow's concerns. Like Mr. Morrow, she observed that many of the citizens of the Wellsboro area are retired. Social Security benefits have decreased in value, and all her bills continue to increase, including electricity. She questioned who was going to pay for the new electric company building. She also noted that this is the first year that she did not have an outage during a storm.

⁴ The Company filed a proof of publication on September 10, 2025.

⁵ Tr. 96-100.

Ms. Callahan closed by observing that although the area benefits from tourism, those dollars don't go directly to seniors who are struggling to pay their bills.⁶

Kathy Telep also testified that the proposed increase creates a hardship for retired seniors like herself. Many of the small businesses will incur an increase in electricity bills which will be passed down to customers like her in the form of higher prices. Specifically, she anticipates cutting back on food and personal care. She feels that she can no longer live comfortably in her retirement.⁷

Finally, Cheryl Kaminski testified. She is a widow and pays all her bills herself. According to Ms. Kaminski, her June electricity bill included a charge of \$15.40. She notes that that money could buy her a few gallons of gas to go to the grocery store. She closed her remarks by observing that Wellsboro Electric is a local company started by a local family and needs to recognize that many of the customers that they started with are now senior citizens.⁸

One additional witness testified at the 6:00 p.m. public input hearing in Wellsboro. Bryn Hammarstrom, a retired registered nurse, recently purchased a home in Wellsboro. Mr. Hammarstrom believes strongly in preserving the ecology of the area and is strongly opposed to continued reliance on fossil fuels. He expressed gratitude that Wellsboro Electric worked with him to install a photovoltaic system to his new home, and he found the company easy to work with. Like Ms. Telep, he noted that the distribution rate increase that Wellsboro will impose on commercial customers and small businesses will be passed on to consumers and increase the burden of the rate increase. Mr. Hammarstrom described the changes he observed in the area that indicate economic hardship for the people who live there. For example, in the past rents were low enough

⁶ Tr. 101-105.

⁷ Tr. 105-108.

⁸ Tr. 109-111.

that people could afford housing. Now, Wellsboro has had to open a homeless shelter.⁹

LEGAL STANDARDS

The purpose of this investigation is to establish rates for Wellsboro’s customers that are just and reasonable pursuant to Section 1301 of the Public Utility Code.¹⁰ Section 1301(a) of the Code requires “[e]very rate made, demanded, or received by any public utility... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission.”¹¹ 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.¹² There is no single way to arrive at just and reasonable rates. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility’s rates.¹³

The Commission encourages parties in contested on-the-record proceedings to settle cases.¹⁴ The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest.¹⁵ To approve a settlement, the Commission must first determine that the

⁹ Tr. 130-36.

¹⁰ 66 Pa.C.S. § 1301.

¹¹ 66 Pa.C.S. § 1301(a).

¹² *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm’n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

¹³ *Pa. Pub. Util. Comm’n v. City of Bethlehem - Water Dept.*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (*City of Bethlehem*) (citing *Popowsky v. Pa. Pub. Util. Comm’n*, 683 A.2d 958 (Pa. Cmwlth. 1996); *see also Popowsky v. Pa. Pub. Util. Comm’n*, 665 A.2d 808 (Pa. 1995) (The Commission possesses a great deal of flexibility in its ratemaking function.).

¹⁴ *See* 52 Pa. Code § 5.231.

¹⁵ *Pa. Pub. Util. Comm’n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

proposed terms and conditions are in the public interest.¹⁶ The Commission has concluded that settlements eliminate the time, effort, and expense of litigating a matter to its ultimate conclusion, which may entail review of the Commission’s decision by the appellate courts of Pennsylvania. Such savings benefit not only the individual parties, but also the Commission and all ratepayers of a utility, who otherwise may have to bear the financial burden such litigation necessarily entails. For a unanimous settlement, the Joint Petitioners share the burden of proving that the terms and conditions of the Settlement are supported by substantial evidence and are in the public interest.¹⁷

This Settlement is a “black box” settlement. This means that the Settlement does not specifically address each of the adjustments to rate base, revenue, expenses, or rate of return, nor does the Settlement resolve all the disputes related to those items. The Commission has approved “black box” settlements in contentious base rate proceedings:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. See, *Pa. PUC v. Wellsboro Electric Co.*, Docket No. R-2010-2172662 (Final Order entered January 13, 2011); *Pa. PUC v. Citizens’ Electric Co. of Lewisburg, PA*, Docket No. R-2010-2172665 (Final Order entered January 13, 2011). Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company’s revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company’s cost of capital. Reaching an agreement between various parties on each component of a

¹⁶ *Pa. Pub. Util. Comm’n v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2015-2518438 (Opinion and Order entered Oct. 14, 2016); *Pa. Pub. Util. Comm’n v. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

¹⁷ *City of Bethlehem*, at 13.

rate increase can be difficult and impractical in many cases.
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According to the Parties, the Joint Petition for Settlement meets the legal standards for the approval of a settlement in this base rate proceeding. I agree and recommend approval of the Joint Petition without modification.

DESCRIPTION OF THE SETTLEMENT

The Joint Petition for Settlement (Joint Petition or Settlement) includes the terms and conditions agreed to by Wellsboro, I&E, OCA and OSBA. The Joint Petition also includes an inventory of all testimony and exhibits that were admitted into the record. Table A and Table B of the Joint Petition set forth the current, originally proposed and stipulated rates that result from the settlement. The Joint Petition also includes Appendix A (Summary of Proposed Increase to Distribution Revenue); Appendix B (Summary of Present and Proposed Rates FPFTY 2026); Appendix B1 (Bill Comparisons (including GSSR rate) FPFTY 2026) and Appendix B2 (Bill Comparisons (excluding GSSR) FPFTY 2026) Appendix C (Summary of Present and Proposed Rates starting January 29, 2027; Appendix C1 (Bill Comparisons (including GSSR rate) starting January 29, 2027 and Appendix C2 (Bill Comparisons (excluding GSSR) starting January 29, 2027). The Parties' statements in support are attached to the Joint Petition as Appendices D through G.

¹⁸ *Pa. Pub. Util. Comm'n v. Peoples TWP, LLC*, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013).

SETTLEMENT TERMS

The Parties have agreed to the settlement terms as set forth below. These terms are stated verbatim and for ease of reference retain the same paragraph numbers as they appear in the Settlement.

17. The Parties agree to a stipulated increase in the Company's annual revenue requirement of \$2,500,000, which is an approximately 39% increase in the Company's distribution revenues at present rates, using a FPFTY ending December 31, 2026.

18. The Parties agree that the Company will implement the increase in two phases for rate gradualism purposes. Phase I will be an increase of \$1,800,000 in year 1, effective January 29, 2026, and Phase II will be a further increase of \$700,000 in year 2, effective January 29, 2027. Each phase of 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. Tables A and B [of the Settlement] include the current, originally proposed, and stipulated rates that result from this settlement.

19. 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.

20. 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.

21. 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. However, the Company will further evaluate the fee issue raised by the OCA in testimony in this proceeding and agrees that in its direct testimony in the next

rate case it will provide an estimate of what annual costs would be if the one-time fee were to be absorbed into revenue requirement.

22. 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 28 and any subsequent request to implement a Distribution System Improvement Charge ("DSIC").

23. 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.

24. 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 (for Phase I) and Appendices C, C1, and C2 (for Phase II).

25. The Company will implement a Residential Service ("RS") fixed Customer Charge of \$15.00 per month, a 25% increase from the existing \$12.00 monthly charge. The Company will also implement a fixed Customer Charge of \$15.00 per month for commercial rates Non-Residential Service ("NRS") and Non-Residential Service Space Heating ("NRH"), an approximately 23% increase from the existing \$12.22 monthly charge.

26. 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.

27. 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.

28. The Company will provide OCA, I&E and OSBA 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.

29. 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.

The Settlement also includes the following Conditions:

33. 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.

34. 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.

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

36. 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.

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

38. 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.

DISCUSSION OF THE SETTLEMENT

All the Parties support the Settlement as a whole. Not every Party addressed every element of the Settlement in their Statements in Support. Nor did every Party provide a specific reason for supporting each settlement term. To the extent a Party provided a specific reason for supporting the Settlement, those reasons are discussed below.¹⁹

REVENUE REQUIREMENT

A. Revenue Increase

Wellsboro's original filing requested an increase of approximately \$2,899,000 per year. Wellsboro reduced its request in its Rebuttal filing to an increase of

¹⁹ Paragraphs 23 and 29 of the Joint Petition are not discussed because those terms speak for themselves and, in my view, do not significantly contribute to the value of the Settlement.

approximately \$2,849,000 per year. Pursuant to the original filing, the total bill for a Residential customer using 1,000 kWh per month would increase 21.2%.

The Parties agree to a stipulated increase in the Company's annual revenue requirement of \$2.5 million which will be implemented in two phases. Phase I will be an increase of \$1,800,000, effective January 29, 2026, and Phase II will be a further increase of \$700,000, effective January 29, 2027. At the settlement rates, the total bill for a Residential customer using 1,000 kWh per month will increase 18.1%, after the implementation of the Phase II increase.²⁰

Wellsboro explains that since Wellsboro's last base rate increase in May 2020, Wellsboro has replaced much of its aging distribution infrastructure, including reconductoring and installing three-phase tie-points on select lines, increasing pole replacements, replacing aging porcelain equipment, installing switches and vacuum reclosers to automate the isolation of faults to reduce customer outages, performing improvements that will enable future voltage conversions, and completing other reliability-enhancing improvements.²¹ At the same time, Wellsboro has faced declining sales and revenues. Additionally, Wellsboro has also completed an upgrade of the FirstEnergy Mid-Atlantic Interstate Transmission Company transmission facility that serves the Wellsboro service territory, and the Company is nearing completion of its aging and antiquated office building. In comparison to the last rate case, the Company will have increased its utility rate base by \$12 million by the end of the Fully Projected Future Test Year ("FPFTY"). Wellsboro Operations and Maintenance ("O&M") costs are over \$1.8 million higher for the FPFTY when compared to the last rate case due to

²⁰ Joint Petition, Appendix C1.

²¹ See Statement of Reasons at 3; see also Wellsboro St. 4 at 4-7, 10-11; Wellsboro Exhibit HSG-1, Schedules WP_B2, WP_C1.

inflation and cost increases for most major components required to operate and maintain its distribution system.²²

The Company asserts that the proposed distribution rates in the Settlement are sufficient to promote the continued provision of safe and reliable service by ensuring that Wellsboro will have an opportunity to earn a fair and reasonable return on the resources invested in the distribution system. Wellsboro 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.²³ The new rates will also enhance Wellsboro ability to obtain capital, when necessary, to fund major system improvement projects that may be necessary in the future.

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.²⁴ Although Wellsboro 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, in the interest of avoiding the expense and uncertainty of continued litigation in this matter, Wellsboro has agreed to accept an annual revenue increase in the amount of \$2.5 million. According to Wellsboro, the compromise will also moderate the impact of the revenue increase upon the rates charged to Wellsboro customers.

I&E points out that the \$2.5 million rate increase represents a compromise among the Joint Petitioners' proposals and is therefore in the public interest. I&E witness

²² See Statement of Reasons at 3.

²³ See Wellsboro St. 4 at 7-10.

²⁴ See Revised Joint St. 2 at 10-13, 47-51.

Zachari Walker recommended in direct testimony a rate increase of \$2,279,151 based on adjustments made to Wellsboro's operating and maintenance ("O&M") expense, cash working capital, rate base, and rate of return claims.²⁵ I&E recommended in surrebuttal testimony a rate increase of \$2,602,840, based on the Company's updated request presented in rebuttal testimony.²⁶

I&E also specifically notes that the phase-in agreed upon in the Settlement will lessen rate shock and is another factor supporting a determination that the revenue increase settlement proposed in the Joint Petition is in the public interest.

OCA also characterizes the \$2.5 million increase as a reasonable compromise, particularly in view of other concessions made by the Company in the Settlement. The agreed upon increase is approximately \$0.4 million less than, or 86% of, the Company's original requested increase of \$2.9 million. The distribution rate increase in the Settlement reflects an increase in total annual distribution revenues of 39% percent as compared to the Company's original request of a 45% increase in distribution revenues.

OCA Witness Greg R. Meyer recommended that Wellsboro's rate increase should be \$2.09 million.²⁷ Mr. Meyer recommended downward adjustments to Wellsboro's claimed costs in FPFTY by factoring in a Return on Equity (ROE) of 9.5% as recommended by OCA witness Christopher C. Walters. OCA's recommended ROE was significantly lower than the ROE requested by Wellsboro.²⁸

²⁵ I&E St. 1 at 3-5.

²⁶ I&E St. 1-SR at 3-5.

²⁷ OCA St. 1R at 3.

²⁸ Corrected OCA St. 2 at 3.

OCA agrees with the Company that the Settlement revenue increase provides sufficient funds to maintain the Company’s distribution system in an adequate, efficient, safe, and reasonable manner while ensuring that consumers pay no more than is necessary for the same. To further address the OCA’s litigation position in this case as to a lower revenue requirement, the terms of the Settlement provide that the new rates reflecting this increase will go into effect in two phases.²⁹ The proposed two-year phase-in of rate increases is in line with the generally accepted ratemaking principle that “to the extent possible, gradualism should be used to protect customers from rate shock.”³⁰ This agreed upon term of the settlement is in the best interest of consumers as it aims to ameliorate the financial impact of a large rate increase on customers all at one time.

According to OCA, the Settlement revenue requirement represents a result that would be within the range of likely outcomes in the event of full litigation of the case. The Settlement also includes important customer service enhancements that might not otherwise be achieved by and through litigation of this case. Similarly, the phased-in revenue requirement increase, when accompanied by other important conditions in the Settlement, yields a result that is in the public interest. As such, the OCA submits that as a part of a unanimous resolution of all issues in this proceeding, this provision of the Settlement represents a reasonable compromise between the Parties and is in the public interest.

B. Rate Case Expense

The Company proposed to amortize rate case expense over a multi-year period and include any remaining balance not paid down in rate base.³¹

²⁹ *Id.*

³⁰ OCA St. 3 at 25.

³¹ Wellsboro St. 1 at 10-11; I&E St. 1 at 13.

I&E witness Walker objected to the proposed treatment of rate case expense and recommended that rate case expense be normalized as opposed to amortized. According to Witness Walker, this approach is the Commission's traditional treatment of this expense and is appropriate for ratemaking purposes. I&E recommended a normalization period of 60 months (5 years) based on the Company's historic filing frequency.³²

OCA witness Meyer supported I&E's position of normalizing Wellsboro's rate case expense. Witness Meyer testified that normalizing the Company's rate case expense is proper because it is a normal operating expense. Mr. Meyer explained that by including rate case expense in rate base, the Company would be earning a profit on a normal and recurring expense. Mr. Meyer added that shareholders tend to benefit from rate case proceedings, therefore there is no reason to allow them to earn additional profit on those expenses.³³

In rebuttal testimony, Company witness Howard Gorman conceded that a three-year normalization period is customary and reasonable.³⁴ The Parties agreed to this position in the Settlement. The Company explains that this settlement provision balances concerns raised by I&E concerning amortized rate case expense while preserving an opportunity for Wellsboro to recover its actual rate case expense over time.³⁵

³² I&E St. 1 at 8-13; I&E St. 1-SR at 6-9.

³³ OCA St. 1R at 5 -6.

³⁴ Wellsboro St. No. 1R at 4.

³⁵ *See* I&E St. 1 at 8-10.

C. Income Tax Rate

I&E witness Walker recommended that a Pennsylvania CNI Tax rate of 7.49% be in effect for the FPFTY based on the passage of Act 53 of 2022.³⁶ OCA witness Meyer agreed with I&E. Company witness Gorman agreed with this adjustment, stating the original filing inadvertently used 9.99% as the state corporate tax rate for the FPFTY.³⁷

The Joint Petition memorializes this correction. OCA explains that this adjustment ensures that the state income tax rate Wellsboro uses for the FPFTY is in line with Pennsylvania House Bill 1342, which was signed into law as Act 53 of 2022 wherein the state corporate tax rate will step down each year until 2031 where it will reach 4.99%.³⁸ This adjustment ensures that ratepayers are not contributing funds toward a tax rate higher than what is required by law and as such, this provision should be adopted.

D. Credit Card Payment Fees

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. Ms. Wise testified that this would bring online payments in line with the other fee free payment options, like paying with cash or check.³⁹ Ms. Wise explained that electronic and

³⁶ I&E St. 1 at 22.

³⁷ Wellsboro St. No. 1R at 3.

³⁸ OCA St. 1R at 4.

³⁹ OCA St. 4 at 6-7.

paperless transactions are normal in this economy and customers who wish to pay their electric bill this way should not be penalized.⁴⁰

Based on OCA witness Wise's recommendation, OCA witness Greg Meyer calculated Ms. Wise's proposal would require an upward revenue adjustment of \$37,645.⁴¹ Company Witness Byron Farnsworth testified that based on a case study from a utility in New York that eliminated credit and debit fees, customer use would increase and therefore Mr. Meyer underestimated the actual cost required to implement Ms. Wise's proposal.⁴²

The Company's revenue requirement in the Settlement 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. However, the Company agreed to evaluate the fee issue raised by OCA in testimony in this proceeding and agreed that in its direct testimony in the next rate case it will provide an estimate of what annual costs would be if the one-time fee were to be absorbed into revenue requirement. Wellsboro supports the resolution of this issue and states that this settlement term will provide the Parties with an empirical basis to meaningfully consider the credit card fee issues raised by OCA in this proceeding.⁴³

OCA agrees. According to OCA, the Company's plan to evaluate the fee issue raised by OCA witness Wise is a reasonable compromise on the issue raised by the OCA. Incorporating credit card payment fees into the Company's revenue requirement would mean that the cost is removed from individual customers and shared among all customers, just as the administrative costs for handling cash and checks are currently

⁴⁰ OCA St. 4 at 3.

⁴¹ OCA St. 1 at 17.

⁴² Wellsboro St. No. 4R at 15.

⁴³ *See* OCA St. 4 at 5-7.

treated.⁴⁴ This would particularly be beneficial for customers who make multiple payments during a month using credit cards.⁴⁵ Wellsboro's commitment to evaluating the fee issue is good for consumers because it means the Company is exploring ways to make paying their electric bills easier and more convenient to pay.

E. Utility Plant Balance

In the Joint Petition, the Parties accepted the Company's Utility Plant balances for the FPFTY and FTY and any subsequent request to implement a Distribution System Improvement Charge ("DSIC"). OCA notes that its expert witnesses did not dispute or adjust downward the Company's Utility Plant balances for the FPFTY and FTY. According to OCA, 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 regarding 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.

REVENUE ALLOCATION AND RATE DESIGN

A. Customer Charges

In its filing, Wellsboro proposed to increase the residential customer charge from \$12.00 to \$16.50 per month, an increase of \$4.50 or approximately 37.5%.⁴⁶ Company witness Howard Gorman testified that the requested increase is justified based on the Company's allocated cost of service study.⁴⁷ OCA witness Michael Deupree

⁴⁴ OCA St. 4SR at 5.

⁴⁵ OCA ST. 4 at 7.

⁴⁶ Wellsboro St. No. 1 at Exhibit HSG-1, Schedule B7.

⁴⁷ Wellsboro St. No. 1R at 12.

disagreed and testified that increasing the residential customer charge to \$16.50 significantly overstates the cost directly attributable to residential customers, is unreasonable and should be rejected.⁴⁸ Mr. Deupree conducted an analysis and showed that Wellsboro's current residential customer charge is the third highest in the region. According to Mr. Deupree, Wellsboro's proposed increase to the customer charge would bring it to \$16.50, making it the highest in the region by far with the average among peers being \$9.27.⁴⁹

In the Joint Petition, the Company will implement a Residential Service ("RS") fixed Customer Charge of \$15.00 per month, a 25% increase from the existing \$12.00 monthly charge. The Company will also implement a Non-Residential Service ("NRS") and Non-Residential Service Space Heating ("NRH") customer charge of \$15.00 per month, an approximately 23% increase from the existing \$12.22 monthly charge. According to Wellsboro, these customer charge increases balance affordability concerns raised by OCA with the cost-of-service positions raised by the Company.⁵⁰

I&E also supports the Settlement customer charges. Based on I&E's review of the cost-of-service study presented in this proceeding, I&E views the Settlement to be within the range of reasonable outcomes that would result from full litigation of this case.

OCA explains that the compromise contained in the Settlement is reasonable, and within the results that might have been obtained through litigation considering the various positions of the Company, OCA, and other Parties. The Settlement customer charge increase, at a reduced rate from the Company's original request, will be closer in line with OCA's position that residential customer-related costs

⁴⁸ OCA St. 3 at 37.

⁴⁹ OCA St. 3 at 30.

⁵⁰ See OCA St. 3 at 37-38; see also Wellsboro St. 1 at 14-16.

should not be recovered through monthly customer charges. Additionally, the Settlement customer charges will promote conservation efforts by customers and provide them the opportunity to have more control over their bill through their kilowatt-hour usage.⁵¹ Accordingly, the OCA submits this Settlement provision is reasonable, in the public interest, and should be approved.

B. Revenue Allocation

Company witness Howard Gorman testified that the Company developed its Allocated Cost of Service Study (ACOS) with four goals in mind: (1) recognition of cost causality as opposed to value of service, (2) stability of results over time, (3) logical consistency and completeness, and (4) ease of implementation.⁵² Mr. Deupree, OCA's witness, testified that the impact of the Company's ACOS would skew the allocation of costs and revenue responsibilities away from larger customers and onto residential and small commercial customers.⁵³

In the Joint Petition, the Parties agreed to a revenue allocation that combines parts of various Parties' proposals. The Company asserts that this approach makes reasonable progress towards cost-of-service.⁵⁴ OCA explains that even though the Settlement does not identify a specific ACOS methodology used to determine the appropriate revenue allocation, and allocates revenue on a black box basis, the revenue allocation percentage increase to the residential class is lower than originally proposed by Wellsboro. The Commission has previously stated that the use of a black box revenue allocation methodology is consistent with the Commission's policy encouraging

⁵¹ OCA St. 3 at 32-33.

⁵² Wellsboro St. No. 1 at 15.

⁵³ OCA St. 3 at 7-8.

⁵⁴ *See* OCA St. 3 at 3-10; *see also* Wellsboro St. 1R at 12-13.

settlements as it provides parties “a greater amount of flexibility than they would have in litigated cases to resolve contested issues.”⁵⁵

Accordingly, OCA agrees that the rates in this Settlement were designed in a manner which addressed the OCA’s concerns regarding affordable customer charges and mitigating rate shock. The Settlement represents a reasonable compromise, balancing the interests of the Company and consumers with respect to both revenue allocation and rate design. I&E states that the agreed upon rate structure and rate design represents a compromise among the Joint Petitioners’ proposals and is therefore in the public interest.

CUSTOMER ISSUES

A. Security Deposits

OCA witness LeeAnn Wise reviewed Wellsboro’s customer service policies and their impact on low-income consumers. Ms. Wise found that the Company verifies a customer’s income and does not charge a security deposit for income-eligible customers. If an income-eligible customer is charged a security deposit, the Company issues a refund. However, Ms. Wise observed that the Company does not have written policies for how customer service employees verify income prior to charging security deposits. Ms. Wise recommended that the Company formally document the policies in writing.⁵⁶

In the Joint Petition, the Company agreed to memorialize written internal operating procedures that provide applicants with the ability to explore, in conjunction

⁵⁵ *Pa. Pub. Util. Comm’n v. Columbia Gas of Pa., Inc.*, Docket No. R-2022-3031211 at 106-07 (Opinion and Order entered Dec. 8, 2022).

⁵⁶ OCA St. 4 at 8, 11.

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. This settlement term supports the Company's goal of providing responsive and helpful customer service.

OCA states that this settlement provision is good for rate payers because having written policies and procedures promotes consistency, transparency, and accountability.⁵⁷ This will benefit Wellsboro customers by decreasing the risk of misunderstandings, inconsistent application of company policies, or reliance on individual employee interpretation of company policies. Thus, the OCA requests the settlement term regarding the change to the Company's security deposit policy be approved.

B. Payment Arrangements

OCA Witness Wise also examined how Wellsboro administers payment plans for customers who have difficulty paying their bills. In her analysis, Ms. Wise found that the payment arrangements were determined by the customer's ability to pay, the customer's payment history, income level, and the length of time of the bill accumulated.⁵⁸ However, Ms. Wise expressed concern that the Company does not track the success of its payment arrangements, and therefore it is difficult to determine whether the plans are achieving their intended goals, like improving customer repayment rates and minimizing delinquencies. She suggested that Wellsboro establish metrics for measuring success for payment plans and to document payment plan policies.⁵⁹

⁵⁷ OCA St. 4SR at 2.

⁵⁸ OCA St. 4 at 10.

⁵⁹ OCA St. 4 at 10-11.

In the Joint Petition, Wellsboro agreed to implement OCA's recommendation. The Company states that this settlement term addresses customer service concerns raised by OCA and will result in more detailed records of payment plans.

OCA also believes that this provision of the Joint Petition will benefit Wellsboro consumers because it can bring forth new insights for the Company and promote new resolutions for consumers facing financial hardship. Therefore, this provision is in the public interest and should be approved.

POST CASE REPORTING

Pursuant to the terms of the Settlement, Wellsboro will provide OCA, I&E and OSBA 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.

I&E supports this provision as being in the public interest because this data will allow the Commission and the parties to better gauge the accuracy of Wellsboro's projected investments in future proceedings.

OCA also submits that this settlement term is in the public interest because it will allow all parties, including the Commission, to track how the Company is meeting its projections and allow the parties to gauge the accuracy of Wellsboro's projected investments in future proceedings. The OCA contends that increased transparency in this

area will greatly benefit the ratepayers and thus, this provision is in the public interest and should be approved.

RECOMMENDATION

I agree with the Parties that the Joint Petition for Settlement is a reasonable resolution of the Parties' disputes regarding Wellsboro's initial rate filing. The Settlement represents a fair compromise of the serious issues raised in this proceeding. After substantial investigation and discovery, the Parties have achieved a reasoned accord on a broad array of issues resulting in just and reasonable rates for service rendered by Wellsboro.

Although the rate increase will have a significant impact on Wellsboro's customers, the two-year phase in of the increase will temper the impact and provide Wellsboro's customers with a period to plan for the increased expense. Resolution of this proceeding by negotiated settlement removes the uncertainties of litigation. In addition, all Parties benefit by the reduction in rate case expense and the conservation of resources made possible by adoption of the proposed Settlement in lieu of litigation. Acceptance of the Settlement will negate the need for the filing of additional testimony by all parties, participation at in-person hearings, the filing of main and reply briefs, exceptions and reply to exceptions, and potential appeals. This savings in rate case expense serves the interests of Wellsboro and its ratepayers, as well as the Parties themselves.

Also of note, the Settlement finds support from a range of parties with diverse interests. In their Statements in Support, each of these public advocates assure the Commission that the interests of their respective constituencies have been adequately protected and they assert that the terms of the Settlement are in the public interest.

I&E is tasked with balancing these various interests and concerns on behalf of the general public interest.⁶⁰ In its Statement in Support, 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. According to I&E, this Settlement exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. 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.

The Consumer Advocate is tasked with advocacy on behalf of consumers in matters before the Commission.⁶¹ 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 submits that it is unlikely that the Parties would have been able to reach consensus on each disputed recommendation in this matter as policy and legal positions differed widely among the Parties. Accordingly, OCA asserts that the Settlement is in the public interest and supports Commission approval of the Settlement without modification. The OCA points to the substantial evidence in the record to support the provisions addressed by OCA and relies on the other parties to the Settlement to address those provisions that are significant and material to them in their respective statements in support.

⁶⁰ *Implementation of Act 129 of 2008; Organization of Bureaus and Offices*, Docket No. M-2008-2071852, at 5 (Order Entered Aug. 11, 2011).

⁶¹ 71 P.S. § 309-4.

The Small Business Advocate represents the interests of the Commonwealth's small businesses.⁶² OSBA also assures the Commission that it believes the Settlement to be in the interests of its stakeholders and in the public interest. According to OSBA, the Settlement was achieved by the Parties after an extensive investigation of the Company's base rate filing, including formal and informal discovery. 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. This Settlement also increases the OSBA visibility among commercial consumers.

Considering all of these factors, I conclude that the Joint Petition for Settlement is in the public interest and recommend approval of the Joint Petition for Settlement without modification.

CONCLUSIONS OF LAW

1. Wellsboro'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. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002).

⁶² Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

3. Utilities have the burden of proving that each element of the rate increase request is just and reasonable. *Univ. of Pa. v. Pa. Pub. Util. Comm'n*, 485 A.2d 1217 (Pa. Cmwlth. 1984).

4. It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231(a).

5. 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.

6. 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 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

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

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Settlement is approved without modification.
2. That the Wellsboro Electric Company shall not place into effect the rates, rules, and regulations contained in Supplement No. 162 to Tariff Electric Pa. PUC No. 8 regarding its cost recovery base rates for electric service revenues within its service territory.
3. That Wellsboro Electric Company 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 electric distribution base rate operating revenues of approximately \$2.5 million.
4. That Wellsboro Electric Company will implement the increase in two phases. Phase I will be an increase of \$1,800,000 in year 1, effective January 29, 2026, and Phase II will be a further increase of \$700,000 in year 2, effective January 29, 2027.
5. That Wellsboro Electric Company 's tariffs and/or tariff supplements may be filed on at least one day's notice to become effective on January 29, 2026 (for

Phase I), and January 29, 2027 (for Phase II), after entry of the Commission's Order approving the Settlement.

6. That the Formal Complaints of the Office of Consumer Advocate, Docket C-2025-3055105, and the Office of Small Business Advocate, Docket C-2025-3055193, are satisfied and shall be marked closed by the Commission's Secretary's Bureau.

7. That the Formal Complaint of Zachary and Ashely Wattles, Docket C-2025-3054985, is dismissed.

8. That upon Commission approval of the tariff or tariff supplement filed by Wellsboro Electric Company in compliance with the Commission's Opinion and Order, the investigation at Docket No. R-2025-3054392 be marked closed.

Date: November 13, 2025

/s/
Mary D. Long
Administrative Law Judge