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Pennsylvania Public |
Utility Commission  | Docket No.:
      v.             | R-2025-3055959
Energy Center       |
Harrisburg, LLC    |
                   |
In-Person Evidentiary |
Hearing            |
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Pages 35 - 55

PA Public Utility Commission
Commonwealth Keystone
Building - Plaza Level
Hearing Room 2
400 North Street
Harrisburg, PA

INDEX TO EXHIBITS

Docket No. R-2025-3055959

Hearing Date: November 13, 2025

<u>NUMBER</u>	<u>FOR IDENTIFICATION</u>	<u>IN EVIDENCE</u>
ECH Hearing Exhibit Number 1	44	46
List of Testimony and Exhibits		
with Verifications		
ECH Statement Number 1	44	46
Direct Testimony of Mark		

Schneider with ECH Exhibits		
MS-1 through MS-3		
ECH Statement Number 2	45	46
Direct Testimony of Keith L.		
Li with ECH Exhibits		
KLL-1 through KLL-3		
ECH Statement Number 2-R	45	46
Rebuttal Testimony of		
Keith L. Li		
I&E Statement Number 1	47	48
Direct Testimony of Ethan		
Cline with I&E Exhibit Number 1		
I&E Statement Number 1-SR	47	48
Surrebuttal Testimony of		
Ethan Cline		
OCA Statement Number 1	49	50
Direct Testimony of Lafayette		
K. Morgan with Appendix A and		
Exhibits LKM-1 through LKM-13		

and Verification - PUBLIC and

CONFIDENTIAL

OCA Statement Number 1-SR 49 50

Surrebuttal Testimony of
Lafayette K. Morgan with
Verification

OCA Statement Number 2 49 50

Direct Testimony of Jerome D.
Mierzwa with Verification -
PUBLIC and **CONFIDENTIAL**

OCA Statement Number 2-SR 49 50

Surrebuttal Testimony of
Jerome D. Mierzwa with
Verification - PUBLIC and

CONFIDENTIAL

OCA Hearing Exhibit 1 49 51

List of Testimony and Exhibits

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
v. : Docket No. R-2025-3055959
Energy Center Harrisburg LLC :

**ECH HEARING EXHIBIT NO. 1
LIST OF STATEMENTS AND EXHIBITS TO BE INTRODUCED
ON NOVEMBER 13, 2025 ON BEHALF OF
ENERGY CENTER HARRISBURG LLC**

- I. Testimony of Mark Schneider
 - A. Direct Testimony of Mark Schneider, ECH Statement No. 1 (dated July 18, 2025), including ECH Exhibit Nos. MS-1 through MS-3.

- II. Testimony of Keith L. Li
 - A. Direct Testimony of Keith L. Li, ECH Statement No. 2 (dated July 18, 2025), including ECH Exhibit Nos. KLL-1 through KLL-3; and
 - B. Rebuttal Testimony of Keith L. Li, ECH statement No. 2-R (dated November 3, 2025).

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,

Complainant

v.

Energy Center Harrisburg LLC,

Respondent

Docket No. R-2025-3055959

**PREPARED DIRECT TESTIMONY OF
MARK SCHNEIDER
PRESIDENT, EAST REGION
ON BEHALF OF ENERGY CENTER HARRISBURG LLC**

Filed: July 18, 2025

Admitted: _____

ECH Statement No. 1

**PREPARED DIRECT TESTIMONY
OF MARK SCHNEIDER**

1 **Q. PLEASE STATE YOUR NAME AND GIVE YOUR BUSINESS ADDRESS.**

2 A. My name is Mark Schneider. My business address is 111 South Commons Avenue,
3 Pittsburgh, PA 15212.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am employed by Cordia . My title is President, East Region. In this capacity, I have
7 oversight responsibility for Energy Center Harrisburg LLC (“ECH”). ECH is a certificated
8 public utility providing steam service in a one-square-mile area in the central business
9 district of the City of Harrisburg, Dauphin County, Pennsylvania. It serves approximately
10 100 downtown buildings. Its steam is used in space heating, domestic hot water heating,
11 and humidification. Its customers include: the Capitol Complex; federal, state and
12 municipal office buildings and court houses; commercial office buildings; a hospital
13 complex; a museum; hotels; an educational institution; residential high- and low-rise
14 buildings; churches; retail businesses; and industrial facilities. ECH is located at 900
15 Walnut Street, Harrisburg, PA 17101.

16
17 **Q. HOW LONG HAVE YOU BEEN THE REGIONAL PRESIDENT?**

18 A. I have been the Regional President for Cordia’s East Region with General Management
19 responsibilities of ECH for approximately three years but I have been with the Company,
20 and its predecessors, for 6 years in the positions of Regional President, General Manager
21 of Energy Center Pittsburgh, and Manager of Thermal Engineering.

1 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL**
2 **BACKGROUND.**

3 A. I graduated from Penn State University with a Bachelor of Science in Mechanical
4 Engineering and a Bachelor of Science in Nuclear Engineering. I also earned a Master of
5 Business Administration from Carnegie Mellon University. I began my career working at
6 Bechtel Marnie Propulsion Corporation as a power plant engineer and held engineering
7 and project management roles with several companies including IMG Midstream and DTE
8 Energy, prior to joining Cordia's predecessor Clearway Energy.

9

10 **Q. DESCRIBE YOUR DUTIES AS REGIONAL PRESIDENT.**

11 A. I am responsible for all aspects of the business of making, distributing and selling steam
12 via ECH's system. These responsibilities include procuring the necessary fuels at the
13 lowest prices, overseeing the operational management of the facilities, maintaining and,
14 hopefully, enhancing customer relations, and directing regulatory affairs.

15

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

17 A. The purpose of my direct testimony is, first, to describe ECH's physical assets, its service
18 territory, customer base, methods of providing service to customers, and corporate
19 organization and governance. Second, I will explain how a significant decrease in
20 consumption has necessitated the instant base rate filing. Third, I will explain how ECH
21 has reduced its costs of operation and otherwise attempted to mitigate the need for base
22 rate relief. Fourth, I will explain the competitive nature of the steam services business and
23 why such competition requires the Company to claim a base rate increase which is

1 significantly less than what the Company could support. Finally, I will explain the reason
2 for ECH's proposal to move from a usage-based charge to a fixed monthly capacity charge
3 for steam distribution service.
4

5 **DESCRIPTION OF ECH**

6 **Q. DESCRIBE THE ECH STEAM SYSTEM.**

7 A. ECH's steam system consists primarily of a steam generation plant located at 10th and
8 Walnut streets and six miles of high pressure and lower pressure distribution lines located
9 in the streets of Harrisburg. The generating unit is a dual fuel facility, using natural gas
10 and No. 6 fuel oil. Attached hereto as **ECH Exhibit No. MS-1** are photographs of the
11 major components of ECH's steam generation plant.

12 ECH's service territory may be characterized as primarily downtown Harrisburg.
13 Attached hereto as **ECH Exhibit No. MS-2 (CONFIDENTIAL – CRITICAL**
14 **INFRASTRUCTURE INFORMATION)** is a street piping map which shows where the
15 Company is currently providing steam service.
16

17 **Q. DESCRIBE ECH'S CUSTOMER BASE.**

18 A. ECH has approximately 100 customer accounts in Harrisburg. Of those, about 17 large
19 customers represent approximately 75% of the Company's steam output. The
20 Pennsylvania Department of General Services is the Company's largest customer. The
21 Capitol Complex represents approximately 45% of the Company's load.

22 The steam business is very competitive. Although ECH is the sole provider of
23 steam in its service area, steam is only a means to the end of producing heating for

1 buildings. Heating can also be provided through on-site facilities, for example, on-site
2 boilers. The potential exists for building owners to install their own boilers, or work with
3 heating equipment contractors, or UGI Utilities or PPL Electric to meet the building's
4 heating requirements. Therefore, ECH must work constantly to maintain relationships with
5 existing customers by demonstrating that ECH's services are efficient and cost-effective.

6 Meeting competition is a way of life for all district heating companies as is
7 evidenced by the fact that only three regulated steam utilities still operate in the
8 Commonwealth. A fourth system in Scranton, Community General Energy Corporation,
9 closed its operations in 2007 after losing several key customers.

10 The competitive nature of the steam business is also demonstrated by the fact that
11 many states do not even regulate district energy systems. ECH's parent, Cordia, owns and
12 operates district energy systems in Harrisburg, Pittsburgh, Minneapolis, San Francisco, San
13 Diego, Omaha, and Phoenix. The systems in Minneapolis, San Diego, and Phoenix are not
14 rate-regulated.

15
16 **Q. DESCRIBE ECH'S CORPORATE OWNERSHIP AND CORPORATE**
17 **GOVERNANCE.**

18 A. ECH is owned by Cordia, a sustainable energy solutions provider that owns various district
19 heating systems and other energy facilities nationwide. ECH complies with all corporate
20 policies established by Cordia, including safety, human resources, financial, and other
21 regulatory activities. Consistent with Commission-approved affiliated interest agreements,
22 Cordia provides support to ECH with regard to financing, banking, cash management,
23 insurance, employee benefits, operations, budgeting, payroll, training, environmental,

1 safety, and management practices. However, along with this corporate administrative
2 support, ECH is responsible for all day-to-day operations and customer relations.

3 Attached hereto as **ECH Exhibit No. MS-3** is a diagram of the relevant Cordia
4 companies' organizational relationships.

5
6 **ECH NEED FOR BASE RATE RELIEF**

7 **Q. WHY IS ECH FOR BASE RATE RELIEF?**

8 A. ECH's last base rate relief was in 2013 at Docket No. R-2013-2350265. Over the past 12
9 years, the Company has experienced further loss in sales and a decade of escalation of
10 operating expenses – including recent dramatic increases in costs due to high inflation.

11
12 **Q. WHAT ARE THE CAUSES OF THE REDUCED CONSUMPTION?**

13 A. Climate warming and customer conservation. Customers are finding creative ways to
14 reduce consumption, including restricting steam heating to only portions of their buildings.

15
16 **Q. DO YOU ANTICIPATE THESE SIGNIFICANT CONSERVATION EFFORTS TO
17 CONTINUE TO REDUCE THE COMPANY'S LOAD?**

18 A. Yes. Customer will most certainly will continue to try to find ways to reduce their
19 expenses. Aside from distribution rates, customers pay the Steam Cost Rate which is tied
20 directly to fuel costs on a dollar-for-dollar passthrough basis. Increases to fuel costs have
21 caused customers to look at other ways to conserve.

1 **Q. WHAT ARE THE OTHER CAUSES OF ECH'S REDUCED CONSUMPTION?**

2 A. There has been some customer-driven attrition. The customer driven attrition is typically
3 the result of building renovations and changes in use which do not lend themselves to a
4 steam heating infrastructure and tenant billing. Most of our customers are sophisticated
5 customers who recognize that it is simply not economic to incur the capital costs associated
6 with the installation of an on-site boiler. Some examples of recent customer attrition
7 include buildings at 305 Market Street, Harrisburg, PA 17101 (Mamas Pizza); 108 North
8 2nd Street, Harrisburg, PA 17101 (Second & Locust Investors); and, 400 Market Street,
9 Harrisburg, PA 17101 (Rachel Carson Building – DEP Offices).

10

11 **ATTEMPTS TO MITIGATE THE NEED FOR BASE RATE RELIEF**

12 **Q. HOW HAS ECH'S MANAGEMENT ATTEMPTED TO MITIGATE THE NEED**
13 **FOR BASE RATE RELIEF?**

14 A. ECH's management has attempted to mitigate the need for base rate relief in several ways.
15 First, we have reduced our workforce by two full-time employees since 2013. The
16 Controller and General Manager functions have been transferred to regional (Pittsburgh)
17 management. Second, Cordia agreed, on a temporary basis beginning in 2022, to suspend
18 its charges to ECH for corporate services in order to help maintain ECH's financial
19 viability.

20

21

22

1 **Q. PLEASE EXPLAIN THE CORPORATE SERVICE CHARGES BY CORDIA TO**
2 **ECH.**

3 A. ECH receives corporate services from Cordia, including the following: financing; banking;
4 cash management; insurance; employee benefits; operations; budgeting; payroll; training;
5 environmental; safety; and, management practices. Charges for these services were most-
6 recently approved by the Commission in 2022 at Docket No. G-2022-3032856. The
7 charges in 2013 were approximately \$350,000 per year. However, because of the dramatic
8 reduction in customer consumption and the resulting reduction to ECH's earnings, Cordia
9 agreed to suspend the charges with the understanding that such charges would again be
10 reinstated when ECH was capable of making a reasonable income and return on
11 investment.

12
13 **Q. HAVE THE COSTS OF CORPORATE SERVICES FROM CORDIA REMAINED**
14 **STABLE AT \$350,000 PER YEAR?**

15 A. No, costs have obviously increased since 2013. While Cordia has not re-calculated the
16 exact costs in detail, it is estimated that the charge to Cordia should now be charged in
17 excess of the \$350,000. However, Cordia has agreed, in recognition that ECH can only
18 bear a limited base rate increase in order to remain competitive with alternative service
19 providers, to limit its charge to no more than \$350,000 per year at least through the end of
20 2026. Accordingly, the instant filing reflects a \$350,000 per year affiliate charge by
21 Cordia.

22

1 **Q. PLEASE EXPLAIN ECH'S CHARGES TO ITS LOCAL AFFILIATES, ENERGY**
2 **CENTER PAXTON AND HARRISBURG COOLING.**

3 A. Energy Center Paxton is a cogeneration facility that is located on property owned by ECH
4 adjacent to the steam plant. It does not have any employees; rather it is managed, operated,
5 and maintained by ECH pursuant to a Commission-approved affiliated interest agreement.
6 As previously mentioned, ECH has mitigated the need for a rate increase by not replacing
7 two key management positions, and instead, managing ECH from the regional Pittsburgh
8 Office. However, the affiliate charges were not reduced by a commensurate amount. As
9 a result, the affiliates have overpaid for management services. ECH is not proposing to
10 refund these overcharges, but instead to adjust the charges going forward. In conjunction
11 with the instant base rate filing, ECH is filing an affiliated interest agreement amendment
12 with the Commission reflecting the reduced charges.

13 Harrisburg Cooling provides chilled water service to a limited class of customers
14 pursuant to contract. Similar to Energy Center Paxton, Harrisburg Cooling has no
15 employees. Again, ECH has overcharged Harrisburg Cooling because of not reducing
16 affiliated charges for the reduction of management services. The proposed affiliate charge
17 reflects this reduced service. In conjunction with the instant base rate filing, ECH is filing
18 an affiliated interest agreement amendment with the Commission reflecting the reduced
19 charges.

20
21 **Q. DOES ECH RECEIVE REVENUE FROM ANY OTHER CORDIA AFFILIATES?**

22 A. Yes. ECH also receives a very small amount of revenue from Cordia's unregulated
23 affiliates at F&M College in Lancaster, PA and at Princeton Health System in Plainsboro,

1 NJ. ECH provides services to those entities through Cordia's shared services company,
2 Cordia Energy Services ("CES"), and receives the payments from CES. The Commission
3 approved the affiliated interest agreement between ECH and CES at Docket No. G-2025-
4 3053576. The revenue amounts from affiliates can be found in ECH witness Keith Li's
5 Supporting Schedule No. 3a.
6

7 **FILED CLAIM LOWER THAN SUPPORTABLE CLAIM**

8 **Q. WHAT IS THE AMOUNT OF THE ANNUAL BASE RATE INCREASE BEING**
9 **CLAIMED BY ECH?**

10 A. Approximately \$894,300. We are requesting an increase of only 11.6%, which is a very
11 modest request after no increases in non-fuel rates for 12 years.
12

13 **Q. DOES THE CLAIMED AMOUNT REPRESENT THE AMOUNT THAT ECH**
14 **COULD SUPPORT?**

15 A. No, it does not. We could support an annual increase of approximately \$1,775,157, which
16 is a 23.3% increase for all customers. The responses to the minimum filing requirements
17 reflect the supportable amount and not the claimed amount.
18

19 **Q. WHY HAS ECH MITIGATED ITS CLAIMED INCREASE?**

20 A. First and foremost, we are very attuned to the fact that, while we are rate-regulated as a
21 public utility, we are in a competitive business. Our customers have options for their
22 heating needs, including natural gas and electric. We talk with our customers on a regular
23 basis, particularly our 17 largest customers who represent 75% of our load. We believe

1 that an 11.6% increase after twelve years is fair and will not lead to a steam price which is
2 no longer competitive to alternatives.

3 Second, we are a very small company. In this regard, we are very similar to small
4 water companies that enjoy abbreviated rate-making processes. We are sensitive to the
5 fact that rate case expense can easily overshadow any increase that we may receive.
6 Accordingly, we have claimed an amount for which we hope to be able to reach a quick
7 settlement.

8
9 **Q. IF YOUR WERE GRANTED RATE RELIEF FOR THE FULL AMOUNT OF**
10 **YOUR CLAIM, WHAT OVERALL RATE OF RETURN WOULD ECH EARN?**

11 A. We estimate that, if we receive full rate relief, we would earn an overall rate of return of
12 3.28%. We recognize that this would be far below what a typical regulated utility could
13 earn in Pennsylvania of around 10%; however, ECH is willing to accept it because of
14 competitive concerns and because the continued viability of ECH steam service is essential
15 to Cordia's overall businesses in Harrisburg. The Harrisburg district energy system is
16 viewed as a whole to include steam service (ECH), chilled water service (Harrisburg
17 Cooling), and co-generation (Energy Center Paxton). These operations also provide other
18 potential business opportunities, such as combined heat and power projects, central utility
19 plant projects and other energy related projects which may be forthcoming throughout
20 central Pennsylvania.

1 **FIXED CAPACITY CHARGE**

2 **Q. IS ECH PROPOSING ANY CHANGE TO HOW IT CHARGES ITS CUSTOMERS?**

3 A. Yes. As more fully explained by ECH witness Keith Li, ECH is proposing to move from
4 a distribution rate that is a combination of a minimum monthly bill and a usage charge to
5 a fixed monthly capacity charge. Mr. Li explains how the fixed monthly capacity charge
6 has been calculated in a fair manner.

7
8 **Q. WHY IS THE MOVE TO A FIXED MONTHLY CAPACITY CHARGE**
9 **IMPORTANT?**

10 A. ECH is not a typical public utility. It has a very small customer base and, as I explained
11 earlier, operates in a very competitive environment. We cannot lose any major customers
12 without jeopardizing our financial viability and our ability to continue to provide safe and
13 reliable service to our customers. We are not like a large utility that is able to spread costs
14 over a large customer base and we do not have the ability to absorb large revenue swings
15 from year to year. The consistency of our annual revenue is imperative.

16 A fixed capacity charge reflects the fact that our small customer base is sharing
17 very limited and defined assets that are being used for the mutual benefit of all customers.
18 Customers are essentially sharing a boiler. Likewise, there is very little difference in the
19 distances that steam is transported through our distribution system to the various customers
20 because they are all located within a one square mile area. Moreover, while consumption
21 is reducing overall, the relative usage levels between customer does not change very much.
22 The usage is predictable based on the cubic square footage of the buildings. As such, the
23 cost of service attributed to each customer is very predictable.

1 The use of a fixed monthly capacity charge will be good for both the Company and
2 its customers. One of the most frequent complaints we get from customers is the wide
3 variations from year to year in steam charges. While we cannot control fuel charges
4 associated with the Steam Cost Rate passthrough (other than to negotiate the best deals that
5 we can for our customers), our proposed fixed monthly capacity charge will provide
6 customers with certainty on the distribution rate which will enable them to budget better.
7 In this regard, I note that many of our customers have also had financial difficulties in
8 recent years because of the economic conditions in the City of Harrisburg and the residual
9 effects of COVID-19 shutdowns.

10 The certainty of distribution rate revenue every year will also help to provide
11 financial stability for ECH. Our revenues would not wildly swing from year to year based
12 on whether there is a warm winter or a cold winter. Our costs of operation largely remain
13 the same regardless of whether it is a warm or cold winter. The plant is run in the same
14 manner and requires the same number of employees to run. For a company of our very
15 small size, consistency of revenue is essential. A fixed monthly capacity charge will help
16 to ensure the financial viability of the Company for the benefit of all of its customers.

17
18 **Q. WILL CUSTOMERS STILL BE ABLE TO SAVE MONEY THROUGH**
19 **CONSERVATION IF A FIXED MONTHLY CAPACITY CHARGE IS ADOPTED**
20 **FOR DISTRIBUTION SERVICE?**

21 **A.** Yes. Customers will still be able to conserve and reduce their charges because the Steam
22 Cost Rate is a dollar-for-dollar pass through of the Company's fuel costs. The Steam Cost
23 Rate would still be charged on a usage basis measured in Mlbs. of steam. On the total bill

1 of an average customer during the winter of 2024-25, the Steam Cost Rate represented
2 about 34% of the bill and distribution charges represented only about 64% of the bill.

3

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

5 A. Yes, it does. I reserve the right to supplement my testimony as additional issues arise
6 during the course of this proceeding. Thank you.

VERIFICATION

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

Date: July 18, 2025

Mark Schneider

PRINTED NAME Mark Schneider
TITLE Vice President
COMPANY Energy Center Harrisburg LLC

Energy Center Harrisburg LLC

Exhibit No. MS-1

**Steam Generation Plant
(Photographs)**

Exhibit No. MS-1



Burner Front



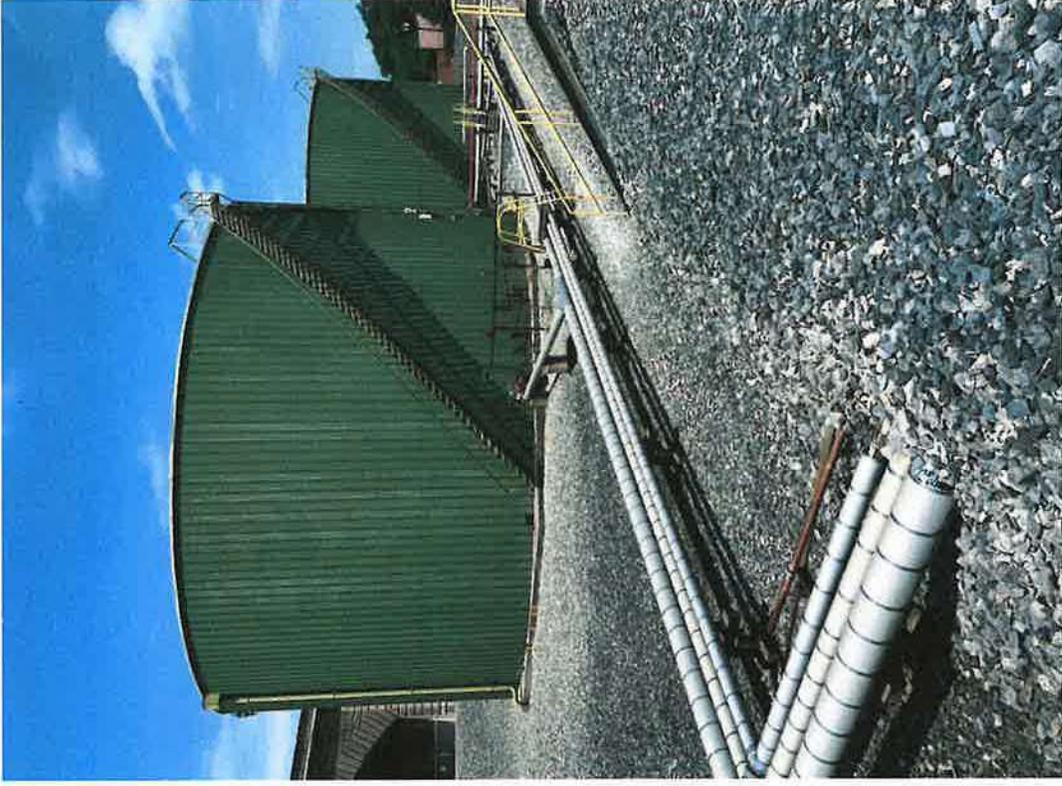
Boiler Control Room



HBG Site (8)



Boiler Exterior West View



(1) Tank Farm



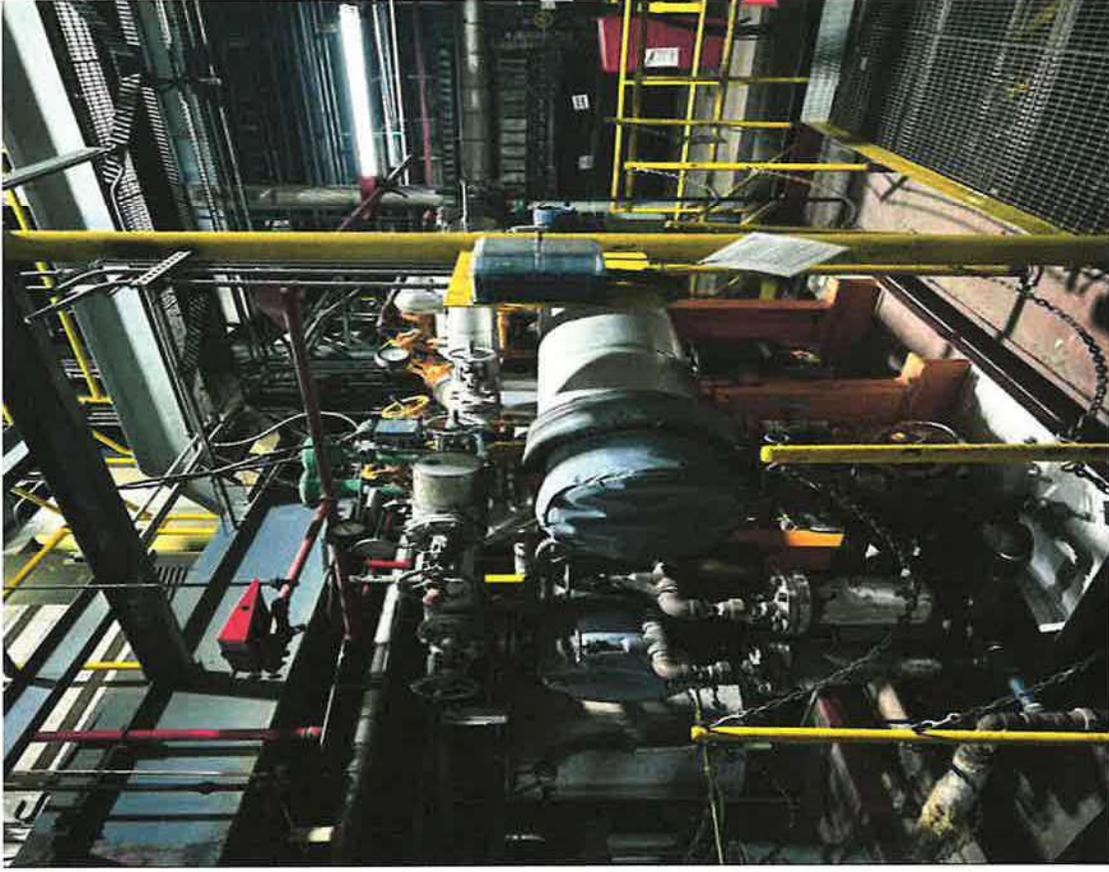
Water Softeners



Dearator



16 and 20 Inch Main



#6 Oil Heater Set



#2A, B & C Boiler Feed Pumps

CONFIDENTIAL

Energy Center Harrisburg LLC

Exhibit No. MS-2

CONFIDENTIAL

Energy Center Harrisburg LLC

Exhibit No. MS-3

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,

Complainant

v.

Energy Center Harrisburg LLC,

Respondent

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Docket No. R-2025-3055959

**PREPARED DIRECT TESTIMONY OF
KEITH L. LI, CONSULTANT
ENERGY CENTER HARRISBURG LLC**

Filed: July 18, 2025

Admitted: _____

ECH Statement No. 2

**PREPARED DIRECT TESTIMONY
OF KEITH L. LI**

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

2 A. My name is Keith L. Li. I am a Consultant for Energy Center Harrisburg LLC (“ECH” or
3 “Company”). The Company is a certificated public utility providing steam service in a one
4 square mile area of the City of Harrisburg, Dauphin County, Pennsylvania. It serves
5 approximately 100 downtown customer accounts. The Company is located at 900 Walnut
6 Street, Harrisburg PA 17101. My business address is 2710 Chadsworth Lane, Southport,
7 NC 28461.

8 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL QUALIFICATIONS**

9 A. I graduated from Cornell University with a Bachelor of Science in Mechanical Engineering
10 and a Master of Engineering (Mechanical). I also earned a Master of Business
11 Administration from the Pennsylvania State University.

12 I was an employee of the ECH and its predecessors from 1987, when it transitioned
13 from PPL, until 2017 when I retired from full time employment. At the time of my
14 retirement, ECH was owned by NRG Energy. For most of this 30-year period, I served as
15 the Controller of ECH, and the last three years as the General Manager. I am very familiar
16 with its operations, finances, and challenges and was retained by Cordia to provide rate
17 consulting services for the instant base rate filing.

18

19

1 **Q. WHAT IS YOUR EXPERIENCE IN MATTERS BEFORE THE PENNSYLVANIA**
2 **PUBLIC UTILITY COMMISSION (“PUC” or “COMMISSION”)?**

3 A. Since 1987, I was the primary Company representative in multiple regulatory matters
4 before the PUC. These responsibilities covered the areas of fuel cost reconciliation, rate
5 case support, and special filings.

6 Annually, I prepared the Company Steam Cost Rate (“SCR”) and Section 1307e
7 filings that reconcile fuel over and under collection to establish Rider A tariff rates for the
8 upcoming fuel year. In addition, I provided support to the PUC Bureau of Audits in their
9 review of Company fuel filings.

10 In 2013, I prepared all original exhibits for ECH’s base rate case filing as well as
11 responses to the PUC interrogatories. I served as the Company’s primary rates witness in
12 that proceeding.

13 Noteworthy special projects included the service abandonment program tariff and
14 application proceedings in 2012 where the Company negotiated with customers through
15 the Office of Customer Advocate and the PUC to establish a conversion contribution
16 formula to assist customers in securing a replacement heat source and terminate steam
17 service. The program was necessary to shrink the Company’s distribution system and
18 eliminate uneconomic low-pressure lines on the outskirts of the Company’s service
19 territory.

20 Another example of working with the PUC was representing Energy Center
21 Pittsburgh LLC, another steam public utility subsidiary of Cordia, in developing its Steam
22 Cost Rate and Chilled Water Cost Rate allocation formulae required to calculate steam and
23 chilled water fuel/electric cost recovery.

1 **Q. WHAT IS THE NATURE OF YOUR TESTIMONY IN THIS PROCEEDING?**

2 A. I prepared the revenue, expense, rate base, and rate of return claims by the Company. The
3 supporting exhibits and schedules accompany my direct testimony and are marked as **ECH**
4 **Exhibits KLL-1, KLL-2, and KLL-3**. I worked with ECH staff to gather the necessary
5 information to prepare the filing. ECH is using the Commission’s “short form” rate filing
6 requirements because the total claimed annual revenue increase is below \$1 million.

7 **Q. GENERALLY DESCRIBE THE CONTENTS OF THE EXHIBITS.**

8 A. In order to mitigate rate case expense, the filing has been limited to two basic components.
9 First, I have provided evidence necessary to justify the claimed annual revenue increase.
10 Second, I have presented evidence necessary to support the proposed rate structure which
11 moves from a distribution rate based on a minimum monthly charge plus a monthly usage
12 charge to a fixed monthly capacity charge based on the Equivalent Cubic Footage (“ECF”)
13 of a customer’s building for seasonal customers and the Equivalent Maximum Pounds
14 (“EMP”) for continuous customers. No other changes are being proposed to ECH’s tariff.
15 The various rules and regulations contained in the tariff have been working well. Likewise,
16 the SCR formula is working well and requires no changes. We have attempted to keep this
17 filing very basic in hopes of getting the needed rate relief without protracted litigation and
18 unnecessary rate case expense.

19 **ECH Exhibit KLL-1** is divided into two (2) sections. Section 1 contains general
20 information as to revenues, expenses, and rate base in response to the Commission’s
21 regulations 52 Pa. Code § 53.52. In addition to Historic Test Year (“HTY”) information
22 (for the 12 months ended March 31, 2025), the supporting data also sets forth, based upon
23 known and measurable changes to the operating revenue and expenses, Future Test Year

1 (“FTY”) information (for the 12 months ending March 31, 2026). I used a Fully Projected
2 Future Test Year (“FPFTY”) for the very limited purpose of capturing certain major
3 expenses and capital investments that are anticipated to occur by the end of the FPFTY
4 (April 18, 2027). Given the infrequent nature of ECH’s base rate filings, I wanted to ensure
5 that those items were captured. I did not use the FPFTY to its fullest extent because ECH
6 is already requesting an annual revenue requirement that is far below what it can justify,
7 and disputes over the use of the FPFTY would have the potential of unnecessarily
8 increasing rate case expense.

9 Section 2 contains Supporting Schedules Nos. 1 through 12, which provide further
10 detailed information from which the Company’s various claims, shown in Section 1 were
11 derived. Section 1 has been appropriately cross-referenced to the Supporting Schedules
12 contained in Section 2. It should be noted that Section 2 contains a proof of revenue
13 (Supporting Schedule No. 8) at proposed rates.

14 **ECH Exhibit KLL-2** contains the 2024 ECH Annual Report to the PUC.

15 **ECH Exhibit KLL-3** sets forth the Methodology used to develop customer-by-
16 customer ECFs or EMPs for purposed of calculating the Fixed Monthly Capacity Charge.

17 **Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF THE FPFTY.**

18 A. Counsel advises me that Act 11 of 2012 permits utility companies to use a FPFTY, which
19 is the 12-month period beginning with the first month that the new rates will be placed in
20 effect after the application of the full suspension period permitted under Section 1308(d)
21 of the Public Utility Code. In essence, Act 11 permits utilities to claim expenses that are
22 expected to be incurred during, and facilities that are projected to be in service during, the
23 FPFTY.

1 **Q. WHAT FPFTY WAS USED FOR PURPOSES OF THIS FILING?**

2 A. Our filing was made on July 18, 2025, and the full nine-month suspension period for our
3 filing ends on April 18, 2026. Accordingly, the FPFTY for purposes of this filing ends on
4 April 18, 2027.

5 **Q. PLEASE DESCRIBE ANY MAJOR ADJUSTMENTS OR CLAIMS THAT ARE**
6 **MADE IN THE FILING AS A RESULT OF USE OF THE FPFTY.**

7 A. The Company plans one major maintenance project and several capital investments before
8 the end of the FPFTY. The major maintenance project is inspection and recoating the
9 South Stack with a planned cost of approximately \$320,000. Although there are several
10 planned capital projects, this filing only includes the three over \$75,000; which are a new
11 dump truck (\$75,000), Boiler #13 steam stop valve replacement (\$80,000), and the rebuild
12 of Manhole #378 (\$150,000).

13 Additionally, O&M expenses reflect two years of escalation as a going-level
14 adjustment in determining the FPFTY Net Income.

15 **Q. WHAT METHOD WAS UTILIZED TO DETERMINE THE ACCURACY OF FTY**
16 **OPERATING REVENUE?**

17 A. The primary reason for filing this rate case is declining steam sales. When the Company
18 first began operations in 1987, there were 400 customers and approximately 400,000 Mlbs
19 of annual sales. Today, the customer count is down to 100, and the expected sales level is
20 below 300,000 Mlbs. Furthermore, many customers have invested in energy savings
21 projects resulting in lower annual steam sales.

22 Therefore, I decided to use the average of the past three years (2022, 2023, and
23 2024) for each individual customer. These three years represent a cold year, a warm year,

1 and a normal year. The total sales in Mlbs. for these three years were 315114, 273854, and
2 291516. Averaging the three years by customer and accounting for customer losses
3 resulted in a normalized test year value of 281,945 Mlbs. Refer to **ECH Exhibit KLL-1**,
4 Supporting Schedule No. 2 on pages 2-6 to 2-8.

5 **Q. WERE THERE ANY “PER BOOK” ADJUSTMENTS MADE TO THE**
6 **OPERATING REVENUE?**

7 A. No.

8 **Q. ARE THERE ANY GOING-LEVEL ADJUSTMENTS AT PRESENT RATES**
9 **THAT WERE MADE TO THE OPERATING REVENUES?**

10 A. Yes.

11 **Q. WHAT WAS THE NATURE OF THE GOING-LEVEL ADJUSTMENTS AT**
12 **PRESENT RATES TO THE OPERATING REVENUES?**

13 A. Going-Level Adjustment No.1 was made to remove the revenues associated with the SCR
14 rate components. The SCR is the passthrough rate mechanism for variable costs (namely
15 fuel) and is a separate charge from distribution rates. It is reconciled on an annual basis
16 and subject to Commission review. Going-Level Adjustment No. 2 reflects changes related
17 to weather normalization. Going-Level Adjustment No. 3 is related to projected loss in
18 revenues associated with customers that terminated service during the year ended on March
19 31, 2025 (*i.e.*, the HTY). Going-Level Adjustment No. 4 is related to projected loss of
20 revenue associated with customers that are projected to terminate service during the year
21 ending March 31, 2026 (*i.e.*, the FTY). Going-Level Adjustment No. 5 is related to
22 intercompany revenue for work performed on behalf of affiliates (Energy Center Paxton

1 LLC and Harrisburg Cooling LLC). As explained by ECH witness Mark Schneider, the
2 basis for this monthly charge decreased significantly over the years because two senior
3 employees who retired were never replaced, and yet the affiliates continued to reimburse
4 ECH for their services. Refer to calculations presented in **ECH Exhibit KLL-1**,
5 Supporting Schedule 3a on page 2-10.

6 **Q. ARE THERE OTHER NON-OPERATING REVENUES THAT ARE NOT**
7 **INCLUDED IN THE FILED SCHEDULES?**

8 A. Yes. There are two other sources of revenue related to unregulated activities that are not
9 included in the filed schedules. First, Company mechanics perform occasional service
10 work for customer building steam systems. This is a relatively small activity that
11 contributes about \$25,000 to \$50,000 per year in Net Income. Second, the Company bills
12 the Commonwealth of Pennsylvania approximately \$90,000 per year for a condensate
13 collection system investment that is not included in the revenue calculations.

14 **Q. WHAT IS THE PROPOSED INCREASE IN ANNUAL OPERATING REVENUES?**

15 A. The Company has proposed an annual increase of \$894,300 in the going-level revenue
16 (\$4,974,109) at present rates.

17 **Q WAS THIS PROPOSED INCREASE DETERMINED BY REVENUE**
18 **REQUIREMENTS FOR SUPPORTED OPERATING EXPENSES AND A**
19 **REASONABLE RATE OF RETURN ON RATE BASE?**

20 A No. The actual supportable annual revenue increase is \$1,775,157, but as explained in the
21 testimony of ECH witness Mark Schneider, market forces require the Company to keep
22 steam rates as competitive as possible, which is why a lower increase is claimed. Put

1 simply, increasing rates too high could drive customers to competitive alternatives and that
2 result would be detrimental not only to the Company but also to the remaining customers.

3 It should be noted that all of the exhibits presented in my testimony include the
4 “supportable” increase as opposed to the “claimed” increase. The Company’s non-fuel
5 operating income at supportable rates is only \$1,343,123.

6 **Q. PLEASE EXPLAIN THE COMPANY’S CLAIM FOR OPERATING EXPENSES.**

7 A. I analyzed the historical level of operating expenses for the twelve months ended March
8 31, 2025 (*i.e.*, the HTY). No per book adjustments to the operating expenses were required
9 as a result of this analysis.

10 The per book operating expenses of \$7,837,836 (page 1-14) were subsequently
11 adjusted for known and measurable changes. The adjustments are set forth by operating
12 account in Section 1 of **ECH Exhibit KLL-1**, page 14, in the columns headed “Going-
13 Level Adjustments.” Further detail as to each FPFTY adjustment is shown, by reference
14 number, on pages 1-15 and 1-16, and on the noted Supporting Schedules. The *pro forma*
15 operating going-level expense is \$4,970,825, which is \$2,867,010 lower than the book level
16 expenses.

17 **Q. PLEASE EXPLAIN THE GOING-LEVEL ADJUSTMENTS SHOWN ON PAGE 1-
18 14 OF ECH EXHIBIT KLL-1.**

19 A. There are nine going-level adjustments that produce a net decrease in operating expenses
20 of \$2,867,010 compared to the “Per Book” level of expense at March 31, 2025:

21 Adjustment No. 1 decreases operating expenses by \$3,280,771 to reflect removal of the
22 expenses related to the SCR.

1 Adjustment No. 2 increases operating expenses by \$152,349 to reflect two years of 2.5%
2 escalation which is expected through the FPFTY.

3 Adjustment No. 3 increases operating expenses by \$30,964 to average normal maintenance
4 and administrative items. Refer to **ECH Exhibit KLL-1**, Section 2, Schedule No.11, page
5 2-30 for detailed support.

6 Adjustment No. 4 decreases operating expenses by \$63,000 to reflect lower contractor
7 expenses.

8 Adjustment No. 5 decreases operating expenses by \$287,813 to reflect the five-year
9 amortization of the planned \$320,000 project compared to the actual per book major
10 maintenance charge of \$351,813.

11 Adjustment No. 6 increases operating expenses by \$12,000 to reflect a monthly charge of
12 \$1,000 for bad debt.

13 Adjustment No. 7 increases operating expenses by \$8,408 to reflect two years escalation
14 at 2.5% per year for insurance costs.

15 Adjustment No. 8 increases operating expenses by \$350,817 to reflect projected parent
16 company affiliated charges. These charges are explained in the direct testimony of ECH
17 witness Mark Schneider.

18 Adjustment No. 9 increases operating expenses by \$50,000, which is the five-year
19 amortization of anticipated rate case expense.

20

1 **Q. WHAT IS THE COMPANY'S CLAIMED ANNUAL DEPRECIATION EXPENSE?**

2 A. The Company's claimed annual depreciation expense is \$370,220 associated with utility
3 plant in service as of March 31, 2025. Details of the annual depreciation expense
4 calculations are contained in **ECH Exhibit KLL-1**, Supporting Schedule No.4. on page 2-
5 11.

6 **Q. DOES ECH EXHIBIT KLL-1 CONTAIN AN INCOME STATEMENT**
7 **SUMMARIZING THE COMPANY'S CLAIMS FOR REVENUES, EXPENSES,**
8 **ANNUAL DEPRECIATION, AND NET INCOME?**

9 A. Yes, that information is provided on page 1-13 of **ECH Exhibit KLL-1**. As shown, the
10 Company's supportable rates would produce total *pro forma* non-fuel revenue of
11 \$6,749,266. Supportable operating and maintenance expenses and annual accrual for
12 depreciation \$4,970,825 and \$369,736, respectively. Various taxes and assessments
13 amount to \$65,582. Net operating income, under supportable rates, is \$1,343,123.

14 **Q. WHAT IS THE COMPANY'S RATE BASE CLAIM IN THIS PROCEEDING?**

15 A. As shown in detail on page 1-17 of **ECH Exhibit KLL-1**, the Company's rate base as of
16 March 31, 2025 is \$14,215,191.

17 **Q. WHAT ARE THE ELEMENTS OF THE COMPANY'S BASE RATE CLAIM?**

18 A. Rate base consists of several elements. The first and largest element is the depreciated
19 original cost of plant in service. To this amount are added its claims for cash working
20 capital and materials and supplies requirements.

21

1 **Q. PLEASE EXPLAIN HOW THE DEPRECIATED ORIGINAL COST OF PLANT IN**
2 **SERVICE AT MARCH 31, 2025 WAS DETERMINED.**

3 A. The Company's depreciated original cost of plant is total plant in service less the accrued
4 depreciation at March 31, 2025. The original cost of plant in service and the accrued
5 depreciation, shown by detailed plant account are set forth in Supporting Schedule No.4 of
6 **ECH Exhibit KLL-1, Section 2.**

7 **Q. PLEASE EXPLAIN HOW THE COMPANY'S ACCRUED DEPRECIATION AT**
8 **MARCH 31, 2025 WAS DEVELOPED.**

9 A. The Company's book depreciation reserve as of March 31, 2025 is \$13,043,635. This
10 shows that 52% of the plant in service is depreciated. The methodology established in the
11 2013 Rate Case Filing was used to develop current year values. Refer to **ECH Exhibit**
12 **KLL-1, Supporting Schedule No.4** for details of the accrued depreciation.

13 **Q. EXPLAIN THE COMPANY'S CLAIM FOR CASH WORKING CAPITAL.**

14 A. The cash working capital claim is based on an assumed net lag (*i.e.*, revenue lag less
15 expense lag) of one-eighth (1/8) of operating and maintenance expenses. The one-eighth
16 (1/8) of expense method has been approved by the Commission numerous times as a
17 reasonable, cost effective approach to calculating cash working capital. The Company's
18 *pro forma* claim at March 31, 2025 is \$910,352.

19 **Q. EXPLAIN THE ADDITION TO RATE BASE FOR MATERIALS AND SUPPLIES**

20 A. The Company's claim of \$1,333,473 is based on the most recent thirteen (13) month
21 average balance for materials and supplies. Refer to Supporting Schedule No. 9 of **ECH**
22 **Exhibit KLL-1, Section 2.**

1 **Q. WHAT IS THE COMPANY'S SUPPORTABLE RATE OF RETURN?**

2 A. The supportable revenue increase produces a Net Income of \$1,343,123 which is a 9.45%
3 return on the \$14,215,191 Total Measure of Value shown on Page 17 of **ECH Exhibit**
4 **KLL-1**.

5 Supporting Schedule No.10 on page 2-10 is the Commission's Quarterly Earnings
6 Report dated May 8, 2025 at Docket No. M-2025-3054401. In the report, the fair Return
7 on Equity ("ROE") for water companies is determined to be 9.75% for distribution system
8 improvement system charges. Thus, a claimed ROE of 9.45% should be presumed to be
9 reasonable.

10 Moreover, it would not have been prudent for ECH to incur the costs of preparing
11 a ROE study for this proceeding where ECH is claiming a mitigated annual revenue
12 increase that is well below the annual revenue increase that can be justified using a 9.45%
13 ROE. The effective ROE for ECII's annual revenue increase claim of \$894,300 is only
14 3.28%.

15 **Q. DOES THE COMPANY PROPOSE ANY CHANGES TO THE RATE**
16 **STRUCTURE?**

17 A. Yes. The Company proposes to change the minimum bill and per Mlb. usage charge to a
18 fixed monthly capacity charge based on the customer's ECF (seasonal customers) or EMP
19 (continuous customers). Each individual customer's ECF or EMP will be back calculated
20 to match exactly the per Mlb. increase that would have been charged under the existing
21 rate structure to allow the Company to recover its allowed revenue requirement in this case.

22 As also explained in the direct testimony of ECH witness Mark Schneider, the
23 reason for proposing this change is to lock in fixed revenues so that non-fuel revenue does

1 not fluctuate with weather and customer conservation efforts. Most of the non-fuel expense
2 (primarily labor) does not vary with weather or sales volumes, so it is reasonable to set
3 non-fuel revenues accordingly. The change in rate structure also provides greater rate
4 certainty for customers.

5 The SCR or fuel revenue will continue to be a variable component subject to
6 weather and customer conservation investments. This is consistent with a customer that
7 invests in an in-house boiler. The capital cost of the boiler is not subject to weather, but
8 the fuel consumption is.

9 **Q. PLEASE EXPLAIN HOW YOU DETERMINED THE ECF, THE EMP AND FIXED**
10 **MONTHLY CAPACITY CHARGE FORMULA, AS SHOWN IN THE PROPOSED**
11 **TARIFF SUPPLEMENT.**

12 A. The existing tariff contains a Minimum Bill component, which was modified to represent
13 a Fixed Monthly Capacity Charge. Refer to **ECH Exhibit KLL-3** for the Methodology
14 used to develop customer-by-customer ECFs or EMPs.

15 **Q. WILL THE PROPOSED RATE STRUCTURE RESULT IN SIGNIFICANT**
16 **VARIANCES TO THE AMOUNTS THAT CUSTOMERS HAVE HISTORICALLY**
17 **PAID FOR STEAM DISTRIBUTION SERVICE UNDER THE EXISTING**
18 **CONSUMPTION-BASED RATES?**

19 A. No. In fact, under the Fixed Capacity Rate, there will be less variance because the steam
20 charges will not be subject to weather fluctuations. For example, during polar vortex
21 months, customers with the existing Mlb. rate receive very high bills due to higher fuel
22 costs compounded with higher non-fuel costs.

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY AT THIS TIME?**

2 A. Yes, it does. I reserve the right to supplement my testimony as additional issues arise on

3 this proceeding. Thank you.

VERIFICATION

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

Date: JULY 18, 2025

KEITH LI, CONSULTANT
PRINTED NAME
TITLE
COMPANY

Energy Center Harrisburg LLC

EXHIBIT NO. KLL-1

**Answer to 52 Pa. Code § 53.52(b)(1)
Statement of Reasons for Rate Increase**

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

Energy Center Harrisburg, LLC ("ECH" or "Company") is filing Supplement No. 66 to Tariff Steam – PA PUC No. 4 on July 18, 2025 with a requested effective date of September 16, 2025 for the purpose of increasing revenues by \$894,300 per annum based upon future test year operations ended March 31, 2026. Although the claimed revenue increase is \$894,300, this filing presents documentation that supports an annual increase of \$1,775,157.

For the twelve months ended March 31, 2025 (the "Historic Test Year") and March 31, 2026, (the "Future Test Year") in this filing, utility operations produced net operating losses as follows:

<u>Operations</u>	<u>Net Operating Gain</u>	<u>Reference</u>
Per books (3/31/25)	\$676,155	Section 1, Page1-13
Per books (3/31/26) (Going Level at Present Rates)	(\$427,294)	Section 1, Page 1-13

The current rate filing is necessary to realize a reasonable rate of return on the Company's fixed capital investment and to recover increased operating expenses. Numerous factors were given consideration in establishing the proposed increase, which are categorized and set forth in the following narrative.

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

Operating Revenues

The operating revenues per books for the year ended March 31, 2025 amounted to \$9,015,851 based on 102 customers. The projected customer count by classification for the year ended 3/31/2026 is as follows:

<u>Classification</u>	<u>Count</u>
Seasonal	68
Continuous	22
Contract	11
Total Customers	101

Several adjustments were required to reflect the proper level of annual revenue projected for the Future Test Year. Specific adjustments include removal of the Steam Cost Rate ("SCR") Revenues, weather normalization of revenue, terminated customers, and reimbursements from affiliated companies.

A major adjustment is required for the affiliated company reimbursement. Over the past decade, the Company has reorganized its local management staff by eliminating the general manager and controller positions. However, the affiliated interest payments continued to collect intercompany revenues to cover these positions. A new staff allocation review was performed and the annual reimbursement is being reduced by \$379,440, subject to Commission affiliated interest approval.

These adjustments result in an overall decrease of \$4,041,742 in operating revenue producing a going-level operating revenue at present rates of \$4,974,109.

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

Operating Expenses

An extensive review of the Company's current and projected operating expenses was performed. For the twelve months ended March 31, 2025 and March 31, 2026, pro forma utility operations produced operating expense levels as follows:

<u>Operating Expenses</u>	<u>Amount</u>	<u>Reference</u>
Per books (3/31/2025)	\$7,837,836	Section 1, Page 1-14
Per books (3/31/2026)	\$4,970,825	Section 1, Page 1-14
(Going level at present rates)		

The Company has projected operating costs as reflected in the going-level adjustments contained in response to 52 Pa. Code § 53.52(c)(1), Sheets No. 1b and 1c.

Original Cost – Plant in Service

The original cost of the plant in service at March 31, 2025 was obtained through Pa. P.U.C. Annual Reports and Company records. The total plant in service per books at March 31, 2025 is \$25,080,221.

The original cost of the utility plant in service at March 31, 2026 will be \$25,385,221 as contained in response to 52 Pa. Code § 53.52(c)(3) by fixed capital account.

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

Accrued Depreciation

The calculations of annual and accrued depreciation in this report are based upon the Straight Line/Average Service Life Method and applied to the original costs at March 31, 2026. The accrued depreciation at March 31, 2026 amounts to \$13,413,855.

Annual Depreciation Expense

The annual depreciation expense of \$370,220 shown on Supporting Schedule No. 4 is based upon the projected depreciable original cost base at March 31, 2026. The book annual depreciation expense as of March 31, 2025 amounted to \$338,962.

Measures of Value

Three elements of rate base were utilized to determine a fair measure of value of the Company for the purpose of base rate revenue as follows:

- I. Depreciated Original Cost
- II. Cash Working Capital
- III. Materials and Supplies

I. **Depreciated Original Cost**

The depreciated original cost at March 31, 2026 was determined by deducting calculated accrued depreciation from the original adjusted cost of the plant in service at March 31, 2026 as follows:

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

	<u>Original Cost</u>	<u>Reference</u>
Utility Plant in Service	\$25,385,221	Response to 52 Pa. Code § 53.52(c)3
Accrued Depreciation	\$13,413,854	Supporting Schedule No. 4
Depreciated Orig Cost	\$11,971,367	

II. Cash Working Capital

The amount included in the measure of value for cash working capital was based upon one-eighth (1/8) of pro forma operating and maintenance expenses and amounts to \$910,352.

III. Materials and Supplies

The Company has materials and supplies inventoried for normal operations. The Company has claimed \$1,333,473 for materials and supplies. This level was based on a thirteen (13) month average.

A detailed compilation of the total measures of value and rates of return at March 31, 2026 is contained in response to 52 Pa. Code § 53.52(c)(1) – Sheet No. 2.

Rate of Return

Supporting Schedule No. 10 is a copy of the Commission's Quarterly Earnings Report adopted at the May 8, 2025 Public Meeting at Docket No. M-2025-3054401. In this report, the water company ROE for Distribution System Improvement Charge ("DSIC") purposes is 9.75%.

Energy Center Harrisburg LLC

Statement of Reasons for Rate Increase
Answer to 52 Pa. Code § 53.52(b)(1)

General Comments

The supportable level of annual non-fuel operating revenues of \$6,749,266 will allow the Company to recover the increased operating cost of the Company and will also provide a fair rate of return of \$1,295,504, which is 9.11% and below the 9.75% level stipulated in Supporting Schedule No.10. However, the Company recognizes that customers have alternative sources of heating, so a smaller claimed increase is requested that will generate annual non-fuel operating revenues of \$894,300, producing an effective return on equity of only 3.28%.

Energy Center Harrisburg LLC

Answer to 52 Pa. Code § 53.52(b)(2)

Operating Revenues

Operating Revenue for the Twelve Months Ended
 March 31, 2025 and March 31, 2026 Under Present Rates
 Answer to 52 Pa. Code § 53.52 b(2) - Sheet 1a

Operating Revenues	Year Ended 3/31/2025 (per books)	Year Ended 3/31/2026 (present rates)
<u>Steam Service</u>		
Seasonal	547,175	271,246
Continuous	6,798,206	3,472,697
Special Contract	1,061,287	569,662
	-----	-----
Subtotal	8,406,668	4,313,605 (1)
Unbilled Revenue	(430,761)	0
	-----	-----
Total Steam Service	7,975,907	4,313,605
Penalties	0	0
Other Operating Revenue	1,039,944	660,504
	-----	-----
Total Operating Revenue	9,015,851	4,974,109

Note:

(1) Normalized revenue excluding SCR Components

Energy Center Harrisburg LLC

Answer to 52 Pa. Code § 53.52(b)(3)

**Number of Customers Served at
March 31, 2025 and
March 31, 2026**

Number of Customers Served at
March 31, 2025 and March 31, 2026
Answers to 52 Pa. Code § 53.52b(3)

<u>Customer Classification</u>	<u>3/31/25</u>	<u>3/31/26</u>
Seasonal	69	68
Continuous	22	22
Special Contract	11	11
Total Customers	102	101

Energy Center Harrisburg LLC

Answer to 52 Pa. Code § 53.52(b)(4)

Statement of Operating Revenues Under Existing Rates

Statement of Operating Revenues under Existing Rates for the Twelve (12) months
 Ended March 31, 2025 and March 31, 2026, and Under Supportable Rates
 Answer to 52 Pa. Code § 53.52b(4) - Sheet 1a

Operating Revenues	Sched No.	Year Ended 3/31/2025 (per books)	Anticipated Revenue at Present Rates		Anticipated Revenue at Supportable Rates	
			Year Ended 3/31/2026 Adjustments	Amount	Year Ended 3/31/2026 Adjustments	Amount
Steam Service						
Seasonal	b(2)	547,175	(275,928)	271,246	132,998	404,244
Continuous	b(2)	6,798,206	(3,325,510)	3,472,697	1,642,159	5,114,856
Special Contract	b(2)	1,061,287	(491,625)	569,662	0	569,662
Subtotal		8,406,668	(4,093,063)	4,313,605	1,775,157	6,088,762
Unbilled Revenue	b(2)	(430,761)	430,761	0	0	0
Total Steam Service		7,975,907	(3,662,302)	4,313,605	1,775,157	6,088,762
Penalties	b(2)	0	0	0	0	0
Other Operating Revenue	b(2)	1,039,944	(379,440)	660,504	0	660,504
Total Operating Revenue		9,015,851	(4,041,742)	4,974,109	1,775,157	6,749,266
Going-Level Adjustment						
1) Adjustment to reflect removal of SCR revenues						
Seasonal		(227,033)				
Continuous		(2,942,171)				
Special Contract		(475,865)				
Going Level Adjustment			(3,645,068)			
Refer to Supporting Schedule No.1						
2) Adjustment to reflect normalized usage levels						
Seasonal		(43,224)				
Continuous		(352,248)				
Special Contract		(15,761)				
Going Level Adjustment			(411,233)			
Refer to Supporting Schedule No.1						
3) Adjustment to reflect customer EOY 3/31/2025						
Seasonal		(3,903)				
Continuous		(31,091)				
Going Level Adjustment			(34,995)			
Refer to (b)(4) Sheet No.1b						
4) Adjustment to reflect customer EOY 3/31/2026						
Seasonal		(1,767)				
Going Level Adjustment			(1,767)			
Refer to (b)(4) Sheet No.1c						
5) Adjustment to reflect change in Affiliated Interest Pmts						
Intercompany charges		(379,440)				
Going Level Adjustment			(379,440)			
Refer to Supporting Schedule 3a						

Summary of Customers Lost During the Year Ended March 31, 2025
 Answer to 52 Pa. Code § 53.52b(4) - Sheet 1b

CUSTOMER TYPE	Actual Use			Normalized Use		
	Total Bill	SCR Amt	Net Bill	Total Bill	SCR Amt	Net Bill
<u>Seasonal Customers</u>						
APSCUF Inc. (svc 091)	587.61	1.13	586.48	587.61	1.13	586.48
Darlene Jackson (svc 347)	180.44	88.21	92.23	180.44	88.21	92.23
Darlene Jackson (svc 380)	77.21	0.00	77.21	77.21	0.00	77.21
UPMC Hburg Hosp Lab (svc 477)	6,274.40	3,127.08	3,147.32	6,274.40	3,127.08	3,147.32
Total Seasonal Customers Lost	7,119.66	3,216.42	3,903.24	7,119.66	3,216.42	3,903.24
<u>Continuous Customers</u>						
Federal Bldg (svc 015)	52,738.50	21,647.19	31,091.31	52,738.50	21,647.19	31,091.31
Total Continuous Customers Lost	52,738.50	21,647.19	31,091.31	52,738.50	21,647.19	31,091.31
<u>Contract Customers</u>						
NONE						
Total Customers Lost EOY Mar 31, 2025	59,858.16	24,863.61	34,994.55	59,858.16	24,863.61	34,994.55

Summary of Customers Lost During the Year Ended March 31, 2026
 Answer to 52 Pa. Code § 53.52b(4) - Sheet 1c

CUSTOMER TYPE	Actual Use			Normalized Use		
	Total Bill	SCR Amt	Net Bill	Total Bill	SCR Amt	Net Bill
<u>Seasonal Customers</u>						
Pine St Bldg Ptnership (svc 084)	2,661.83	894.50	1,767.33	2,661.83	894.50	1,767.33
Total Seasonal Customers Lost	2,661.83	894.50	1,767.33	2,661.83	894.50	1,767.33
<u>Continuous Customers</u>						
NONE						
<u>Contract Customers</u>						
NONE						
Total Customers Lost EOY Mar 31, 2026	2,661.83	894.50	1,767.33	2,661.83	894.50	1,767.33

Energy Center Harrisburg LLC

**Answer to 52 Pa. Code § 53.52(b)(5) &
b(6)**

**Calculation of Number of
Customers Served at March 31,
2025 Whose Bills will be
Decreased Under the Claimed
Tariff**

**Calculation of Number of Customers Served at March 31, 2025
Whose Bills will be Decreased Under the Claimed Tariff
Answer to 52 Pa. Code §§ 53.52b(5) & b(6)**

Proposed Supplement No. 66 to Steam PA PUC No. 4 will not decrease rates by any classification of service. No customers will have decreased bills for similar service or use under the claimed rates.

Energy Center Harrisburg LLC

Answers to 52 Pa. Code § 53.52(c)

Statement of Net Operating Revenue under Existing Rates for the Twelve months
 Ended March 31, 2025 and March 31, 2026, and Under Supportable Rates
 Answer to 52 Pa. Code § 53.52c(1) Sheet 1a

Account Description	Sched. No.	Year Ended 3/31/2025 (per books)	Anticipated Revenue At Present Rates		Anticipated Revenue At Supportable Rates	
			Year Ended 3/31/2026 Adjustment	Amount	Year Ended 3/31/2026 Adjustment	Amount
Operating Revenues	b(4)-1a	\$9,015,851	(\$4,041,742)	\$4,974,109	\$1,775,157	\$6,749,266
Operating Revenue Deductions						
Operating Expenses	c(1)-1b	\$7,837,836	(\$2,867,010)	\$4,970,825		\$4,970,825
Depreciation	Sup Sch 4	\$338,962	\$30,774	\$369,736		\$369,736
Acq Adj (book vs OC depr)		\$102,056	(\$102,056)	\$0		
Income Taxes						
Federal						
State						
Regulatory Assessments	Sup Sch No.6&7	\$23,014		\$23,014		\$27,754
PURTA		\$29,202		\$29,202		\$29,202
Franchise Tax		\$0		\$0		\$0
Property Taxes		\$8,069		\$8,069		\$8,069
Sales & Use Tax		\$557		\$557		\$557
Mercantile Tax		\$0		\$0		\$0
Total Operating Revenue Deductions		\$8,339,696		\$5,401,403		\$5,406,143
Net Operating Revenues		\$676,155		(\$427,294)		\$1,343,123

Statement of Operating Expenses for the Twelve Months
 Ended March 31, 2025 and March 31, 2026
 Answer to 52 Pa. Code § 53.52c(1) Sheet 1b

Account Description	Year Ended 3/31/2025 (per books)	Going Level Adjustment No.	Amount	Future Test Year Ended 3/31/2026
<u>SCR Expenses</u>				
Fuel Oil	\$333,299	1	(\$333,299)	0
Natural Gas	\$2,489,565	1	(\$2,489,565)	0
Water/Sewer	\$457,908	1	(\$457,908)	0
Total SCR	\$3,280,771		(\$3,280,771)	0
<u>O&M Expenses</u>				
Payroll & Benefits	\$3,046,989	2	\$152,349	\$3,199,338
Contract Employees	\$200,985	4	(\$63,000)	\$137,985
M&S - Land and Bldgs	\$75,739	3	(\$42,177)	\$33,562
M&S - BOP	\$17,348	3	\$130,030	\$147,378
M&S - Boiler	\$926	3	\$58,075	\$59,001
M&S - Facilities	\$34,159	3	(\$5,120)	\$29,039
M&S - Rolling Stock	\$0	3	\$0	\$0
M&S - Steamlines	\$44,602	3	(\$491)	\$44,110
M&S - Conversions	\$0		\$0	\$0
M&S - Vehicles	\$22,911	3	\$1,463	\$24,374
M&S - Consumables	\$112,508	3	(\$21,301)	\$91,208
M&S - Chemicals	\$51,808	3	(\$9,428)	\$42,380
Major Maintenance	\$351,813	5	(\$287,813)	\$64,000
Permits and Fees	\$26,113	3	\$2,148	\$28,260
Hazardous Materials	\$0	3	\$0	\$0
Safety and Protection	\$23,102	3	(\$6,396)	\$16,706
Other Maintenance	(\$198)	3	\$102,383	\$102,185
Utilities - Elec and Wtr	\$78,515		\$0	\$78,515
Rent	\$0		\$0	\$0
Total O&M Expense	\$4,087,319		\$10,722	\$4,098,041
<u>Gen & Adm Expenses</u>				
Employee	\$8,546	3	\$707	\$9,253
Legal/Consulting	\$88,315			\$88,315
Travel & Meals	\$16,220	3	\$586	\$16,807
Office	\$28,416	3	\$7,048	\$35,464
Insurance	\$168,164	7	\$4,204	\$172,368
Other Admin	\$152,123	3	(\$21,282)	\$130,841
Charity	\$0	3	\$0	\$0
Advertising	\$7,962	3	(\$1,042)	\$6,921
Bad Debt	\$0	6	\$12,000	\$12,000
Corp Alloc	\$0	8	\$350,817	\$350,817
Rate Case Amort	\$0	9	\$50,000	\$50,000
Total G&A	\$469,745		\$403,039	\$872,784
TOTAL EXPENSES	\$7,837,836		(\$2,867,010)	\$4,970,825

Answer to 52. Pa. Code § 53.52c(1) Sheet 1c

Going-Level Adjustments

- (1) Adjustment required to remove Steam Cost Rate expenses. The associated revenue has been previously removed

Fuel Oil	(\$333,299)	
Natural Gas	(\$2,489,565)	
Water/Sewer	(\$457,908)	

Going-level adjustment		(\$3,280,771)
		=====

- (2) Actual payroll for EOY 3/25 reflects full employment. Pro forma payroll increased by two years of escalation at 2.5% per year.

Payroll & Benefits (per books)	(\$3,046,989)	
Payroll & Benefits (EOY 3/25)	\$3,199,338	

Going-level adjustment		\$152,349
		=====

- (3) Operations, maintenance, and general expenses were estimated based on taking a three-year average (EOY March - 2025,2024,2023). Refer to supporting schedule No. 11.

O&M and A&G Exp accts (pro forma)	\$821,413	
O&M and A&G Exp accts (per books)	(\$790,448)	

Going-level adjustment		\$30,964
		=====

- (4) Contract employees

O&M and A&G Exp accts (pro forma)	\$137,985	
O&M and A&G Exp accts (per books)	(\$200,985)	

Going-level adjustment		(\$63,000)
		=====

- (5) Major Maintenance - during the fully forecasted year the Company will incur one major maintenance expense that will be amortized over a five year period.

South Stack Inspection and Recoating	\$320,000	
Amortization Period (years)	5	

Major Maintenance (pro forma)	\$64,000	
Major Maintenance (per books)	(\$351,813)	

Going-level adjustment		(\$287,813)
		=====

Answer to 52. Pa. Code § 53.52c(1) Sheet 1c

Going-Level Adjustments

- (6) Allowance for Bad debt is estimated at \$1000 per month

Allowance for bad debt (pro forma)	\$12,000	
Allowance for bad debt (per books)	\$0	
	<u> </u>	\$12,000
		=====

- (7) Pro forma insurance expense reflects two years escalation at 2.5%.

Insurance (pro forma)	\$176,572	
Insurance (per books)	(\$168,164)	
	<u> </u>	\$8,408
Going-level adjustment		=====

- (8) The Company incurs affiliated support from Cordia Corporate. Although this expense has not been directly charged in the annual P&L, if the support were not there, other direct expenses would be incurred.

Affiliated Charges (pro forma)	\$350,817	
Supporting Schedule No.3		
Affiliated Charges (per books)	\$0	
	<u> </u>	\$350,817
Going-level adjustment		=====

- (9) The Company estimates rate filing expenses to be approximately \$250,000, which will be amortized over a 5-year period.

Rate Case Expenses	\$250,000	
Amortization Period (years)	5	
Rate Case Amortization (pro forma)	<u> </u>	\$50,000
		=====

Statement of Calculation of Rate of Return Under Existing Rates
For the Twelve Months Ended March 31, 2026 and Under Supportable Rates
Answer to 52 Pa. Code § 53.52c(1) - Sheet 2

Description	Supporting Sched No.	Original Cost 3/31/2026
Total Utility Plant in Service	4	25,385,221
Less:		
Reserve for Depreciation	4	(13,413,854)
Subtotal		11,971,367
Add:		
Cash Working Capital		910,352 (1)
Material & Supplies	9	1,333,473
Total Measure of Value		14,215,191
<u>Pro Forma Return</u>		
Present:		
Dollars		(476,477)
Percent		-3.35%
Supportable:		
Dollars		1,343,123
Percent	10	9.45%

Notes:

(1) Based on 1/8 of EOY 3/31/2025 operating expenses.

O&M Expense + SCR Costs - Bad Debt = 910352

Assets for Twelve Months Ended
 March 31, 2025 and March 31, 2026
 Answer to 52 Pa. Code § 53.52c(2) - Sheet 1

ASSETS

Account Description	Per Books 3/31/2025	Pro Forma 3/31/2026
<u>Property, Plant & Equipment</u>		
Utility Plant in Service	25,080,221	25,385,221
Accumulated Depreciation	(13,043,635)	(13,413,855)
Acquisition Adjustment	(1,669,008)	(1,668,524)
Construction Work in Progress	549	0
	-----	-----
Total Property Plant & Equipment	10,368,127	10,302,842
<u>Current Assets</u>		
Cash		
Accounts Receivable	1,301,561	1,301,561
Reserve for Bad Debt	0	0
Inventory - Fuel Oil	953,938	953,938
Inventory - Spare Parts	382,852	382,852
Prepayments	18,492	18,492
Other Current Assets	103,217	103,217
	-----	-----
Total Current Assets	2,760,059	2,760,059
Misc Deferred Debits	199,251	199,251
TOTAL ASSETS	13,327,437	13,262,152

Liabilities for Twelve Months Ended
 March 31, 2025 and March 31, 2026 Answer
 to 52 Pa. Code § 53.52c(2) - Sheet 1

LIABILITIES

Account Description	Per Books 3/31/2025	Pro Forma 3/31/2026
<u>Equity</u>		
Common Stock	1,000	1,000
Retained Earnings	10,654,252	10,588,967
	-----	-----
Total Equity	10,655,252	10,589,967
<u>Current & Accrued Liabilities</u>		
Accounts Payable	2,097,262	2,097,262
Accrued Other Taxes	13,189	13,189
Accrued Payroll	343,416	343,416
Deferred Revenue	0	0
Other Current & Accrued Liabilities	218,317	218,317
	-----	-----
Total Current & Accrued Liabilities	2,672,184	2,672,184
TOTAL LIABILITIES	13,327,436	13,262,151

Original Cost of Utility Plant in Service at
 March 31, 2025 and March 31, 2026
 Answer to 52 Pa. Code § 53.52c(3)

Acct	Description	Per Books 3/31/25	Additions	Retirements	Pro Forma 3/31/26
<u>Steam Plant</u>					
200	Organization	264			264
201	Franchises	641			641
206	Production Land	58,568			58,568
210	Production Structures	1,382,047			1,382,047
213	Fuel Storage Structures	422,759			422,759
216	Boiler Plant Equipment	12,700,657	80,000		12,780,657
217	Electrical Equipment	635,481			635,481
225	Steam Mains	8,149,525	150,000		8,299,525
226	Services	814,942			814,942
227	Meters	97,817			97,817
	Total Steam Plant	24,262,701	230,000	0	24,492,701
<u>General Plant</u>					
234	General Office Equipment	230,582			230,582
235	General Garage Equipment	579,518	75,000		654,518
239	General Lab Equipment	7,420			7,420
	Total General Plant	817,520	75,000	0	892,520
	Total Plant in Service	25,080,221	305,000	0	25,385,221

**Reserve for Depreciation of Utility Plant as of
March 31, 2025 and March 31, 2026
Answer to 52 Pa. Code § 53.52c(4)**

Account Title	Per Books 3/31/25	Pro Forma 3/31/26
Reserve for Depreciation	13,043,635	13,413,855

Statement of Operating Income Setting Forth the Operating Revenue
and Expenses at Present Rates by Detail Accounts for Twelve Months

Ended March 31, 2025 and March 31, 2026

Answer to 52 Pa. Code § 53.52c(5) - Sheet 1

	Per Books 3/31/2025	Anticipated at Present Rate 3/31/2026
Operating Revenue	9,094,761	4,974,109
<u>Operating Revenue Deductions</u>		
Operating Expenses	7,837,836	5,020,008
Depreciation Expense	337,630	370,220
Acq Adj change	103,388	
Taxes & Assessments	60,842	60,842
Total Operating Revenue Deductions	8,339,696	5,451,070
Net Operating Income	755,065	(476,961)
<u>Non-Operating Income & Expenses</u>		
Non-operating Revenue	77,697	77,697
Non-Operating Expense	0	0
Total Non-Operating Income	77,697	77,697
Net Income	832,762	(399,264)

**Statement Detailing Major Changes in the Operating or Financial
Condition Occurring Between March 31, 2025 and March 31, 2026**

Answer to 52 Pa. Code § 53.52c(6)

There were no major accounting changes between March 31, 2025 and March 31, 2026 which would affect the operating or financial condition of Energy Center Harrisburg.

Energy Center Harrisburg LLC

Supporting Schedules

Revenue Comparison - All Customers
Present Rates - Actual and Normalized Use

<u>Customer Group</u>	<u>Actual Use</u>			<u>Normalized Use</u>		
	Total Bill	SCR Amt	Net w/o SCR	Total Bill	SCR Amt	Net w/o SCR
Seasonal Customer Totals	547,175	227,033	320,141	487,943	211,026	276,917
Continuous Customer Totals	6,798,206	2,942,171	3,856,036	6,173,877	2,670,089	3,503,788
Special Contract Customer Totals	1,061,287	475,865	585,422	1,020,176	450,514	569,662
Grand Total All Customers	8,406,668	3,645,068	4,761,600	7,681,996	3,331,629	4,350,367
Condensate	78,910					
Overcollected Revenue	(423,685)	to be returned to customer in future months				
Total	8,061,893					
P&L Revenue (per books)	8,054,817					
Difference	7,076					

<u>Going-Level Adjustment No.1</u>	Per Books	Actual Use	<u>Adjustment</u>
	<u>3/31/2025</u>	<u>w/o SCR</u>	
Seasonal	547,175	320,141	(227,033)
Continuous	6,798,206	3,856,036	(2,942,171)
Special Contract	1,061,287	585,422	(475,865)
Totals	8,406,668	4,761,600	(3,645,068)

<u>Going-Level Adjustment No.2</u>	Per Books	Actual Use	<u>Adjustment</u>
	<u>3/31/2025</u>	<u>w/o SCR</u>	
Seasonal	320,141	276,917	(43,224)
Continuous	3,856,036	3,503,788	(352,248)
Special Contract	585,422	569,662	(15,761)
Totals	4,761,600	4,350,367	(411,233)

**Energy Center Harrisburg
Revenue Comparison
Present Rates - Actual and Normalized Use
Continuous Customers**

SVC	Actual Use			Normalized Use		
	Total Bill	SCR Amount	Net Bill	Total Bill	SCR Amount	Net Bill
002	1,540,328	664,816	875,512	1,413,320	611,235	802,085
003	672,200	280,180	392,020	691,795	299,189	392,606
004	1,288,392	560,301	728,090	967,905	418,601	549,304
005	123,663	53,915	69,748	462,896	200,194	262,702
006	420,738	182,052	238,686	411,795	178,094	233,701
007	300,544	131,004	169,540	276,000	119,365	156,635
009	244,595	106,761	137,834	214,816	92,904	121,912
010	122,868	54,635	68,233	117,628	50,872	66,756
014	270,687	116,749	153,937	246,655	106,674	139,981
015	48,888	21,647	27,241	0	0	0
017	98,793	38,659	60,134	91,708	39,662	52,046
018	140,445	61,663	78,782	106,148	45,907	60,241
028	60,385	27,035	33,350	56,553	24,458	32,095
032	66,854	28,648	38,206	68,965	29,826	39,139
036	109,650	48,130	61,520	92,584	40,041	52,543
038	58,319	25,888	32,431	50,663	21,911	28,752
105	67,270	31,062	36,208	75,788	32,777	43,011
109	113,673	57,645	56,027	138,205	59,771	78,434
475	48,209	19,893	28,316	46,224	19,991	26,233
479	180,554	82,203	98,351	174,895	75,639	99,256
480	323,987	140,326	183,661	295,125	127,636	167,489
484	315,485	131,036	184,450	0	0	0
485	181,677	77,921	103,756	174,209	75,342	98,867
Total	6,798,206	2,942,171	3,856,036	6,173,877	2,670,089	3,503,788

**Energy Center Harrisburg
Revenue Comparison
Present Rates - Actual and Normalized Use
Contract Customers**

SVC	Actual Use			Normalized Use		
	Total Bill	SCR Amount	Net Bill	Total Bill	SCR Amount	Net Bill
008	132,687	72,691	59,996	119,910	59,914	59,996
011	141,539	82,816	58,723	131,013	76,290	54,723
016	182,553	61,749	120,803	181,712	60,909	120,803
027	345,809	127,375	218,434	348,310	129,876	218,434
035	165,403	87,541	77,861	168,656	90,795	77,861
041	27,445	13,808	13,637	26,119	13,165	12,954
043	16,638	8,469	8,169	13,004	4,835	8,169
075	11,722	7,420	4,302	9,421	5,119	4,302
457	5,863	2,790	3,073	5,562	2,489	3,073
476	29,936	10,383	19,552	15,427	6,672	8,755
481	1,693	821	872	1,041	450	591
Total	1,061,287	475,865	585,422	1,020,176	450,514	569,662

**Energy Center Harrisburg
Revenue Comparison
Present Rates - Actual and Normalized Use
Seasonal Customers**

	<u>Actual Use</u>			<u>Normalized Use</u>		
021	18,848	7,868	10,980	19,263	8,331	10,932
023	32,576	13,468	19,109	28,441	12,300	16,141
025	18,486	7,676	10,810	18,632	8,058	10,574
034	28,358	12,052	16,306	25,099	10,855	14,244
039	23,016	8,734	14,282	22,961	9,930	13,031
046	13,425	5,807	7,618	12,056	5,214	6,842
050	17,553	7,566	9,988	16,632	7,193	9,439
053	15,443	6,652	8,790	13,124	5,676	7,448
058	7,669	3,131	4,538	11,508	4,977	6,531
061	2,144	0	2,144	0	0	0
063	7,935	3,356	4,579	6,740	2,915	3,825
064	368	0	368	0	0	0
066	17,287	7,167	10,120	18,741	8,105	10,636
067	7,218	2,297	4,922	3,919	1,695	2,224
070	12,622	5,299	7,323	11,508	4,977	6,531
071	3,243	1,276	1,966	4,467	1,932	2,535
072	1,760	520	1,241	1,452	628	824
076	3,085	1,130	1,954	2,467	1,067	1,400
080	9,443	4,002	5,441	8,384	3,626	4,758
083	6,142	2,642	3,500	7,836	3,389	4,447
084	2,507	895	1,613	3,179	1,375	1,804
086	4,072	1,716	2,356	5,015	2,169	2,846
091	554	1	553	0	0	0
094	16,407	7,279	9,128	13,700	5,925	7,775
102	7,924	3,351	4,573	6,056	2,619	3,437
103	7,214	3,112	4,102	5,397	2,334	3,063
104	437	83	353	439	190	249
110	6,319	2,679	3,640	6,303	2,726	3,577
119	2,020	670	1,350	2,275	984	1,291
120	44,084	18,860	25,224	36,716	15,879	20,837
133	6,090	2,616	3,474	4,576	1,979	2,597
134	8,095	3,413	4,682	6,467	2,797	3,670
154	2,519	546	1,973	1,041	450	591
160	1,132	388	744	2,877	1,244	1,633
168	2,669	1,094	1,575	4,055	1,754	2,301
173	5,167	2,161	3,006	4,768	2,062	2,706
176	4,971	1,730	3,241	2,877	1,244	1,633
201	1,213	466	748	1,672	723	949
202	4,366	1,842	2,525	3,836	1,659	2,177
209	2,845	1,199	1,646	1,616	699	917
210	2,796	1,152	1,644	2,849	1,232	1,617
211	8,102	3,364	4,737	8,357	3,614	4,743

**Energy Center Harrisburg
Revenue Comparison
Present Rates - Actual and Normalized Use
Seasonal Customers**

	<u>Actual Use</u>			<u>Normalized Use</u>		
217	2,447	1,029	1,418	2,247	972	1,275
227	400	52	348	0	0	0
231	4,152	1,765	2,387	3,124	1,351	1,773
235	3,862	1,651	2,211	4,301	1,860	2,441
240	4,328	1,878	2,451	4,275	1,849	2,426
248	2,984	1,255	1,730	2,849	1,232	1,617
265	1,590	610	979	1,013	438	575
269	3,236	1,366	1,870	2,987	1,292	1,695
272	1,739	712	1,027	1,644	711	933
286	5,212	2,079	3,133	3,864	1,671	2,193
288	1,750	712	1,038	1,507	652	855
289	2,664	1,106	1,558	3,179	1,375	1,804
291	3,175	1,309	1,866	3,288	1,422	1,866
295	6,912	2,561	4,351	8,576	3,709	4,867
300	18	0	18	1,535	664	871
312	1,895	750	1,144	1,561	675	886
319	21,373	9,236	12,137	19,372	8,378	10,994
325	500	98	402	712	308	404
326	854	286	568	576	249	327
347	184	88	96	0	0	0
380	92	0	92	1,205	521	684
392	1,536	642	894	1,151	498	653
412	603	157	446	657	284	373
419	968	380	588	1,151	498	653
425	1,830	726	1,104	1,561	675	886
432	5,603	2,375	3,228	5,945	2,571	3,374
439	2,222	913	1,310	1,672	723	949
450	17,648	7,643	10,005	15,152	6,553	8,599
465	49,935	22,883	27,052	34,661	14,990	19,671
474	3,064	386	2,678	877	379	498
477	6,274	3,127	3,147	0	0	0
Total	547,175	227,033	320,141	487,943	211,026	276,917

CONFIDENTIAL

Energy Center Harrisburg LLC

Supporting Schedule No. 2

Energy Center Harrisburg LLC

Affiliated Charges

Allocation of Cordia Inc Costs to Cordia Energy Center Harrisburg LLC
Assume the Same Level of Corporate Support as in 2013

	2025	2013
	<u>Estimate</u>	<u>Budget</u>
Thermal Management Group	124,945	124,945
Information Technology	76,673	76,673
Operational management	23,538	23,538
Accounting	21,035	21,035
Executive management	19,969	19,969
Legal	10,243	10,243
Human resources and payroll	9,780	9,780
Communications	9,078	9,078
Administrative services	8,124	8,124
Risk management and credit	8,085	8,085
Regulatory affairs	7,999	7,999
Finance	6,233	6,233
Treasury	5,712	5,712
Business operations	4,829	4,829
Tax	4,796	4,796
Corporate general	4,059	4,059
Environmental	2,973	2,973
Internal audit	2,746	2,746
	-----	-----
Total Cordia Affiliated Charge	350,817	350,817

AFFILIATED INTEREST ALLOCATION

	<u>PCT ALLOCATION</u>				<u>COST / MONTH</u>			
	PXN	HBC	F&M	Princ	PXN	HBC	F&M	Princ
Fiebig	10%	20%	5%	0%	\$1,608	\$3,216	\$804	\$0
Kessler	10%	20%	10%	0%	\$1,392	\$2,784	\$1,392	\$0
Chaposky	10%	15%	0%	10%	\$1,356	\$2,034	\$0	\$1,356
Pritchett	10%	15%	5%	0%	\$840	\$1,260	\$420	\$0
Schmidt	5%	5%	5%	0%	\$360	\$360	\$360	\$0
Senior Op.	10%	25%	0%	0%	\$4,752	\$11,880	\$0	\$0
Shift Mech.	10%	25%	0%	0%	\$3,888	\$9,720	\$0	\$0
Maintenance	10.0%	15.0%	10%	0%	\$960	\$1,440	\$960	\$0
Facilities/Tools					\$500	\$500	\$300	\$0
Office Equip.					\$250	\$250	\$100	\$0
			New Monthly Total		\$15,906	\$33,444	\$4,336	\$1,356
			New Annual Total		\$190,872	\$401,328	\$52,032	\$16,272
					New Total - All Affiliates			\$660,504
			Old Monthly Total		\$33,150	\$53,512	0	0
			Old Annual Total		\$397,800	\$642,144	0	0
					Old Total - All Affiliates			\$1,039,944
					Change in Annual Allocation			(\$379,440)

Summary of Original Cost, Calculated Annual Depreciation Expense
and Calculated Depreciation Reserves as of March 31, 2026

Acct	Description	Original Cost at 3/31/26	Calculated Depreciation Amount	Calculated Depreciation Reserve
<u>Steam Plant</u>				
210	Production Structures	1,382,047	10,810	1,126,773
213	Fuel Storage Structures	422,759	0	422,759
216	Boiler Plant Equipment	12,780,657	239,452	5,691,155
217	Electrical Equipment	635,481	1,127	617,671
225	Steam Mains	8,299,525	97,201	4,156,162
226	Services	814,942	8,963	661,336
227	Meters	97,817	702	85,163
	Total Steam Plant	24,433,228	358,255	12,761,019
<u>General Plant</u>				
234	General Office Equipment	230,582	0	230,582
235	General Garage Equipment	654,518	11,965	414,833
239	General Lab Equipment	7,420	0	7,420
	Total General Plant	892,520	11,965	652,835
	Total Depreciable Plant	25,325,748	370,220	13,413,854
<u>Non-Depreciable Plant</u>				
200	Organization	264	0	0
201	Franchises	641	0	0
206	Production Land	58,568	0	0
	Total Non-depreciable plant	59,473	0	0
	TOTAL PLANT IN SERVICE	25,385,221	370,220	13,413,854
	NET PLANT IN SERVICE	11,971,367		

Supporting Schedule No. 5

Capital Additions (4/1/2025 - 3/31/2026)

Acct	Description	Amount
216	Blr#13 Stop Valve	80,000
225	M/H #378 rebuild	150,000
225	Dump Truck	75,000

Capital Retirements (4/1/2025 - 3/31/2026)

Acct	Description	Amount
225	1991 Chevy Dump	fully depreciated

Supporting Schedule No. 6

Regulatory Assessments at Present Rates (Going Level)

	<u>Factor</u>	<u>Amount</u>
Base Rate Revenues at Present Rates (Going-Level)		4,974,109
SCR Revenues (per Exhibit b(4) Sheet 1a)		3,645,068

Total Operating Revenues at Present Rates (Going-Level)		8,619,177
Assessment Factors:		
PA P.U.C.	0.00218682	18,849
Consumer Advocate	0.00048327	4,165
Small Business Advocate	0.00000000	0

Regulatory Assessments at Present Rates (Going-level)		23,014
Regulatory Assessments (per books)		23,014
Regulatory Assessments Adjustment		0

Supporting Schedule No. 7

Regulatory Assessments at Supportable Rates (Going Level)

	<u>Factor</u>	<u>Amount</u>
Base Rate Revenues at Present Rates (Going-Level)		6,749,266
SCR Revenues (per Exhibit b(4) Sheet 1a)		3,645,068

Total Operating Revenues at Present Rates (Going-Level)		10,394,334
Assessment Factors:		
PA P.U.C.	0.00218682	22,731
Consumer Advocate	0.00048327	5,023
Small Business Advocate	0.00000000	0

Regulatory Assessments at Present Rates (Going-level)		27,754
Regulatory Assessments (per books)		27,754
Regulatory Assessments Adjustment		0

CONFIDENTIAL

Energy Center Harrisburg LLC

Supporting Schedule No. 8

CONFIDENTIAL

Energy Center Harrisburg LLC

Supporting Schedule No. 8a

Supporting Schedule No. 9

Calculation of Thirteen (13) Month Average for
Materials and Supplies

Month	Oil Inventory	Spare Parts Inventory	Total
Apr-24	1,006,814	382,852	1,389,666
May-24	1,006,440	382,852	1,389,292
Jun-24	1,006,351	382,852	1,389,203
Jul-24	1,006,351	382,852	1,389,203
Aug-24	1,006,351	382,852	1,389,203
Sep-24	1,006,351	382,852	1,389,203
Oct-24	1,005,894	382,852	1,388,746
Nov-24	1,005,572	382,852	1,388,424
Dec-24	969,981	382,852	1,352,833
Jan-25	708,334	382,852	1,091,186
Feb-25	722,633	382,852	1,105,485
Mar-25	953,938	382,852	1,336,790
Apr-25	953,055	382,852	1,335,907
		13-month average	1,333,473

Energy Center Harrisburg LLC

Supporting Schedule No. 10

**Summary of Cost of Capital and
Fair Rate of Return
for March 31, 2026**

Summary of Cost of Capital and Fair Rate of Return
For March 31, 2026

Commission Quarterly Earnings Report, adopted at the May 8, 2025 Public Meeting,
(Docket No. M-2025-3054401).

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Public Meeting held May 8, 2025

Docket Number: M-2025-3054401

BUREAU OF TECHNICAL UTILITY SERVICES

REPORT ON THE QUARTERLY EARNINGS

OF JURISDICTIONAL UTILITIES

FOR THE YEAR ENDED

December 31, 2024

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Kathryn L. Zerfuss
John F. Coleman, Jr., Joint Statement, Dissenting
Ralph V. Yanora, Joint Statement, Dissenting

TABLE OF CONTENTS

	<u>Page No.</u>
Introduction	4
Attachment A – Summary of Equity Returns	5
Attachment B – Summary of Returns	12
<p style="margin-left: 40px;">This chart depicts the overall and equity returns (actual and adjusted) for the filing utilities for the current quarter. The last authorized equity returns and the year authorized is also shown.</p>	
Attachment C – Allowed Rates of Return on Common Equity	14
<p style="margin-left: 40px;">This is a historical chart that shows the most recent rate cases for select companies in electric, gas, and water. A docket number followed by their final return on equity and year is also given.</p>	
Attachment D – Distribution System Improvement Charge Return on Equity	15
<p style="margin-left: 40px;">Compares utility adjusted return on equity to Commission authorized return on equity for utilities with a Distribution System Improvement Charge.</p>	
Attachment E – Explanation of Return on Equity Methods	16
<p style="margin-left: 40px;">Criteria for determining the industry barometer groups used in ROE calculations. Also, provides details of the Discounted Cash Flow equation and Capital Asset Pricing Model equation.</p>	
Attachment F – Market Based Returns on Equity – Electric	18
<p style="margin-left: 40px;">The market indicated common equity cost rate range consists of data used from the electric barometer groups and is based on a series of calculations to average the DCF methods. Also, indicates Distribution System Improvement Charge Return.</p>	
Attachment F – Historic DCF and CAPM – Electric	19
<p style="margin-left: 40px;">Historic barometer group DCF and CAPM average ROEs.</p>	
Attachment F – Electric Barometer Group Calculation of a Current and 52 Week Average Dividend Yield	20-21
<p style="margin-left: 40px;">Electric barometer companies are used to calculate a current DCF in the first chart. The second chart demonstrates the companies 52-week average DCF. A final average of the two calculations is also shown at the bottom.</p>	
Attachment F – Development of a Representative Dividend Growth Rate	22
<p style="margin-left: 40px;">Multiple sources of the gas barometer companies projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.</p>	
Attachment G – Market Based Returns on Equity – Gas	23
<p style="margin-left: 40px;">The market indicated common equity cost rate range consists of data used from the gas barometer groups and is based on a series of calculations to average the DCF methods. Also, indicates Distribution System Improvement Charge Return.</p>	

Attachment G – Historic DCF and CAPM – Gas	24
Historic barometer group DCF and CAPM average ROEs, including a linear trend line graph.	
Attachment G – Gas Barometer Group Calculation of a Current and 52 Week Average Dividend Yield	25
Gas barometer companies are used to calculate a current DCF in the first chart. The second chart demonstrates the companies 52-week average DCF. A final average of the two calculations is also shown at the bottom.	
Attachment G – Development of a Representative Dividend Growth Rate	26
Multiple sources of the gas barometer companies projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.	
Attachment H – Market Based Returns on Equity – Water	27
The market indicated common equity cost rate range consists of data used from the water barometer groups and is based on a series of calculations to average the DCF methods. Also, indicates Distribution System Improvement Charge Return.	
Attachment H – Historic DCF and CAPM – Water	28
Historic barometer group DCF and CAPM average ROEs, including a linear trend line graph.	
Attachment H – Water Barometer Group Calculation of a Current and 52 Week Average Dividend Yield	29
Water barometer companies are used to calculate a current DCF in the first chart. The second chart demonstrates the companies 52-week average DCF. A final average of the two calculations is also shown at the bottom.	
Attachment H – Development of a Representative Dividend Growth Rate	30
Multiple sources of the water barometer companies projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.	

Introduction:

On September 20, 1991, the Commission initiated a rulemaking at L-00910061 pertaining to earnings disclosures by the public utilities subject to its jurisdiction. At that docket, the Commission stated that the submission of accurate, reliable, and complete earnings disclosure reports, at regular intervals, is essential to the fulfillment of the broad regulatory oversight responsibilities entrusted to the Commission by the Legislature in the Public Utility Code. The earnings disclosure regulations promulgated by the Commission were adopted October 1, 1992, and published January 23, 1993, at 23 Pa.B. 463. Based upon those regulations, codified at 52 Pa. Code, Chapter 71, a reporting format was developed and distributed to the jurisdictional fixed utilities of Pennsylvania.

All fixed utilities having jurisdictional revenues of \$1,000,000 or more, for a calendar year, are required to file the report by March 31 of each year. Such reports are to be based upon the results of operations for the 12-month period ending December 31 of the prior year. Utilities having more than \$10,000,000 in jurisdictional revenues are also required to file reports for the 12 months ending on March 31, June 30, and September 30 of each year.¹ On November 30, 2004, however, the Pennsylvania General Assembly signed into law Act 183 concerning alternative telecommunications regulation and broadband deployment. As a result of Act 183, the reporting requirements for the PUC jurisdictional telecommunications companies of Pennsylvania have been streamlined at section 3015(e) of the Public Utility Code. A quarterly earnings report is not listed among those reports now required of PUC jurisdictional telecommunications utilities in Pennsylvania and, therefore, this report does not address telephone company earnings.

The reports have been filed for the period ending December 31, 2024, at Docket No. M-2025-3052807.² The Finance Staff of the Bureau of Technical Utility Services has reviewed the reports and has prepared this summary report for public release. This report sets forth the achieved return on equity for each company, the last allowed return for that utility, a market return as determined through the analysis of the barometer group data and the most recent returns allowed, per industry, by the Pennsylvania Public Utility Commission and by other regulatory bodies. Where a utility has not filed a report, the reasons for not filing are indicated.

Questions pertaining to the preparation and contents of this Report should be directed to Mr. Marc Hoffer, Manager - Finance, Bureau of Technical Utility Services, at (717) 787-1869.

¹ Per Commission regulations at 52 Pa. Code § 71.3(a)(1), the major electric utilities are specifically identified by name rather than utilizing the \$10,000,000 revenue threshold utilized by gas and water utilities.

² Columbia Gas of PA Inc., UGI Utilities, Inc. – Gas Division, and FirstEnergy Pennsylvania Electric Co. have rate filings at Docket Nos. R-2025-3053499, R-2024-3052716, and R-2024-3047068, respectively, and have filed a letter with the Secretary in place of a report in accordance with 52 Pa. Code § 71.4.

The equity return summaries that follow in Attachment A are, for each quarter;

ACTUAL

1. Based on actual results of operations

and

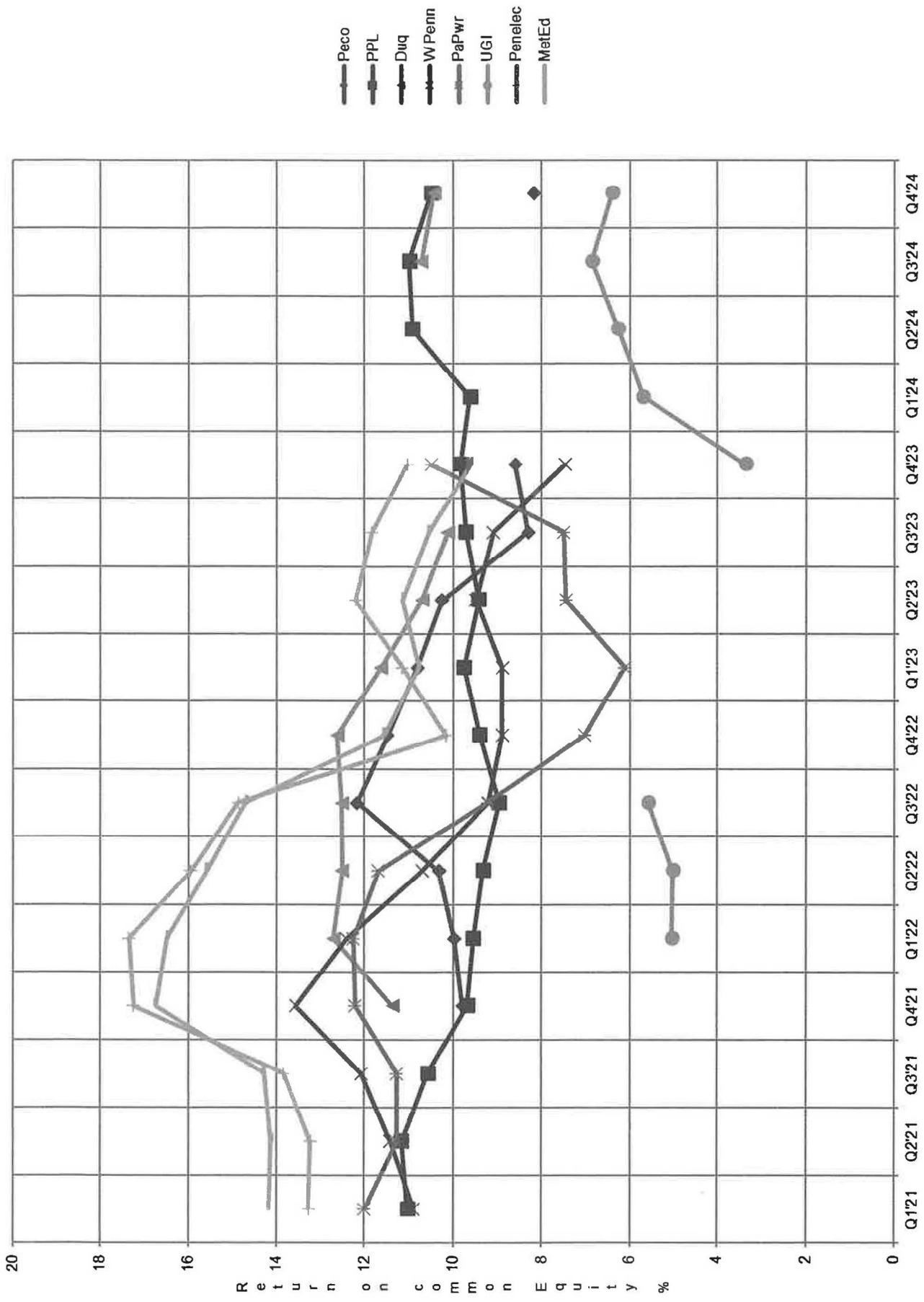
ADJUSTED

2. Based on company proposed pro forma and ratemaking adjustments

**ELECTRIC UTILITIES
EQUITY RETURNS BY QUARTER**

QTR END	Peco		PPL		Duq		W Penn		PaPwr		UGI		Penelec		MetEd		
	ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ	
2018	1		12.53	11.36			10.35	9.08	9.03	8.08			11.84	9.93	12.77	11.38	
	2		11.05	9.49			9.92	8.52	8.79	7.57			11.56	9.39	11.90	10.26	
	3		11.19	9.83			11.41	6.74	10.30	5.80			13.97	8.44	14.46	9.62	
	4	10.88	7.61	11.10	10.15	12.06	9.39	9.92	6.78	10.64	7.43			13.27	9.31	13.05	7.40
2019	1	12.65	7.93	10.10	8.96	12.58	9.73	9.08	6.62	9.14	7.61	7.05	5.22	12.03	8.07	12.54	7.66
	2	12.34	7.94	10.51	8.95	12.38	9.34	8.02	5.99	8.29	7.10	5.77	3.22	11.42	8.16	11.72	7.21
	3	12.49	7.96	10.61	8.99	13.88	9.33	9.90	7.87	9.28	7.76	6.20	2.04	11.26	8.78	12.25	7.77
	4	12.21	8.50	10.53	10.40	13.92	9.08	14.13	7.07	8.08	6.90	7.20	2.38	10.02	8.54	10.96	9.27
2020	1	11.31	8.35	10.84	11.20	12.66	8.31	9.82	5.54	5.06	6.71	5.43	2.26	7.24	8.74	7.20	8.31
	2	9.38	8.17	11.20	10.81	12.73	8.56	10.41	5.53	5.56	6.55	6.06	2.01	6.68	7.94	7.34	8.04
	3	9.62	8.56	11.14	11.20	12.32	8.08	10.22	5.42	5.62	6.74	7.76	0.41	7.87	8.75	7.64	8.37
	4	9.16	7.64	11.10	11.48	12.57	8.15	7.48	5.65	11.36	7.34			10.08	8.62	9.91	8.64
2021	1		11.03	11.76			10.89	6.64	12.01	7.01				13.27	8.96	14.19	9.44
	2		11.17	11.73			11.42	7.07	11.27	5.94				13.23	8.15	14.13	9.06
	3		10.57	10.65			12.08	7.91	11.27	5.91				13.85	8.67	14.29	9.38
	4	9.79	7.59	9.69	10.57	11.37	11.23	13.57	7.85	12.21	5.42			17.25	8.04	16.74	9.40
2022	1	9.98	6.99	9.55	9.49	12.71	10.91	12.40	6.99	12.26	5.30	5.03	4.93	17.35	7.83	16.48	9.40
	2	10.32	7.19	9.33	9.54	12.51	10.22	10.70	5.78	11.69	5.04	5.01	3.89	15.95	6.93	15.59	8.72
	3	12.17	7.42	8.97	9.14	12.52	9.74	9.21	4.43	9.23	4.35	5.58	0.65	14.87	5.88	14.70	7.57
	4	11.48	6.59	9.41	9.18	12.62	9.54	8.89	4.19	7.03	3.44			10.16	5.07	11.56	7.55
2023	1	10.80	6.47	9.76	9.36	11.63	9.53	8.89	5.32	6.11	4.01			11.15	6.88	10.77	8.25
	2	10.24	6.19	9.43	8.67	10.69	9.39	9.49	6.03	7.45	5.58			12.20	7.90	11.14	8.81
	3	8.30	5.48	9.72	8.12	10.12	8.89	9.09	5.96	7.50	5.76			11.84	7.79	10.54	8.60
	4	8.60	5.19	9.84	8.49			7.47	6.02	10.49	7.09	3.36	4.48	11.03	8.17	9.61	8.66
2024	1		9.63	8.22								5.70	2.03				
	2		10.92	9.17								6.26	1.11				
	3		10.99	9.46	10.71	9.16						6.86	1.70				
	4	8.17	4.22	10.49	7.23	10.42	9.38					6.40	1.41				

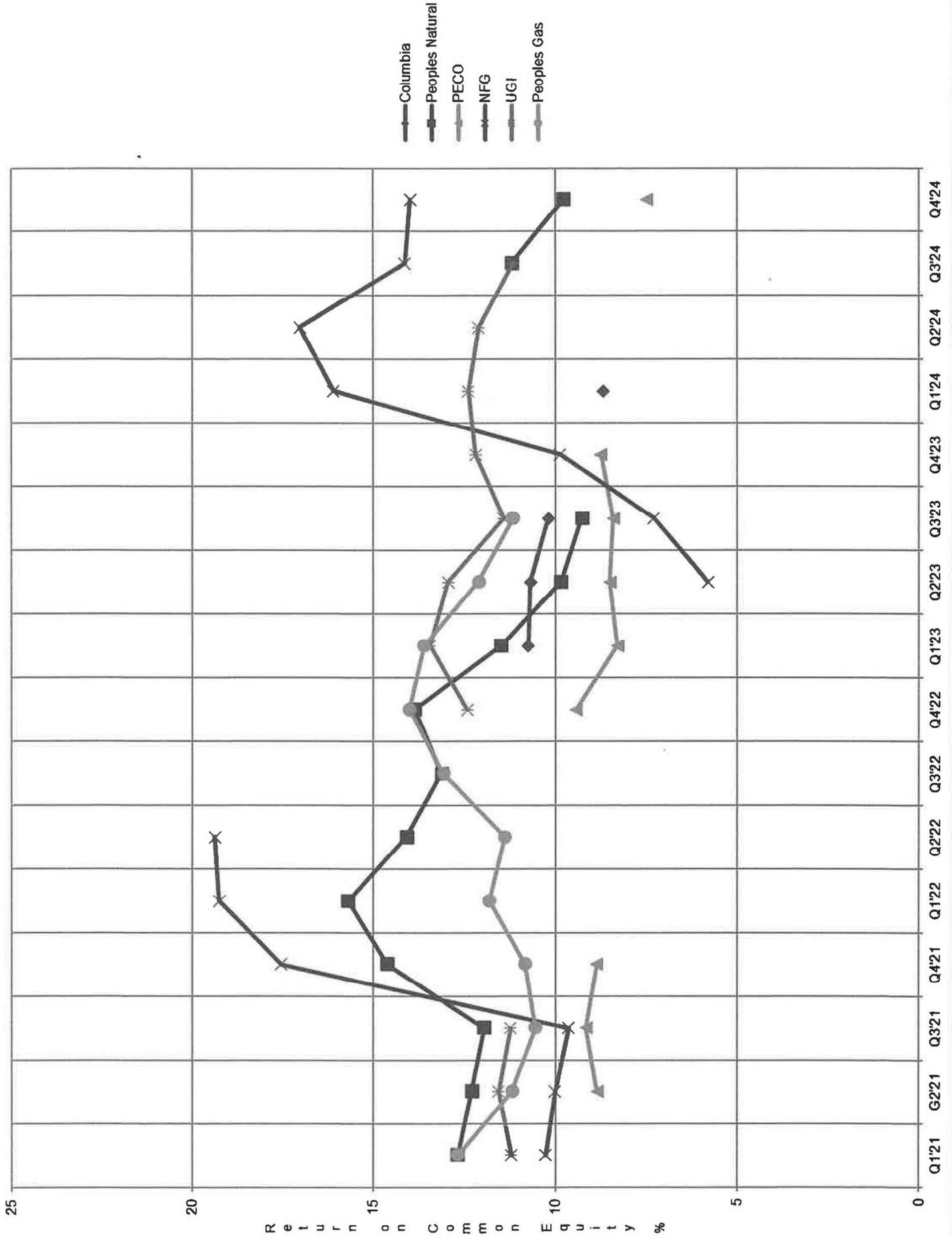
Major Pennsylvania Electric Utilities - Actual Equity Returns by Quarter



**GAS UTILITIES
EQUITY RETURNS BY QUARTER**

QTR	Columbia		Peoples Natural		PECO		NFG		UGI		Peoples Gas		
	<u>ACT</u>	<u>ADJ</u>	<u>ACT</u>	<u>ADJ</u>	<u>ACT</u>	<u>ADJ</u>	<u>ACT</u>	<u>ADJ</u>	<u>ACT</u>	<u>ADJ</u>	<u>ACT</u>	<u>ADJ</u>	
2018	1		11.42	7.00	12.65	9.77	14.40	10.20	12.82	7.90	14.02	10.17	
	2		11.03	6.80	12.66	9.05	12.06	9.89	16.75	6.80	12.78	10.15	
	3		10.21	7.43	12.54	8.36	12.52	10.12	18.69	8.04	13.03	10.20	
	4	11.39	9.81			12.86	8.68	12.24	10.21			13.92	11.13
2019	1	12.76	10.22			13.68	9.06	11.83	10.93		14.10	10.71	
	2	12.04	9.92			12.62	8.41	14.56	9.99		13.80	11.66	
	3	11.77	9.85			12.40	8.31	14.17	9.75		14.02	11.63	
	4	9.21	9.09	10.74	12.26	11.75	6.99	14.20	9.77		12.76	11.20	
2020	1	8.42	9.11	12.34	12.34	10.84	7.68	11.82	9.92		11.40	11.07	
	2			13.81	12.38	11.26	7.25	11.28	9.05		11.89	11.10	
	3			14.60	12.77			10.39	8.25		11.82	11.50	
	4			12.09	10.37			9.68	8.12		12.93	12.11	
2021	1			12.69	10.43			10.27	8.47	11.22	7.70	12.69	11.76
	2			12.31	10.23	8.85	5.13	10.02	8.47	11.57	8.04	11.20	11.61
	3			11.97	10.27	9.16	5.27	9.64	8.45	11.24	6.97	10.56	11.38
	4			14.62	10.52	8.86	5.79	17.54	8.02			10.84	10.28
2022	1			15.71	10.93			19.24	7.88			11.83	12.09
	2			14.09	11.67			19.36	6.87			11.40	12.19
	3			13.13	10.30							13.08	11.31
	4			13.87	10.56	9.43	5.93			12.42	7.62	14.01	14.19
2023	1	10.75	10.30	11.50	9.02	8.29	6.05			13.45	8.33	13.61	12.68
	2	10.68	10.33	9.85	9.50	8.50	6.20	5.80	9.98	12.94	8.97	12.12	13.84
	3	10.19	10.72	9.28	8.17	8.41	6.01	7.29	9.58	11.43	8.27	11.17	14.22
	4					8.75	6.82	9.87	10.80	12.19	7.44		
2024	1	8.67	9.61					16.10	10.64	12.39	7.55		
	2							17.03	9.78	12.11	6.91		
	3			11.20	9.07			14.13	8.63	11.17	6.45		
	4			9.78	8.84	7.49	5.56	13.98	8.62				

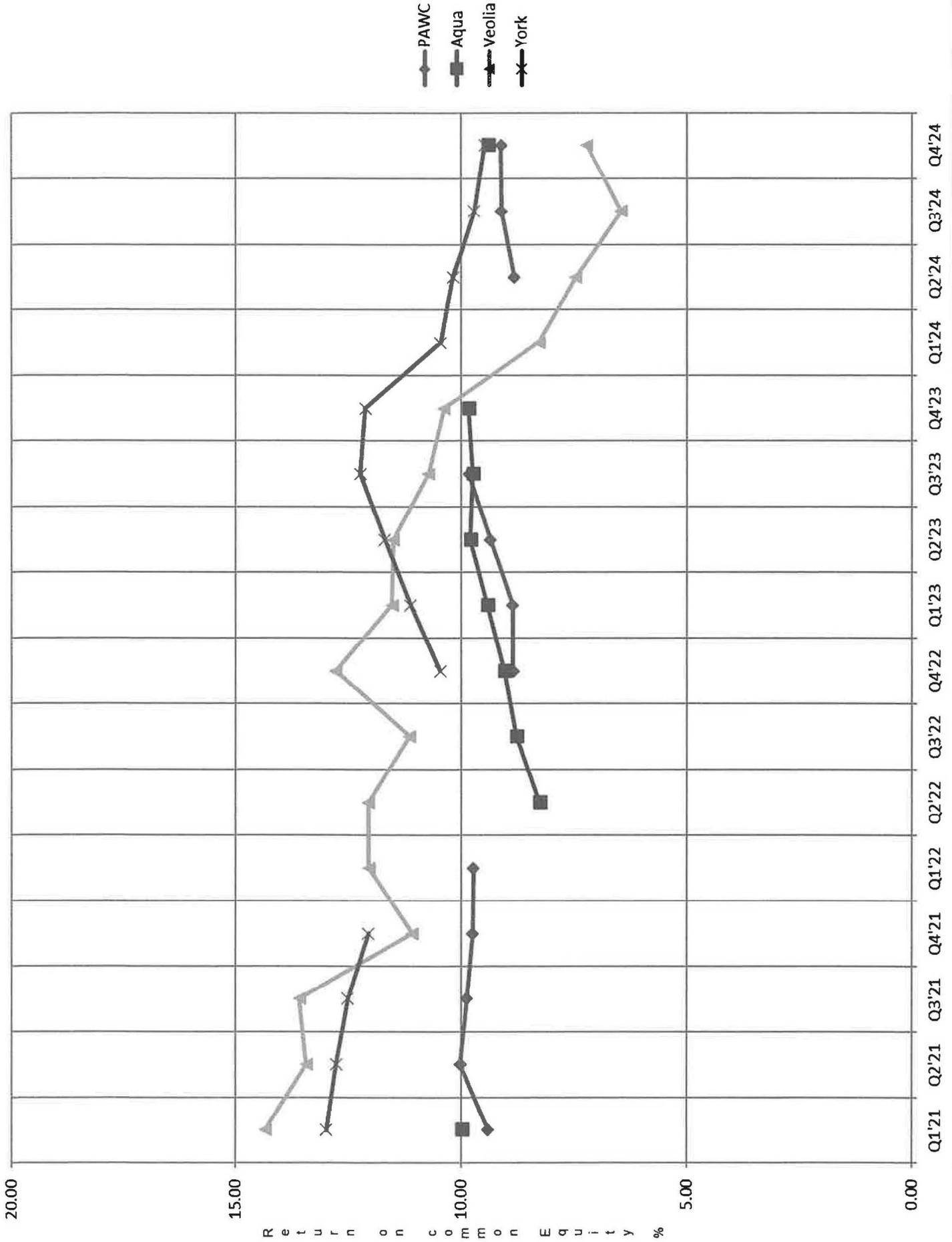
Major Pennsylvania Gas Utilities - Actual Equity Returns by Quarter



**WATER UTILITIES
EQUITY RETURNS BY QUARTER**

QTR	END	PAWC		Aqua		Veolia		York	
		ACT	ADJ	ACT	ADJ	ACT	ADJ	ACT	ADJ
2018	1	9.55	8.97	10.94	8.41				
	2	10.27	9.65						
	3	11.03	9.48						
	4	10.08	9.03					10.70	10.30
2019	1	9.82	8.87					11.60	11.60
	2	9.72	8.90	9.84	9.04	10.78	10.36	11.80	11.80
	3	9.13	8.41	10.69	8.84	11.55	11.75	12.00	12.00
	4	8.71	8.09	10.33	8.24	11.80	12.15	12.00	9.80
2020	1	8.74	7.56	10.47	8.31	11.30	11.30	12.39	12.39
	2			10.81	8.57	10.72	10.69	12.51	12.51
	3			10.33	8.55	11.13	10.69	13.76	13.76
	4	8.90	8.15	9.89	8.30	13.98	10.17	13.42	9.94
2021	1	9.41	8.90	9.99	8.38	14.34	10.48	12.98	9.74
	2	10.03	9.28			13.43	9.83	12.76	9.66
	3	9.89	8.65			13.58	9.07	12.51	9.32
	4	9.75	8.05			11.08	9.75	12.05	8.86
2022	1	9.73	7.82			12.04	9.68		
	2			8.26	8.91	12.05	9.79		
	3			8.78	8.85	11.14	9.30		
	4	8.85	8.97	9.04	8.88	12.77	9.49	10.47	10.57
2023	1	8.86	8.90	9.42	8.48	11.53	8.98	11.12	11.12
	2	9.35	8.89	9.80	8.52	11.50	8.91	11.69	11.69
	3	9.84	8.93	9.74	8.39	10.72	8.42	12.23	12.23
	4			9.84	8.35	10.38	7.64	12.12	8.16
2024	1					8.28	6.49	10.46	7.99
	2	8.82	8.56			7.46	5.70	10.18	8.00
	3	9.11	8.49			6.45	5.42	9.72	7.31
	4	9.12	8.44	9.40	9.29	7.21	5.36	9.48	7.10

Major Pennsylvania Water Companies - Actual Equity Returns by Quarter



Attachment B includes:

A. Overall Returns on rate base

1. Actual
2. Company proposed pro forma and ratemaking adjustments

and

B. Equity Returns

1. Actual
2. Company proposed pro forma and ratemaking adjustments

Summary of Returns
For the Year Ended December 31, 2024

COMPANY NAME	<u>OVERALL RETURN</u>		<u>EQUITY RETURN</u>		ROE	YEAR
	ACTUAL	ADJ	ACTUAL	ADJ	AUTH	AUTH
ELECTRIC						
<u>Major Electric Utilities</u>						
PECO Energy - Electric Operations	6.31	4.10	8.17	4.22	Settled	2024
PPL Electric Utilities Corp.	7.99	6.06	10.49	7.23	Settled	2015
Duquesne Light Company	7.89	7.24	10.42	9.38	Settled	2024
West Penn Power Company*					Settled	2024
Pennsylvania Power Company*					Settled	2024
UGI Utilities, Inc. - Electric Division	5.57	3.18	6.40	1.41	Settled	2023
Pennsylvania Electric Company*					Settled	2024
Metropolitan Edison Company *					Settled	2024
<u>Over \$1,000,000</u>						
<u>Revenues</u>						
Pike County Light & Power Co.	6.21	6.21	5.98	5.98	Settled	2021
Citizens Electric Company	6.30	8.03	6.58	8.54	Settled	2022
Wellsboro Electric Company	4.59	4.59	4.67	4.67	9.31	2020
GAS						
<u>\$10,000,000 Revenues</u>						
Columbia Gas of PA, Inc.*					Settled	2024
Peoples Natural Gas Company LLC	7.14	6.31	9.78	8.84	Settled	2024
PECO Energy - Gas Operations	6.06	4.93	7.49	5.56	Settled	2024
National Fuel Gas Distribution Co.	10.04	7.11	13.98	8.62	Settled	2023
UGI Utilities, Inc. – Gas Division*					Settled	2022
Valley Energy Inc. of PA	3.89	3.97	3.40	3.51	Settled	2022
<u>\$1,000,000 to \$10,000,000</u>						
<u>Revenues</u>						
Pike County Light & Power Co.	2.39	2.39	-1.16	-1.16	Settled	2021
Leatherstocking Gas Company	2.15	2.15	-3.47	-3.47	Settled	2023
North East Heat and Light Company	4.25	4.25	4.35	4.37	11.00	2008
WATER						
<u>\$10,000,000 Revenues</u>						
PA American Water Company	7.08	6.70	9.12	8.44	9.45	2024
Aqua Pennsylvania	7.03	6.92	9.40	9.29	Settled	2025
York Water Company	7.30	6.00	9.48	7.10	Settled	2023
Veolia Water Pennsylvania, Inc.	5.90	4.94	7.21	5.36	Settled	2024
<u>\$1,000,000 to \$10,000,000</u>						
<u>Revenues</u>						
Newtown Artesian Water Co.	5.56	3.35	6.29	2.52	Settled	2025
Columbia Water Company	6.27	6.27	6.86	6.86	9.75	2024
York Water Company – Wastewater	1.30	0.40	-0.30	-2.10	Settled	2023
Community Utilities – Water	2.56	2.56	0.44	0.44	Settled	2022
Community Utilities – Wastewater	4.12	4.12	3.24	3.24	Settled	2022
CAN DO Inc. – Water	1.99	1.99	2.46	2.46	Settled	2024
CAN DO Inc. – Wastewater	22.76	22.76	25.93	25.93	Settled	2024

*Columbia Gas of PA Inc., UGI Utilities, Inc. – Gas Division, and FirstEnergy Pennsylvania Electric Co. have rate filings at Docket Nos. R-2025-3053499, R-2024-3052716, and R-2024-3047068, respectively, and have filed a letter with the Secretary in place of a report in accordance with 52 Pa. Code § 71.4.

ALLOWED RATES OF RETURN ON COMMON EQUITY

This is a historical chart that shows the most recent rate cases for select companies in electric, gas, and water. A docket number followed by their final return on equity and year is also given.

ELECTRIC

Docket Number ROE (%) Year

Recent PA PUC Allowed

UGI Utilities, Inc. – Electric	R-2022-3037368	Settled	2023
Duquesne Light Company	R-2024-3046523	Settled	2024
PECO Energy – Electric	R-2024-3046931	Settled	2024
PPL Electric Utilities Corp.	R-2015-2469275	Settled	2015
Pennsylvania Electric Company	R-2024-3047068	Settled	2024
Metropolitan Edison Company	R-2024-3047068	Settled	2024
Pennsylvania Power Company	R-2024-3047068	Settled	2024
West Penn Power Company	R-2024-3047068	Settled	2024

Current Market Indicated ROE as calculated by the
Bureau of Technical Utility Services.

9.17-11.23

GAS

Recent PA PUC Allowed

National Fuel Gas Distribution Corp.	R-2022-3035730	Settled	2023
Columbia Gas of Pennsylvania, Inc.	R-2024-3046519	Settled	2024
PECO Energy – Gas	R-2024-3046932	Settled	2024
UGI Utilities, Inc. – Gas	R-2021-3030218	Settled	2022
Peoples Natural Gas Company	R-2023-3044549	Settled	2024

Current Market Indicated ROE as calculated by the
Bureau of Technical Utility Services.

8.92-12.05

WATER

Recent PA PUC Allowed

Columbia Water	R-2023-3040258	9.75	2024
PA American Water	R-2023-3043189	9.45	2024
York Water	R-2022-3031340	Settled	2023
Aqua Pennsylvania	R-2024-3047822	Settled	2025
Veolia Water Pennsylvania	R-2024-3045192	Settled	2024

Current Market Indicated ROE as calculated by the
Bureau of Technical Utility Services.

7.25-12.59

Distribution System Improvement Charge (DSIC) Eligible Utilities
Return on Equity (ROE) Summary

	Utility Adjusted ROE ³ (%)	Commission Approved ROE ⁴ (%)
ELECTRIC		
PECO Energy – Electric Operations	4.22	10.00
PPL Electric Utilities Corp.	7.23	10.00
Duquesne Light Company	9.38	10.00
West Penn Power Company*		10.00
Pennsylvania Power Company*		10.00
Pennsylvania Electric Company*		10.00
Metropolitan Edison Company*		10.00
UGI Utilities, Inc.- Electric Division	1.41	10.00
Pike County Light & Power Co.	5.98	10.00
GAS		
Columbia Gas of PA, Inc.*		10.15
Peoples Natural Gas Company LLC	8.84	10.15
PECO Energy – Gas Operations	5.56	10.15
UGI Utilities, Inc. – Gas Division*		10.15
Pike County Light & Power Co.	-1.16	10.15
National Fuel Gas Distribution Corp	8.62	10.15
WATER		
PA American Water Company	8.44	9.45
PA American – Wastewater	8.44	9.45
AQUA Pennsylvania	9.29	9.75
AQUA Pennsylvania – Wastewater	9.29	9.75
York Water Company	7.10	9.75
Veolia Water Pennsylvania, Inc.	5.36	9.75
Columbia Water Company	6.86	9.75
Newtown Artesian Water	2.52	9.75

* Columbia Gas of PA Inc., UGI Utilities, Inc. – Gas Division, and FirstEnergy Pennsylvania Electric Co. have rate filings at Docket Nos. R-2025-3053499, R-2024-3052716, and R-2024-3047068, respectively, and have filed a letter with the Secretary in place of a report in accordance with 52 Pa. Code § 71.4.

³ Each utility lists adjustments on Schedule B of their quarterly financial report.

⁴ The ROE is approved in a utility's most recent fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years have elapsed between the entry of a final order and the DSIC effective date, the ROE is from this report. If the base rate proceeding is settled, without a stipulated ROE, the ROE is from this report.

Explanation of Discounted Cash Flow (DCF) and Capital Asset Pricing Model (CAPM)

Barometer Group Criteria

The criteria used for determining the industry barometer groups used to calculate ROEs in this report are as follows:

- 50% or more of the company's assets must be related to the jurisdictional utility industry;
- The company's stock must be publicly traded and must have at least three years of earnings history;
- Companies targeted by merger and acquisition (M&A) activity will be excluded; companies involved in M&A activity may be excluded;
- Investment information for the company must be available to the Commission from more than one source;
- The barometer group companies must have an investment grade credit rating (S&P BBB- or better, Moody's Baa3 or better); and
- Geographic Regions:
 - EDCs: *Value Line* Investment Survey's East, Central, and West Group Electric Utility companies;
 - NGDCs: *Value Line* Investment Survey's Natural Gas Utility industry group companies;
 - Water/Wastewater: *Value Line* Investment Survey's Water Utility industry group companies.

The barometer group companies are reviewed by staff on a quarterly basis and make any changes to these companies based upon the criteria above.

ROE Calculations

The Commission consistently uses the DCF model to determine the appropriate cost of equity for utilities. In this report, the DSIC ROE is calculated using two DCF models.

TUS uses the following formula to calculate the current dividend DCF: $K = D_1/P_0 + G$

TUS uses the following formula to calculate the 52-week average dividend DCF: $K = D_0/P_a + G$

Definitions:

K	=	Cost of equity
D ₁	=	Dividend expected during the year
	=	$D_0 + \frac{1}{2}g$
D ₀	=	Latest indicated dividend, obtained from Yahoo! Finance
g	=	Expected 5-year dividend growth rate of barometer group obtained from Value Line Investment Survey.
P ₀	=	Current price of the stock, obtained from Yahoo! Finance
P _a	=	Average of high and low stock price over the latest 52-week period, obtained from Yahoo! Finance
G	=	Average of 5-year expected earnings growth rate forecasts obtained from Value Line, Zacks Investment Survey, and S&P Capital IQ.

The CAPM uses the yield of a risk-free interest-bearing obligation plus a rate of return premium that is proportional to the systematic risk of an investment.

TUS uses the following formula to calculate CAPM: $K = R_f + \beta(R_m - R_f)$

Three components are necessary to calculate the CAPM cost of equity:

- β = Beta, a measure of systematic risk for each stock
- R_f = The risk-free rate of return, 10-year U.S. Treasury yields are used for R_f .
Yields are taken from the previous two quarters and forecasted next four quarters.
- R_m = Total return of the equity market as determined by Kroll

The Commission determines the ROE used for DSIC purposes based on the range of reasonableness from the DCF barometer group data, CAPM data, recent ROEs adjudicated by the Commission, and informed judgment.

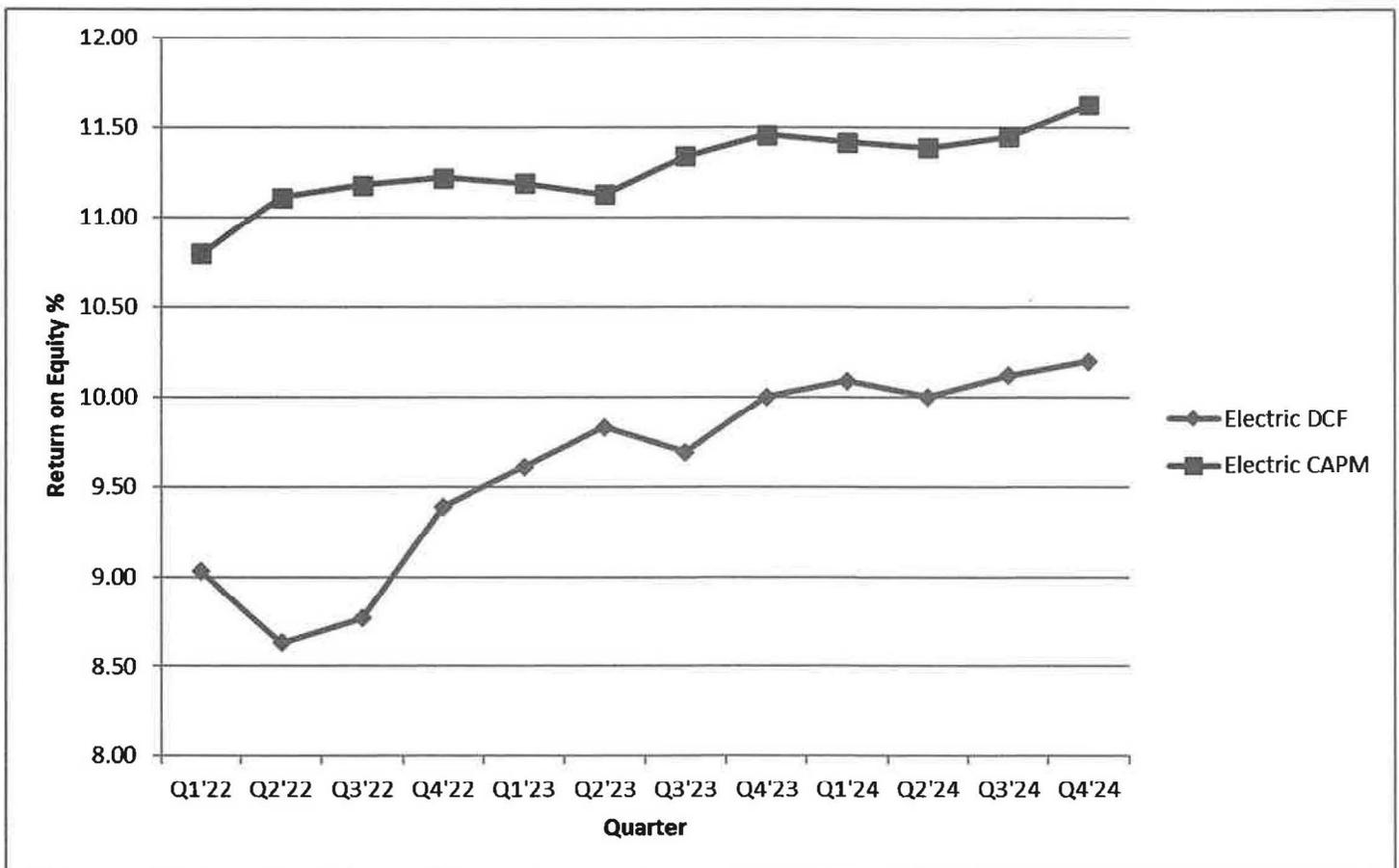
The market indicated common equity cost rate range consists of data used from the barometer groups and is based on a series of calculations to average the DCF methods.

Market Based Returns on Common Equity¹			
April 7, 2025			
<u>Electric Company Barometer Group</u>			
			Cost Rates
			%
(1)	Current DCF:		10.23
(2)	52-Week Average DCF:		<u>10.18</u>
(3)	Overall DCF ((1) + (2)) / 2 :		<u>10.20</u>
(4)	Market Indicated Common Equity Cost Rate Range: @ 1 standard deviation around the mean. ²		<u>9.17-11.23</u>
(5)	CAPM Check of DCF Reasonableness:		11.63
(6)	Recent Commission Approved ROEs ³ : *None within the last two years		*
(7)	Distribution System Improvement Charge (DSIC) Return ⁴ :		<u>10.00%</u>
¹ As calculated by the Bureau of Technical Utility Services			
² Standard Deviation of 58 DCF observations			
³ Base rate case ROEs within last two years, fully litigated or stipulated for DSIC purposes			
⁴ Commission authorized Return on Equity (ROE) for DSIC purposes			
Any questions concerning DSIC should be directed to Rich Layton of the Bureau of Technical Utility Services at (717) 214-9117.			

Historic Electric Industry Barometer Group DCF and CAPM Average ROEs

Electric		
	DCF	CAPM
Q1'22	9.03	10.80
Q2'22	8.63	11.11
Q3'22	8.77	11.18
Q4'22	9.39	11.22
Q1'23	9.61	11.19
Q2'23	9.83	11.13
Q3'23	9.69	11.34
Q4'23	10.00	11.46
Q1'24	10.09	11.42
Q2'24	10.00	11.39
Q3'24	10.12	11.45
Q4'24	10.20	11.63

Chart of Historic Electric Industry DCF and CAPM Average ROEs



Barometer electric companies are used to calculate a current DCF in the first chart. The second chart demonstrates the companies' 52-week average DCF. A final average of the two calculations is also shown at the bottom.

Electric Company Barometer Group					
Calculation of a Current Dividend Yield					
	Closing	Latest	Ind. Div.		
	Market	Indicated	Plus 1/2	Current	
	Price (Po)	Dividend	Div. Growth	Dividend	
	<u>4/7/2025</u>	<u>(Do)</u>	<u>Rate (D1)</u>	<u>Yield(D1/Po)</u>	<u>DCF</u>
	(\$)	(\$)	(\$)	(%)	(%)
Alliant Energy Corp	59.81	2.03	2.09	3.50	10.00
Ameren Corp	94.34	2.84	2.93	3.11	9.80
American Electric Power	101.57	3.72	3.82	3.76	10.26
Avista Corp	39.56	1.96	2.00	5.05	10.71
CenterPoint Energy	35.50	0.88	0.91	2.55	9.88
CMS Energy Corp	70.94	2.17	2.22	3.14	10.13
Consolidated Edison	105.40	3.40	3.47	3.29	9.13
Dominion Energy	50.83	2.67	2.68	5.27	8.77
DTE Energy Company	127.95	4.36	4.46	3.48	11.47
Duke Energy Company	116.86	4.18	4.25	3.64	9.85
Edison International	53.62	3.31	3.41	6.36	13.94
Entergy Corp.	79.34	2.40	2.47	3.11	12.30
Evergy Inc	64.36	2.67	2.76	4.29	10.60
Eversource Energy	55.56	3.01	3.10	5.58	11.16
Exelon Corporation	44.69	1.60	1.60	3.58	9.63
FirstEnergy Corp	38.71	1.78	1.83	4.72	10.89
IDACORP, Inc..	113.75	3.44	3.53	3.11	10.71
MGE Energy, Inc.	87.02	1.80	1.86	2.14	9.14
NextEra Energy, Inc.	65.06	2.27	2.38	3.65	11.46
NorthWestern Corp	54.72	2.64	2.66	4.86	10.37
OGE Energy Corp	42.24	1.69	1.72	4.06	10.23
Otter Tail Corp	75.27	2.10	2.17	2.89	9.24
PPL Corporation	33.52	1.09	1.09	3.24	10.42
TXNM Energy Inc.	49.78	1.63	1.67	3.36	8.64
Pinnacle West Capital Corp	89.62	3.58	3.61	4.02	8.92
Portland General Electric Co.	41.58	2.00	2.06	4.94	9.91
Public Service Enterprise Group	77.13	2.52	2.60	3.37	9.95
Southern Company	87.22	2.88	2.93	3.36	9.80
Xcel Energy Inc.	67.06	2.28	2.35	3.50	10.49
Group Average	69.76	2.51	2.57	3.83	10.27
Group Average G				6.40	
DCF				10.23	

Electric Company Barometer Group						
52-week Average Dividend Yield Calculation						
				Latest Indicated	Average Dividend	
	<u>High</u>	<u>Low</u>	<u>Average (Pa)</u>	<u>Dividend (Do)</u>	<u>Yield (Do/Pa)</u>	<u>DCF</u>
	(\$)	(\$)	(\$)	(\$)	(%)	(%)
Alliant Energy Corp	66.54	47.23	56.89	2.03	3.57	10.07
Ameren Corp	104.10	69.39	86.75	2.84	3.27	9.97
American Electric Power	110.48	79.16	94.82	3.72	3.92	10.42
Avista Corp	43.09	33.00	38.05	1.96	5.15	10.81
CenterPoint Energy	37.70	25.41	31.56	0.88	2.79	10.12
CMS Energy Corp	76.45	56.61	66.53	2.17	3.26	10.25
Consolidated Edison	114.87	87.28	101.08	3.40	3.36	9.20
Dominion Energy	61.97	46.62	54.30	2.67	4.92	8.42
DTE Energy Company	140.39	103.06	121.73	4.36	3.58	11.57
Duke Energy Company	125.27	92.75	109.01	4.18	3.83	10.04
Edison International	88.77	49.06	68.92	3.31	4.80	12.38
Entergy Corp.	88.38	50.19	69.29	2.40	3.46	12.65
Evergy Inc	70.30	49.55	59.93	2.67	4.46	10.76
Eversource Energy	69.01	54.54	61.78	3.01	4.87	10.45
Exelon Corporation	48.11	34.01	41.06	1.60	3.90	9.94
FirstEnergy Corp	44.97	36.81	40.89	1.78	4.35	10.52
IDACORP, Inc..	120.84	88.70	104.77	3.44	3.28	10.89
MGE Energy, Inc.	109.22	72.27	90.75	1.80	1.98	8.98
NextEra Energy, Inc.	86.10	61.31	73.71	2.27	3.08	10.88
NorthWestern Corp	59.52	47.48	53.50	2.64	4.93	10.45
OGE Energy Corp	46.91	32.37	39.64	1.69	4.26	10.44
Otter Tail Corp	100.84	71.66	86.25	2.10	2.43	8.78
PPL Corporation	36.64	25.93	31.29	1.09	3.48	10.66
TXNM Energy Inc.	55.50	35.35	45.43	1.63	3.59	8.86
Pinnacle West Capital Corp	96.50	70.72	83.61	3.58	4.28	9.18
Portland General Electric Co.	49.85	40.05	44.95	2.00	4.45	9.42
Public Service Enterprise Group	95.22	64.03	79.63	2.52	3.16	9.75
Southern Company	94.45	67.53	80.99	2.88	3.56	10.00
Xcel Energy Inc.	73.38	51.97	62.68	2.28	3.64	10.62
Group Average	79.84	56.69	68.27	2.51	3.78	10.22
Group Average G					6.40	
DCF					10.18	
			Average of Current and 52-Week		10.20	

Multiple sources of the Barometer companies' projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.

Development of a Representative Dividend Growth Rate for the Barometer Group of Electric Companies						
	5 Year Forecast				Average Earnings Growth	Growth Estimate
	Value Line	Value Line	Zack's	S&P		
	DPS	EPS	EPS	EPS		
	(%)	(%)	(%)	(%)		
Alliant Energy Corp	6.00	6.00	6.70	6.81	6.50	6.50
Ameren Corp	6.50	6.50	6.70	6.88	6.69	6.69
American Electric Power	5.50	6.50	6.30	6.69	6.50	6.50
Avista Corp	4.00	5.00	6.10	5.88	5.66	5.66
CenterPoint Energy	6.00	6.50	7.50	7.98	7.33	7.33
CMS Energy Corp	5.00	6.00	7.70	7.27	6.99	6.99
Consolidated Edison	4.00	6.00	5.60	5.91	5.84	5.84
Dominion Energy	0.50	3.50	13.60	13.49	10.20	3.50
DTE Energy Company	4.50	8.50	7.60	7.87	7.99	7.99
Duke Energy Company	3.50	6.00	6.30	6.32	6.21	6.21
Edison International	6.00	6.50	8.50	7.74	7.58	7.58
Entergy Corp.	5.50	3.00	9.50	8.88	7.13	9.19
Evergy Inc	7.00	7.50	5.70	5.72	6.31	6.31
Eversource Energy	6.00	5.50	5.70	5.54	5.58	5.58
Exelon Corporation	NA	NA	6.00	6.09	6.05	6.05
FirstEnergy Corp	5.50	5.50	6.90	6.11	6.17	6.17
IDACORP, Inc..	5.50	6.00	8.50	8.31	7.60	7.60
MGE Energy, Inc.	6.50	7.00	NA	NA	7.00	7.00
NextEra Energy, Inc.	9.50	8.50	7.80	7.11	7.80	7.80
NorthWestern Corp	1.50	4.50	6.10	5.94	5.51	5.51
OGE Energy Corp	3.00	6.50	6.10	5.92	6.17	6.17
Otter Tail Corp	7.00	4.50	NA	8.20	6.35	6.35
PPL Corporation	-0.50	7.50	6.80	7.22	7.17	7.17
TXNM Energy Inc.	5.50	4.00	3.00	6.55	4.52	5.28
Pinnacle West Capital Corp	1.50	4.00	2.10	5.80	3.97	4.90
Portland General Electric Co.	5.50	5.50	3.40	6.01	4.97	4.97
Public Service Enterprise Group	6.00	6.00	7.20	6.56	6.59	6.59
Southern Company	3.50	6.50	6.50	6.33	6.44	6.44
Xcel Energy Inc.	6.00	6.50	6.90	7.56	6.99	6.99
Group Average	4.86	5.91	6.70	7.02	6.54	6.44
USE						6.40
Sources:	Value Line, April 8, 2025 (www.valueline.com)					
	Zacks, April 8, 2025 (www.zacks.com)					
	Yahoo!, April 8, 2025 (http://finance.yahoo.com/)					
	S&P Capital IQ, April 8, 2025 (www.spglobal.com)					
	* NA signifies that a forecast was not available					

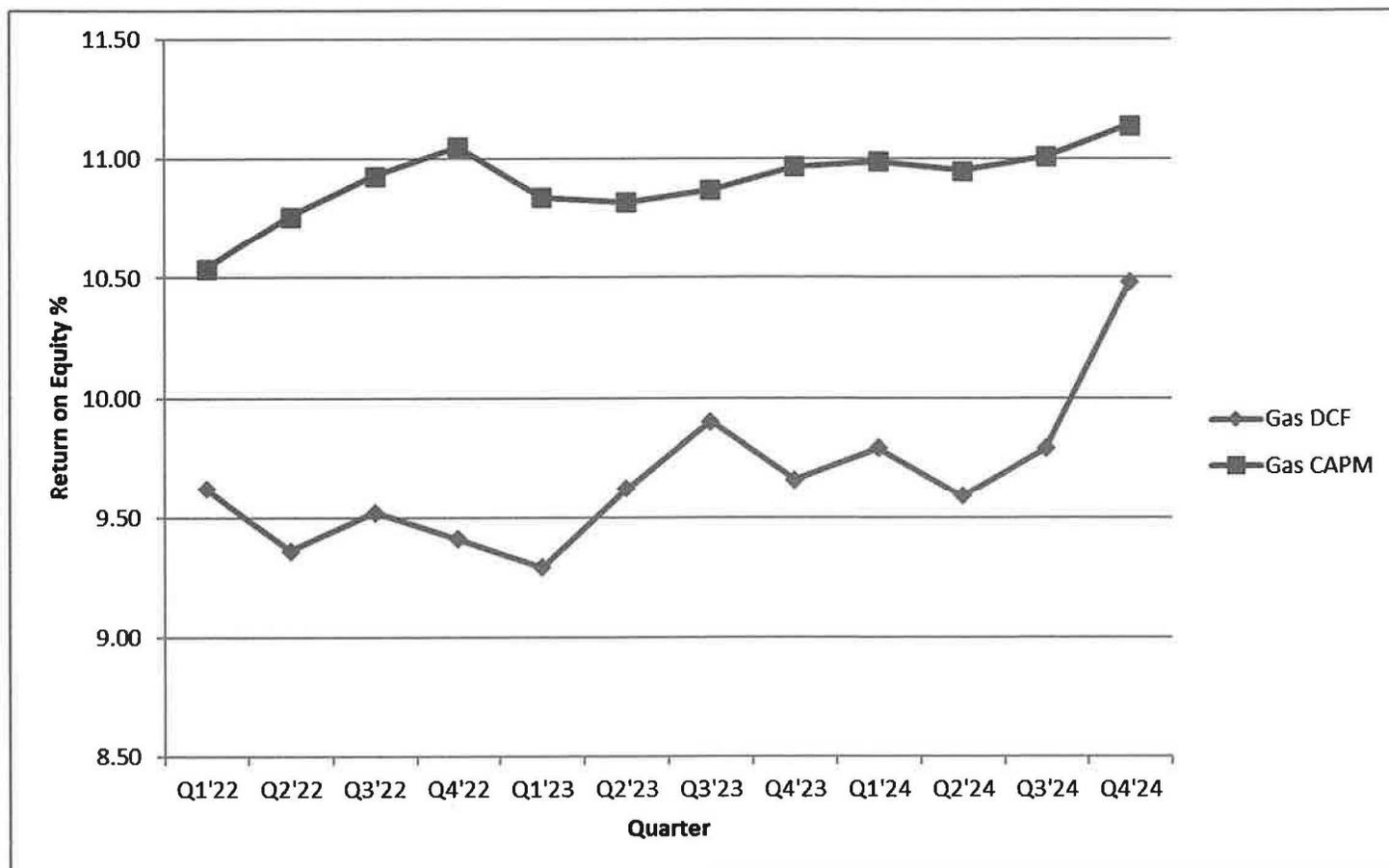
The market indicated common equity cost rate range consists of data used from the barometer groups and is based on a series of calculations to average the DCF methods.

Market Based Returns on Common Equity¹	
April 7, 2025	
<u>Gas Distribution Company Barometer Group</u>	
	Cost Rates
	%
(1) Current DCF:	10.46
(2) 52-Week Average DCF:	<u>10.51</u>
(3) Overall DCF ((1) + (2)) / 2 :	<u>10.48</u>
(4) Market Indicated Common Equity Cost Rate Range: @ 1 standard deviation around the mean. ²	<u>8.92-12.05</u>
(5) CAPM Check of DCF Reasonableness:	11.14
(6) Recent Commission Approved ROEs ³ : *None within the last two years	*
(7) Distribution System Improvement Charge (DSIC) Return ⁴ :	<u>10.15%</u>
¹ As calculated by the Bureau of Technical Utility Services	
² Standard Deviation of 16 DCF observations	
³ Base rate case ROEs within last two years, fully litigated or stipulated for DSIC	
⁴ Commission authorized Return on Equity (ROE) for DSIC purposes	
Any questions concerning DSIC should be directed to Rich Layton of the Bureau of Technical Utility Services at (717) 214-9117.	

Historic Gas Industry DCF and CAPM Average ROEs

	Gas	
	DCF	CAPM
Q1'22	9.62	10.54
Q2'22	9.36	10.76
Q3'22	9.52	10.93
Q4'22	9.41	11.05
Q1'23	9.29	10.84
Q2'23	9.62	10.82
Q3'23	9.90	10.87
Q4'23	9.66	10.97
Q1'24	9.79	10.99
Q2'24	9.59	10.95
Q3'24	9.79	11.01
Q4'24	10.48	11.14

Graph of Historic Gas Industry DCF and CAPM Average ROEs



Multiple sources of the Barometer companies' projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.

Development of a Representative Dividend Growth Rate for the Barometer Group of Gas Companies						
<u>5 Yr Forecast</u>						
	Value Line	Value Line	Zack's	S&P	Average	Growth
	<u>DPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>Earnings</u>	<u>Growth</u>
	(%)	(%)	(%)	(%)	(%)	(%)
						<u>Estimate</u>
Atmos Energy	7.00	6.00	7.20	7.52	6.91	6.91
Chesapeake Utilities Corporation	7.50	5.00	NA	8.15	6.58	6.58
New Jersey Resources	5.00	5.00	NA	7.60	6.30	6.30
NiSource Inc.	6.50	8.00	7.90	7.94	7.95	7.95
Northwest Natural Gas	0.50	6.50	NA	6.50	6.50	6.50
ONE Gas, Inc.	2.50	4.00	5.90	3.83	4.58	4.58
Southwest Gas	5.50	10.00	9.50	12.60	10.70	9.75
Spire Inc.	4.00	4.50	6.50	8.08	6.36	6.36
Group Average	4.81	6.13	7.40	7.78	6.98	6.86
USE						6.90
Sources:	Value Line, April 8, 2025 (www.valueline.com)					
	Zacks, April 8, 2025 (www.zacks.com)					
	Yahoo!, April 8, 2025 (http://finance.yahoo.com/)					
	S&P Capital IQ, April 8, 2025 (www.spglobal.com)					
	* NA signifies that a forecast was not available					

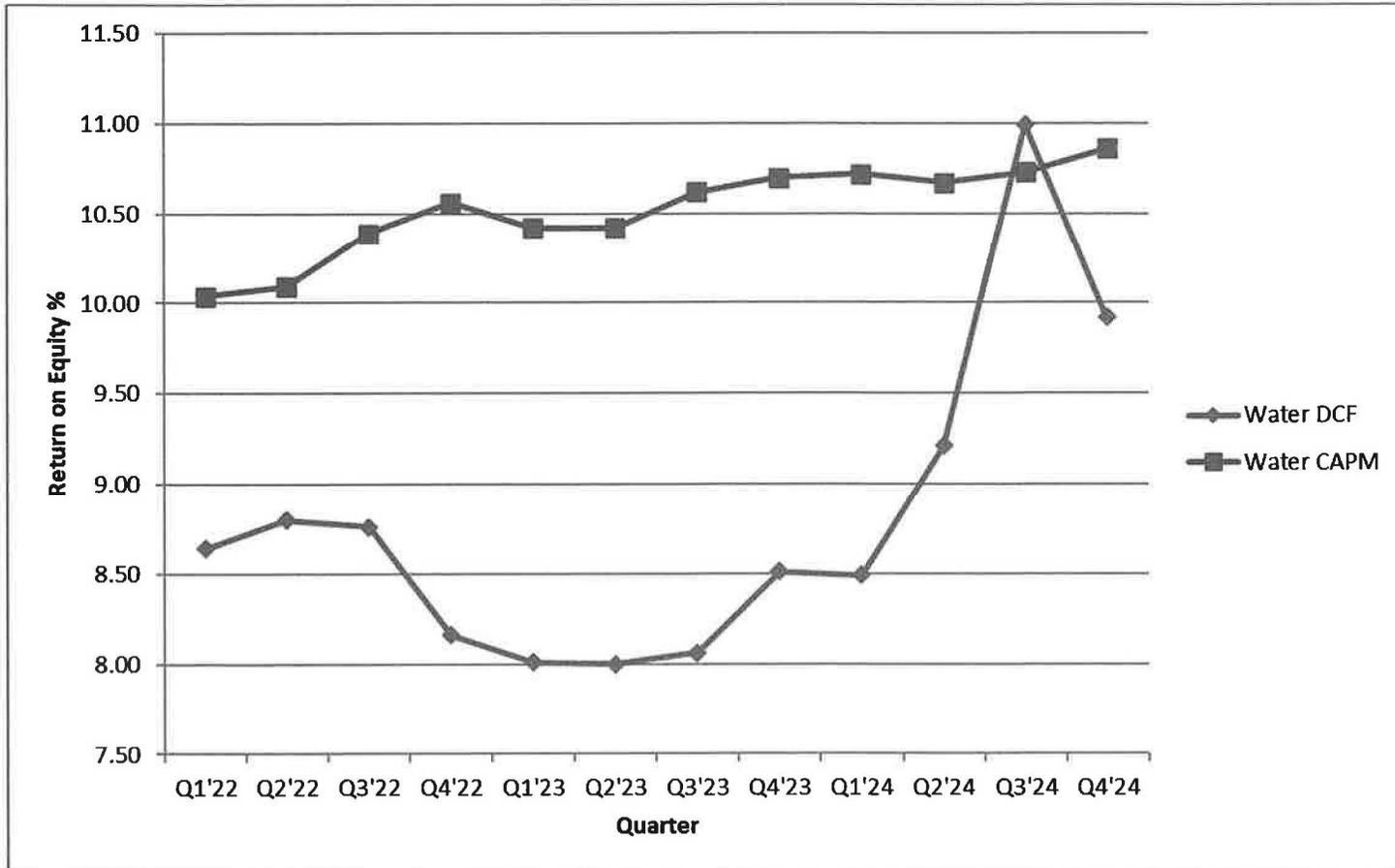
The market indicated common equity cost rate range consists of data used from the barometer groups and is based on a series of calculations to average the DCF methods.

Market Based Returns on Common Equity ¹	
April 7, 2025	
<u>Water Company Barometer Group</u>	
	Cost Rates
	<u>%</u>
(1) Current DCF	9.96
(2) 52-Week Average DCF	9.88
(3) Average DCF	<u>9.92</u>
(4) Market Indicated Common Equity Cost Rate Range @ 1 standard deviation around the mean. ²	<u>7.25-12.59</u>
(5) CAPM Check of DCF Reasonableness	10.86
(6) Recent Commission Approved ROEs ³ :	
Columbia Water Company, R-2023-3040258	9.75
Pennsylvania-American water Company, R-2023-3043189	9.45
(7) Distribution System Improvement Charge (DSIC) Return ⁴ :	<u>9.75%</u>
¹ As calculated by the Bureau of Technical Utility Services	
² Standard Deviation of 12 DCF observations	
³ ROEs from base rate cases within last two years, fully litigated or stipulated for DSIC purposes	
⁴ Commission authorized Return on Equity (ROE) for DSIC purposes	
Any questions concerning DSIC should be directed to Rich Layton of the Bureau of Technical Utility Services at (717) 214-9117.	

Historic Water Industry DCF and CAPM Average ROEs

Water		
	DCF	CAPM
Q1'22	8.64	10.04
Q2'22	8.80	10.09
Q3'22	8.76	10.39
Q4'22	8.16	10.56
Q1'23	8.01	10.42
Q2'23	8.00	10.42
Q3'23	8.06	10.62
Q4'23	8.51	10.70
Q1'24	8.49	10.72
Q2'24	9.21	10.67
Q3'24	10.99	10.73
Q4'24	9.92	10.86

Chart of Historic Water Industry DCF and CAPM Average ROEs



Barometer water companies are used to calculate a current DCF in the first chart. The second chart demonstrates the companies' 52-week average DCF. A final average of the two calculations is also shown at the bottom.

Water Company Barometer Group						
Calculation of a Current Dividend Yield						
	Closing	Latest	Ind. Div.			
	Market	Indicated	Plus 1/2	Current		
	Price (Po)	Dividend	Div. Growth	Dividend		
	<u>4/7/2025</u>	<u>(Do)</u>	<u>Rate (D1)</u>	<u>Yield(D1/Po)</u>	<u>Growth</u>	<u>DCF</u>
	(\$)	(\$)	(\$)	(%)	(%)	(%)
American States Water Company	75.41	1.86	1.93	2.57	3.52	6.08
American Water Works Co., Inc.	142.36	3.06	3.19	2.24	6.76	9.00
California Water Service Group	47.50	1.20	1.23	2.60	9.50	12.10
Essential Utilities, Inc.	38.32	1.30	1.35	3.53	6.70	10.23
Middlesex Water Company	61.62	1.36	1.39	2.26	11.65	13.92
SJW Group	51.28	1.68	1.72	3.35	5.17	8.52
Group Average	69.42	1.74	1.80	2.76	7.22	9.97
Group Average G				7.20		
DCF				9.96		

Water Company Barometer Group							
52-week Average Dividend Yield Calculation							
				Latest	Average		
				Indicated	Dividend		
	<u>High</u>	<u>Low</u>	<u>Average (Pa)</u>	<u>Dividend (Do)</u>	<u>Yield (Do/Pa)</u>	<u>Growth</u>	<u>DCF</u>
	(\$)	(\$)	(\$)	(\$)	(%)	(%)	(%)
American States Water Company	87.50	66.03	76.77	1.86	2.42	3.52	5.94
American Water Works Co., Inc.	155.50	113.34	134.42	3.06	2.28	6.76	9.03
California Water Service Group	56.25	41.64	48.95	1.20	2.45	9.50	11.95
Essential Utilities, Inc.	41.78	33.18	37.48	1.30	3.47	6.70	10.17
Middlesex Water Company	70.73	45.42	58.08	1.36	2.34	11.65	14.00
SJW Group	62.18	44.91	53.55	1.68	3.14	5.17	8.31
Group Average	78.99	57.42	68.21	1.74	2.68	7.22	9.90
Group Average G					7.20		
DCF					9.88		
					9.92		

Multiple sources of the Barometer companies' projected 5-year Earnings Per Share are used to calculate the Group Average Dividend Growth Estimate.

Development of a Representative Dividend Growth Rate for the Barometer Group of Water Companies						
	<u>5 Yr Forecast</u>					
	Value Line	Value Line	Zacks	S&P	Average	Growth
	<u>DPS</u>	<u>EPS</u>	<u>EPS</u>	<u>EPS</u>	<u>Earnings</u>	<u>Growth</u>
	(%)	(%)	(%)	(%)	(%)	(%)
American States Water Company	8.00	7.00	1.80	1.75	3.52	3.52
American Water Works Co., Inc.	8.50	4.50	8.00	7.77	6.76	6.76
California Water Service Group	5.50	9.50	42.40	42.44	31.45	9.50
Essential Utilities, Inc.	8.00	7.00	6.60	6.51	6.70	6.70
Middlesex Water Company	5.00	7.00	14.00	13.96	11.65	11.65
SJW Group	4.50	6.50	4.50	4.52	5.17	5.17
Group Average	6.58	6.92	12.88	12.83	10.88	7.22
USE						7.20
Sources:	Value Line, April 8, 2025 (www.valueline.com)					
	Zacks, April 8, 2025 (www.zacks.com)					
	Yahoo!, April 8, 2025 (http://finance.yahoo.com/)					
	S&P Capital IQ, April 8, 2025 (www.spglobal.com)					
	* NA signifies that a forecast was not available					

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Re: Bureau of Technical Utility Services
Report to the Commission Regarding
Quarterly Earnings of Pennsylvania Utilities
for the Year Ended December 31, 2024**

**Public Meeting May 8, 2025
3054401-TUS
Docket No. M-2025-3054401**

**JOINT STATEMENT OF COMMISSIONER RALPH V. YANORA AND
COMMISSIONER JOHN F. COLEMAN, JR.**

Before the Pennsylvania Public Utility Commission (Commission) today for consideration and disposition is the Bureau of Technical Utility Services (TUS) Report on the Quarterly Earnings of Jurisdictional Utilities (Quarterly Earnings Report) for the year ended December 31, 2025.

The Return on Equity (ROE) that the Commission sets in this report is essential to ongoing infrastructure improvement work because it establishes the return a company is authorized to include in its Distribution System Improvement Charge (DSIC) and establishes an earnings cap for DSIC eligibility. The Commission must set the ROE at a level that is fair to customers while also ensuring safe, reliable, and adequate public utility service, by incentivizing companies to invest in critical utility infrastructure.

Our longstanding basis for establishing a fair ROE is the Discounted Cash Flow (DCF) method and the use of the Capital Asset Pricing Model (CAPM) for comparison. For the water company barometer group, the DCF this quarter is 9.92% and the CAPM is 10.86% while the ROE for DSIC purposes has stayed at 9.75%. This is the second quarter in a row where the DCF and CAPM are higher than the DSIC ROE.

For the electric company barometer group, the DCF is 10.20% and the CAPM is 11.63%. The report keeps the DSIC ROE at 10.00%. This is the fifth quarter in a row where the DCF and CAPM are higher than the DSIC ROE.

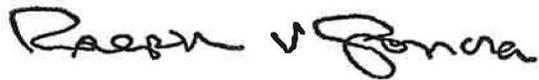
For the gas barometer group, the DCF is 10.48% and the CAPM is 11.14%. The report keeps the DSIC ROE at 10.15%.

We are deeply concerned that our DSIC ROEs are not keeping pace with the DCF and CAPM market indicators. We acknowledge the need for gradualism and, as a regulatory entity, it is important that our actions are predictable. However, habitually setting an overearnings rate below what the DCF indicates is a fair return in the market is not a position we can continue to support.

When a utility earns a return higher than the DSIC ROE, the company becomes ineligible to collect the DSIC for that quarter. We believe this is an important safeguard for customers to ensure that the overall rate for service is just and reasonable. On the other hand, when the Commission sets a DSIC ROE *lower* than the DCF and CAPM, the Commission is penalizing a

company who earns a return below the market average. If the Commission wants to incentivize essential infrastructure investment, we cannot continue to set DSIC ROEs below the DCF and CAPM. We are concerned that keeping the water and electric ROEs below the DCF and CAPM poses a significant threat to the ability of utilities to provide safe and reliable service.

We would prefer to increase the DSIC ROEs for both the electric and water industries not only to keep up with the pace of current market conditions, but also to incentivize much-needed investment in utility infrastructure.



RALPH V. YANORA
COMMISSIONER



JOHN F. COLEMAN, JR.
COMMISSIONER

Date: May 8, 2025

Energy Center Harrisburg LLC

Supporting Schedule No. 11

**Expense Analysis: Going-Level
Adjustment No. 3**

Expense Analysis: Going-Level Adjustment No.3

	EOY Mar 26	EOY Mar 25	EOY Mar 24	EOY Mar 23
M&S - Land and Bldgs	33,562.13	75,738.98	22,267.13	2,680.29
M&S - Balance of Plant	147,377.74	17,347.74	7,938.03	416,847.45
M&S - Boiler	59,001.27	925.93	176,077.89	0.00
M&S - Facilities	29,039.05	34,159.02	33,202.10	19,756.03
M&S - Rolling Stock	0.00	0.00	0.00	0.00
M&S - Steamlines	44,110.44	44,601.50	87,729.81	0.00
M&S - Conversions	0.00	0.00	0.00	0.00
M&S - Vehicles	24,374.46	22,910.98	29,314.25	20,898.14
M&S - Consumables	91,207.54	112,508.49	101,466.78	59,647.35
M&S - Chemicals	42,379.56	51,808.00	47,077.27	28,253.41
Permits and Fees	28,260.11	26,112.54	40,059.61	18,608.19
Hazardous Materials	0.00	0.00	0.00	0.00
Safety and Protection	16,706.24	23,102.17	21,786.24	5,230.31
Other Maintenance	102,185.38	(197.67)	0.00	306,753.80
Employee Exp	9,253.06	\$8,545.93	\$2,468.83	\$16,744.43
Travel & Meals	16,806.65	16,220.39	10,851.45	23,348.11
Office Expenses	35,463.69	28,415.51	39,794.02	38,181.54
Insurance	135,603.75	168,163.52	119,981.41	118,666.33
Other Admin	130,840.78	152,123.13	88,875.86	151,523.34
Charitable Contr	0.00	0.00	0.00	0.00
Advertising	6,920.78	7,962.29	7,244.94	5,555.11
TOTAL EXPENSES	\$953,092.63	\$790,448.45	\$836,135.62	\$1,232,693.83

Adjustments

Non-recurring charge				(\$303,333.00)
Turbine Rebuild MM				(\$50,015.00)
Tank Cleaning				(\$41,692.00)

M&S - Land and Bldgs	33,562.13	75,738.98	22,267.13	2,680.29
M&S - Balance of Plant	116,808.74	17,347.74	7,938.03	325,140.45
M&S - Boiler	59,001.27	925.93	176,077.89	0.00
M&S - Facilities	29,039.05	34,159.02	33,202.10	19,756.03
M&S - Rolling Stock	0.00	0.00	0.00	0.00
M&S - Steamlines	44,110.44	44,601.50	87,729.81	0.00
M&S - Vehicles	24,374.46	22,910.98	29,314.25	20,898.14
M&S - Consumables	91,207.54	112,508.49	101,466.78	59,647.35
M&S - Chemicals	42,379.56	51,808.00	47,077.27	28,253.41
Permits and Fees	28,260.11	26,112.54	40,059.61	18,608.19
Hazardous Materials	0.00	0.00	0.00	0.00
Safety and Protection	16,706.24	23,102.17	21,786.24	5,230.31
Other Maintenance	1,074.38	(197.67)	0.00	3,420.80
Employee Exp	9,253.06	8,545.93	2,468.83	16,744.43
Travel & Meals	16,806.65	16,220.39	10,851.45	23,348.11
Office Expenses	35,463.69	28,415.51	39,794.02	38,181.54
Insurance	135,603.75	168,163.52	119,981.41	118,666.33
Other Admin	130,840.78	152,123.13	88,875.86	151,523.34
Charitable Contr	0.00	0.00	0.00	0.00
Advertising	6,920.78	7,962.29	7,244.94	5,555.11
TOTAL EXPENSES	\$821,412.63	\$790,448.45	\$836,135.62	\$837,653.83

\$30,964.18

Energy Center Harrisburg LLC

EXHIBIT NO. KLL-2

Annual Report (2024) to PUC

Energy Center Harrisburg Annual Report (2024) to PUC - Income Statement

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Revenue			
Steam Sales (1)	\$ 7,962,661.40	\$ 7,311,712.84	\$ 7,720,228.59
Penalty	2,057.45	-	-
Total Billed	7,964,718.85	7,311,712.84	7,184,074.41
Unbilled Rev (2)	(312,706.16)	32,664.33	215,920.40
Total Revenue	\$ 7,652,012.69	\$ 7,344,377.17	\$ 7,399,994.81
SCR Expenses			
Fuel Oil/Power Purchases	\$ 63,142.39	\$ 73,970.41	\$ 115,180.02
Natural Gas	2,450,893.46	2,625,385.93	2,697,114.88
Water	448,427.78	435,808.94	472,709.36
Subtotal SCR	\$ 2,962,463.63	\$ 3,135,165.28	\$ 3,285,004.26
Non-SCR Revenue	\$ 4,689,549.06	\$ 4,209,211.89	\$ 4,622,622.28
Non-SCR Expenses			
Payroll & Benefits	\$ 2,953,200.88	\$ 2,670,892.15	\$ 2,749,989.50
A/P Items (see attached detail)	1,303,173.21	1,638,695.94	1,102,224.14
Electric	68,146.55	648.72	2,377.83
Rent	5,691.02	3,882.77	16,494.34
Acquisition Adjustment	155,085.62		
Depreciation	323,129.00	459,502.91	1,608,289.84
Subtotal	\$ 4,808,426.28	\$ 4,314,119.58	\$ 5,479,375.65
Operating Income	\$ (118,877.22)	\$ (104,907.69)	\$ (856,753.37)
Other Revenue			
Customer Service (3)	\$ 48,649.63	\$ 138,968.75	\$ 58,023.89
Svc to Cogen Plant (4)	388,854.72	379,000.68	353,545.44
Svc to Cooling Plant (5)	642,145.68	625,872.96	583,836.72
Parking	2,296.71	1,740.60	5,658.84
Other	5,026.52	11,452.71	10,960.81
Total Other Rev	\$ 1,086,973.26	\$ 1,157,035.70	\$ 1,012,025.70
Income and Deferred Taxes	\$ -	\$ -	\$ -
Net Income	\$ 968,096.04	\$ 1,052,128.01	\$ 155,272.33

Energy Center Harrisburg
Annual Report (2024) to PUC - Income Statement

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<u>A/P ITEMS DETAIL</u>			
Temp Employees	\$ 21,128.00	\$ 47,161.76	\$ -
Prod/Dist Maint	466,845.49	357,976.22	456,369.61
Vehicle Maint	20,851.28	31,130.72	19,111.22
Tools & Facilities	31,102.73	30,379.60	15,742.48
Site Maintenance	62,791.57	22,696.14	22,988.11
Consumables	90,285.50	73,389.19	-
Chemicals	40,885.48	36,078.39	28,667.45
Permits & Fees	25,812.53	39,420.28	20,723.52
Other Maint	965.90	20,827.27	65,425.74
Other Taxes	62,822.32	64,416.96	74,064.77
Legal/Consult	222,438.47	204,804.76	101,785.05
Office Expenses	109,405.96	72,033.74	139,994.63
Insurance	158,841.83	126,267.07	117,099.91
Charitable Giving	-	-	2,500.00
Advertising	2,053.20	10,300.05	-
Other Admin Exp	-	-	-
Bad Debt	759.09	-	-
Employee Exp	31,852.85	28,202.61	29,296.53
Travel & Entertainment	12,334.88	14,875.82	10,813.06
Corporate Allocation	(58,003.87)	(767.55)	(2,357.94)
	\$ 1,303,173.21	\$ 1,638,695.94	\$ 1,102,224.14

Energy Center Harrisburg

Annual Report (2024) to PUC - Balance Sheet

	@ 12/31/2023	2024 Activity	@ 12/31/2024
ASSETS			
Current Assets			
Clearing Tipalti	\$ 33,002.92	\$ (33,002.92)	\$ -
A/R	1,403,591.12	119,611.14	1,523,202.26
Intragroup (6)	7,921,388.97	(7,914,081.23)	7,307.74
Prov for Uncollectible	(22,105.87)	-	(22,105.87)
Inventory - No.6 Oil	1,006,489.44	(36,508.35)	969,981.09
Inventory - Spare Parts	345,567.12	37,285.36	382,852.48
Prepd Fuel		-	
Prepd Insurance	40,788.41	12,428.98	53,217.39
Prepd Other	33,660.62	(28,475.77)	5,184.85
Curr Derivative Assets	444,016.75	(340,800.00)	103,216.75
Bdgt Billing		-	
Total Current Assets	\$ 11,206,399.48	\$ (8,183,542.79)	\$ 3,022,856.69
Fixed Assets			
Org & Franchise	\$ 905.00	\$ -	\$ 905.00
Land	58,568.00	-	58,568.00
Buildings	1,697,819.00	106,987.00	1,804,806.00
Plant Equipment	10,084,534.00	3,251,604.00	13,336,138.00
Distribution System	1,507,065.64	7,555,218.36	9,062,284.00
General Office	238,002.00	-	238,002.00
Vehicles	579,518.00	-	579,518.00
Subtotal Fxd Assets	\$ 14,166,411.64	\$ 10,913,809.36	\$ 25,080,221.00
CWIP	642,661.43	(642,111.43)	550.00
Total Fixed Assets	\$ 14,809,073.07	\$ 10,271,697.93	\$ 25,080,771.00
Accum Depr	(6,844,709.63)	(6,118,143.37)	(12,962,853.00)
Net Plant	\$ 7,964,363.44	\$ 4,153,554.56	\$ 12,117,918.00
Other Non-current Assets	\$ 736,784.04	(661,742.03)	\$ 75,042.01
Total Assets	\$ 19,907,546.96	\$ (4,691,730.26)	\$ 15,215,816.70

Energy Center Harrisburg
Annual Report (2024) to PUC - Balance Sheet

	@ 12/31/2023	2024 Activity	@ 12/31/2024
LIABILITIES			
Current Liabilities			
A/P Trade/Suspense	214,503.66	\$ (197,985.33)	16,518.33
A/P - Working acct	469,340.17	\$ (115,413.07)	353,927.10
A/P Trade - Intercompany	5,545,221.42	\$ (3,341,579.65)	2,203,641.77
Accr Inc Tax	13,381.56	\$ (13,307.56)	74.00
Accr Other Tax	14,311.23	\$ 373,134.89	387,446.12
Payroll Accrual (6)	638,111.24	\$ (214,230.32)	423,880.92
Misc Liability		\$ -	
Deferred Rev		\$ -	
Deferred Taxes		\$ -	
Other Current Liabilities		\$ 28,000.00	28,000.00
Derivative Liability (6)	1,462,593.57	\$ (1,244,276.88)	218,316.69
Total Curr Liabilities	8,357,462.85	(4,725,657.92)	3,631,804.93
Equity (6)			
Equity	8,762,167.72	\$ -	8,762,167.72
Contributed Cap	(10,077,600.27)	\$ (2,676,006.85)	(12,753,607.12)
Ret'd Earnings	11,813,388.65	\$ 2,793,966.48	14,607,355.13
Curr Yr Net Inc	1,052,128.01	\$ (84,031.97)	968,096.04
Total Equity	11,550,084.11	33,927.66	11,584,011.77
Total Liab & Equity	19,907,546.96	(4,691,730.26)	15,215,816.70

Energy Center Harrisburg
Annual Report - 2024

Footnotes

- (1) Revenue for 2024 decreased from previous year due to mild temperatures in the winter months.
- (2) Unbilled revenue is the allowance for over/under fuel collection. The monthly amount is journalized to the revenue account to make Net Income be fuel neutral. Offsetting entries are journalized to the Balance Sheet Deferred Revenue account.
- (3) Customer service revenue includes charges to steam customers, contractors, and others for maintenance work and parts.
- (4) Service to Cogen is revenue for operations, maintenance, and administrative support performed for Energy Center Paxton. Also included in this charge is \$4000 per month for the cogeneration plant ground lease.
- (5) Service to Cooling Plant is revenue for operations, maintenance, and administrative support performed for Harrisburg Cooling.
- (6) Balance sheet items Cash, Intragroup, Payroll Accrual, Derivative Liability, and Equity are all maintained and reconciled by Clearway Energy's corporate office.

CONFIDENTIAL

Energy Center Harrisburg LLC

EXHIBIT NO. KLL-3

**Methodology to Implement a Capacity
Charge using the Existing Tariff
Structure**

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission,	:	
	:	
Complainant	:	
	:	
v.	:	Docket No. R-2025-3055959
	:	
Energy Center Harrisburg LLC,	:	
	:	
Respondent	:	

**PREPARED REBUTTAL TESTIMONY OF
KEITH L. LI, CONSULTANT
ENERGY CENTER HARRISBURG LLC**

Filed: November 3, 2025
Admitted: _____

ECH Statement No. 2-R

**PREPARED REBUTTAL TESTIMONY
OF KEITH L. LI**

1 **Q. PLEASE STATE YOUR NAME AND GIVE YOUR BUSINESS ADDRESS.**

2 A. My name is Keith L. Li, and my business address is 2710 Chadsworth Lane, Southport,
3 NC 28461.

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

5 A. I am a consultant for Energy Center Harrisburg LLC (“ECH” or the “Company”).

6 **Q. HAVE YOU SUBMITTED ANY OTHER TESTIMONY IN THIS PROCEEDING?**

7 A. Yes. I submitted Direct Testimony, ECH Statement No. 2, on July 18, 2025.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. I will respond to the Direct Testimony of Mr. Ethan H. Cline on behalf of the Bureau of
10 Investigation and Enforcement (“I&E”) and Mr. Lafayette K. Morgan, Jr. and Mr. Jerome
11 D. Mierzwa on behalf of the Office of Consumer Advocate (“OCA”). Specifically, I will
12 respond to testimony related to ECH’s proposed rate structure and ECH’s mitigated
13 claimed increase in this base rate case proceeding determined by its supportable revenue
14 requirement.

15

16 **OVERVIEW OF THE DIRECT TESTIMONY OF I&E AND OCA**

17 **Q. GENERALLY, WHAT ISSUES WERE RAISED IN THE DIRECT TESTIMONY**
18 **OF WITNESSES ON BEHALF OF I&E AND OCA?**

19 A. Mr. Cline and Mr. Mierzwa provide testimony in opposition to ECH’s proposed rate
20 structure, which is a fixed monthly capacity charge based on the customer’s Equivalent
21 Cubic Feet (“ECF”) for seasonal customers or Equivalent Maximum Pounds (“EMP”) for
22 continuous customers. As I explained in my Direct Testimony, each individual customer’s

1 ECF or EMP would be back calculated to match exactly the per Mlb. increase that would
2 have been charged under the existing rate structure to allow the Company to recover its
3 allowed, and mitigated, revenue requirement in this proceeding.¹

4 Mr. Morgan provides testimony in opposition to ECH’s mitigated claimed increase
5 in this base rate case proceeding. Notably, I&E’s witness did not provide any opposition
6 to ECH’s mitigated claimed increase and revenue requirement. The Office of Small
7 Business Advocate (“OSBA”) has not submitted any direct testimony in this matter.

8 **Q. WHAT ARE YOUR GENERAL IMPRESSIONS OF THE ISSUES RAISED IN THE**
9 **DIRECT TESTIMONY OF WITNESSES ON BEHALF OF I&E AND OCA?**

10 A. It appears that I&E and OCA do not give much credence to the fact that ECH’s last base
11 rate case was over twelve years ago. Much has changed globally and from the perspective
12 of the Company in the last twelve years, and the fact that ECH has managed without a base
13 rate case or any rate increase for over a decade is both extraordinary and proof that ECH is
14 not a typical public utility regulated by the Pennsylvania Public Utility Commission
15 (“PUC” or “Commission”). In my Direct Testimony, and in the Direct Testimony of ECH
16 witness Mark Schneider, we explained that what makes ECH unique is its small size and
17 the competitive nature of the steam industry, with viable alternatives for heating buildings,
18 that introduces natural incentives for ECH to keep rates lower—factors that are not
19 necessarily present in rate cases by electric, gas, or water companies, for example. There
20 is a greater concern for ECH’s financial viability, and while ECH understands that the
21 Commission has an obligation to protect ratepayers and the public interest by ensuring
22 affordable rates, the Commission also has an obligation to ensure that public utilities

¹ See ECH Statement No. 1, Direct Testimony of Mark Schneider, at pp. 11-13 and ECH Statement No. 2, Direct Testimony of Keith L. Li, at pp. 12-13, for an explanation of the Company’s proposed changes to the rate structure.

1 receive a reasonable rate of return and rates to produce the necessary revenue to maintain
2 operations. It is unusual for a public utility to present a supportable annual increase of
3 \$1,775,157 and only request a mitigated increase of \$894,300. The pressures facing ECH,
4 including the need to remain competitive and not deter customers, are unique to ECH and
5 not traditionally experienced by other regulated public utilities. Moreover, unlike other
6 public utilities and in recognition of the competitive business, steam is not always regulated
7 by state regulatory commissions.

8 ECH is somewhat surprised by the level of opposition to its modest requested
9 increase in this proceeding. ECH has taken measures to keep costs lower in this rate case
10 by not hiring the number of experts and counsel that would ordinarily be involved in a
11 traditional rate case for a more traditional public utility. However, ECH has already
12 responded to a significant number of discovery requests and received testimony from three
13 outside experts, including two experts from OCA on behalf of nine residential customers.

14 The Direct Testimony of OCA Witness Mr. Mierzwa (p. 6), recognizes that “ [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED] ”

18 Nonetheless, ECH has already incurred considerable costs in rate case expenses to defend
19 its modest requested rate increase. While ECH appreciates the importance to scrutinize
20 every request for a rate increase at a time when utility bills have generally risen, the cost
21 to request a rate increase has also risen steadily. If the outcome of this proceeding means
22 that ECH is required to increase the time between rate cases because it cannot receive its

1 requested rate increase or ensure enough fixed revenue that it needs to operate, then ECH
2 will not be financially viable.

3 As stated in ECH's Direct Testimony, and as explained below, the context is
4 important here that ECH is a small company, with a small customer base, with decreasing
5 Mlb. sales, and with viable competitive alternatives for customers. ECH has initiated this
6 proceeding with a significant reduction to its supportable increase, but ECH has a real need
7 for certainty and consistency in revenue to stay afloat and to ensure the continued provision
8 of reliable service. ECH provides a public benefit in the City of Harrisburg, and ECH, its
9 customers, and the Commission have an interest in its continued operations and should
10 seek to avoid the result of Community Central Energy Corp. (CCEC) of Scranton which
11 did not survive financially after losing certain key customers.

12
13 **REBUTTAL ON DIRECT TESTIMONY RELATED TO RATE STRUCTURE**

14 **Q. PLEASE DESCRIBE MR. CLINE'S DIRECT TESTIMONY.**

15 A. I&E witness Mr. Cline focuses exclusively on ECH's proposed rate structure to utilize a
16 fixed monthly capacity charge for customers that will match, on an individual basis, the
17 per Mlb. increase that would have been charged under the existing rate structure, but which
18 would guarantee that ECH is permitted to recover its revenue requirement in this matter.
19 Mr. Cline asserts that the Public Utility Code and Commission policies do not allow
20 utilities to change their existing rate structure due to the size of the utility and the existence
21 of a competitive market. Mr. Cline continues that the proposed fixed capacity charge does
22 not follow cost of service principles and that decreased customer usage should result in
23 lower charges to customers.

1 **Q. PLEASE DESCRIBE MR. MIERZWA’S DIRECT TESTIMONY.**

2 A. OCA witness Mr. Mierzwa also focuses exclusively on ECH’s proposed rate structure. Mr.
3 Mierzwa asserts that ECH’s proposed rate design violates principles of rate design stability
4 and predictability, does not provide for certainty, and that the changes will not be
5 understandable or acceptable by the customers. Mr. Mierzwa continues that ECH’s
6 proposed rate structure is inconsistent with Commission precedent and practice.

7 **Q. WHY IS ECH PROPOSING A CHANGE IN RATE STRUCTURE?**

8 A. ECH has a small customer base that inhibits its ability to spread out costs over a large
9 number of customers and its ability to absorb large revenue swings from year to year. As
10 ECH witness Mark Schneider explained in his Direct Testimony (p. 11), a fixed capacity
11 charge reflects the fact that our small customer base is sharing very limited and defined
12 assets that are being used for the mutual benefit of all customers. Customers are essentially
13 sharing a boiler. The steam cost rate (“SCR”) will continue to be a variable component
14 subject to weather and customer conservation investments. This is consistent with a
15 customer that invests an in-house boiler. The capital cost of the boiler is not subject to
16 weather but the fuel consumption is.

17 The other reason why ECH is requesting a fixed capacity rate to provide more
18 certainty for its revenue is that Mlb. sales are decreasing. Since the last rate case over
19 twelve years ago, the number of customers has decreased due to viable heating alternatives,
20 winters have become warmer, and customers have taken more conservation measures.
21 ECH had approximately 143 customer accounts at the time of the 2013 rate case,
22 approximately 400 customer accounts in 1987, and today ECH has only approximately 100
23 customer accounts in Harrisburg. The result of decreasing Mlb. sales with a smaller

1 customer base is that ECH has a greater need to ensure that it will receive the revenue it
2 needs to remain operating. A purely volumetric rate cannot provide this certainty.

3 **Q. WHAT IS YOUR RESPONSE TO THE CONCERN WITH STABILITY AND**
4 **PREDICTABILITY IN ECH'S PROPOSED RATE STRUCTURE?**

5 A. In response to these claims, it is important to acknowledge that this is the first rate case
6 ECH has filed in over twelve years. ECH customers have experienced extremely stable
7 and predictable rates for over a decade now, without any increases or any significant
8 changes to its steam tariff. This is not similar to other public utilities and certainly other
9 large public utilities that have the resources and money to bring rate cases more frequently.
10 If ECH is not able to guarantee a certain amount in fixed revenue to keep operating, then a
11 likely outcome would be that ECH is required to seek rate increases much more
12 frequently—an outcome that ECH may not necessarily be able to afford and that would
13 increase rate case expense. Therefore, the alternative to ensuring fixed revenue to ECH
14 through the rate structure is either (i) more frequent rate increases, which would not be
15 stable or predictable for customers, or (ii) the eventual outcome of a death spiral in which
16 ECH experiences a similar fate to Community Central Energy Corp. (CCEC) of Scranton,
17 which also would not be stable or predictable for customers. ECH has taken every measure
18 possible to delay seeking a rate increase and to mitigate its claim for relief, due largely in
19 part to the uniquely competitive nature of its industry. While a fixed capacity charge would
20 be a change to how it charges customers, it is more predictable and stable than the
21 alternatives where ECH is not able to receive the revenue it requires. Moreover, the SCR
22 would remain the same, providing a measure of stability and predictability and allowing
23 customers to conserve and reduce charges for their fuel costs.

1 **Q. WHAT IS YOUR RESPONSE TO THE CONCERN WITH CERTAINTY IN ECH'S**
2 **PROPOSED RATE STRUCTURE?**

3 A. It is not clear to ECH why Mr. Mierzwa believes the proposed rate structure does not
4 provide certainty. I&E witness Mr. Cline (p. 7) agrees that the change in rate structure
5 provides greater rate certainty for customers. The proposed fixed monthly capacity charge
6 would provide customers with certainty on the distribution rate that would enable them to
7 budget and plan their expenses better. Many customers in the City of Harrisburg have
8 experienced financial difficulties in the past few years due to the impact of COVID-19 and
9 inflation. While the SCR that is charged to customers on a dollar-for-dollar pass through
10 basis will remain variable, the fixed distribution component of customers' bills will provide
11 greater certainty and predictability.

12 **Q. WHAT IS YOUR RESPONSE TO MR. CLINE'S DIRECT TESTIMONY**
13 **CONCERNING ECH'S BUDGET BILLING PROGRAM?**

14 A. Mr. Cline is correct that ECH offers budget billing to certain customers, including
15 residential and non-residential customers, and that the budget is reconciled after the heating
16 season in June and at a midseason review in which adjustments are made if necessary.
17 ECH is willing to offer budget billing so long as the Company is able to true-up any cost
18 variances. Considering the small size of the Company and the unique competitive industry
19 that forces lower rates than what is supportable, not allowing the Company to achieve its
20 revenue requirement through what would be expected to be a modest budget billing true-
21 up would deprive the Company of vital revenue needed to maintain financial viability.

22 **Q. WHAT IS YOUR RESPONSE TO THE CONCERN WITH CUSTOMER**
23 **UNDERSTANDING OF ECH'S PROPOSED RATE STRUCTURE?**

1 A. Again, this concern was not necessarily shared by I&E witness Mr. Cline. ECH has a
2 limited customer base and an extremely limited residential customer base of only nine
3 residential customers. As explained in the Direct Testimony of ECH witness Mark
4 Schneider, ECH talks with its customers on a regular basis. A fixed capacity charge has
5 been used by other public utility companies and is capable of customer comprehension.
6 Again, ECH suggests that the analogy to sharing a boiler is apt. While customers pay their
7 own fuel costs on an individual basis through the SCR, customers will essentially share the
8 cost of the boiler through a fixed rate. Engaging with customers to understand the change
9 in rate structure once as opposed to engaging with customers to understand rate increases
10 every other year seems preferable. ECH would be willing to engage in further customer
11 communications through collaboration with the OCA and OSBA in order to ensure that
12 customers fully understand the change in rate structure.

13 **Q. WHAT IS YOUR RESPONSE TO THE CONCERN WITH COST OF SERVICE**
14 **PRINCIPLES IN ECH'S RATE STRUCTURE?**

15 A. I disagree with the contention that ECH's proposed rate structure does not satisfy cost of
16 service principles. Each individual customer's ECF or EMP will be back calculated to
17 match exactly the per Mlb. increase that would have been charged under the existing rate
18 structure to allow the Company to recover its allowed revenue requirement in this
19 proceeding. In other words, the proposed rate structure changes how customers are charged
20 in order to guarantee ECH the revenue it needs to remain financially viable by exactly
21 matching the cost they would have been charged under the existing rate structure.

22 ECH appreciates the concern, especially as explained in Mr. Cline's Direct
23 Testimony, that decreases in usage should entail decreases in charges to customers. ECH

1 is sensitive to this concern because it is the decrease in usage due to warmer winters and
2 changes in climate, in addition to customer conservation efforts, that have necessitated this
3 request for rate relief and, if continued, could jeopardize the Company's future financial
4 viability. First, the SCR will continue to remain variable on a pass through basis, which
5 means that it will continue to be the case that decreases in usage by customers will result
6 in decreases in SCR costs. Second, the concern with this proposed rate structure should be
7 mitigated or alleviated by the fact that there exists a highly competitive market. If
8 customers are not satisfied with the fixed capacity cost, they could choose one of the several
9 viable alternatives to service from ECH. ECH has determined in assembling its request for
10 rate relief, that it has proposed a modest and mitigated rate increase, after no requests for
11 rate increases for over twelve years, and in a manner that would ensure ECH receives the
12 revenue it needs to operate and remain reliable. ECH balanced many factors, including
13 first and foremost customer retention and anticipated customer approval, in calculating its
14 requested increase and designing its proposed rate structure, and ECH believes that this
15 would not deter customers and allow ECH to be financially viable. Any concerns with the
16 fixed capacity charge should be assuaged by the fact that customers have viable alternatives
17 and that there exists a competitive market with natural forces that incentivize lower rate
18 increases and customer satisfaction.

19 **Q. WHAT IS YOUR RESPONSE TO MR. CLINE'S DIRECT TESTIMONY THAT**
20 **"ECH'S DESIRE FOR ADDITIONAL 'FINANCIAL STABILITY' IS NO**
21 **DIFFERENT THAN ANY OTHER UTILITY IN THE COMMONWEALTH"?²**

² I&E Statement No. 1, p. 5.

1 A. This is an incorrect premise in which to evaluate ECH's request for rate relief. Unlike
2 other public utilities that are regulated by the Commission, there is a very real and
3 competitive market for steam that both influences customer behavior and applies pressure
4 on ECH to maintain lower rates. Although ECH is the sole provider of steam in its service
5 area, steam is only a means to the end of producing heating for buildings. Heating can also
6 be provided through on-site facilities, such as on-site boilers, or customers could switch to
7 UGI Utilities or PPL Electric to meet their buildings' heating requirements. These are
8 viable alternatives to service from ECH and the loss of customers could quickly devastate
9 ECH's financial viability. The monopolistic rationale for public utility regulation is not
10 present here. This is why steam is not regulated in some other jurisdictions, as ECH's
11 parent, Cordia, owns and operates district energy systems that are not rate-regulated in
12 Minneapolis, San Diego, and Phoenix. ECH has not sought a rate increase in over twelve
13 years because of its need to remain competitive to its customers—the need to ask for a
14 higher increase or to ask for more frequent increases would jeopardize the Company's
15 already shaky financial position. While other public utilities, particularly small water
16 companies, may also have a limited customer base, the vast majority of public utilities
17 regulated by the Commission do not operate in a competitive market. If ECH could request
18 higher rate increases and be guaranteed that such increases will produce the revenue it
19 needs to operate, then ECH would be similar to any other utility in the Commonwealth.
20 But the fact that ECH is a competitive business with market forces at play that drive rates
21 lower means that ECH is requesting a lower amount than it could justify and it has a greater
22 need to ensure certainty that it receives the revenue from this lower increase.

23 **Q. WHY IS THE FIXED CAPACITY CHARGE IMPORTANT TO ECH?**

1 A. The consistency of annual revenue is imperative to ECH. Costs of operations for an over-
2 100-year-old plant and distribution system remain largely the same regardless of whether
3 it is a warm or a cold winter. The plant is run in the same manner and requires the same
4 number of employees to run. For a company of this small size, and with the presence of
5 competitive forces, consistency in revenue is necessary. A fixed capacity charge would
6 ensure the financial viability of the Company for the benefit of all its customers.

7 Continuing the current methodology of just raising the volumetric rate will ensure
8 that steam customers will be encouraged to convert from steam to an alternative heating
9 source. ECH would need to seek higher and more frequent rate increases, which will deter
10 customers and be financially impossible to justify with increased rate case expenses. ECH
11 focuses its limited cash flow to maintain reliable operations. Every possible effort is made
12 to avoid filing a rate case, which can cost upward of \$300,000 for an under \$1 million
13 filing. At the same time, ECH is entitled to a fair rate of return and a rate case filing can
14 be unavoidable when the Company needs additional money to operate. ECH has proposed
15 an extremely modest increase through its mitigated claimed base rate increase, reflecting
16 competitive pressures from its customers. The proposed increase would result in a 3.28%
17 rate of return, which is far below what the Commission has deemed reasonable. Given the
18 unique circumstances where ECH's provision of steam service to its customers is for the
19 public benefit, where the Commission encourages settlement in the public interest, where
20 the competitive business has resulted in an extremely modest request for relief after over
21 twelve years of no rate increases, and where ECH's continued financial viability and ability
22 to operate and receive the revenue it needs to operate should be a priority of the

1 Commission and in the public interest—a fixed capacity charge to ensure consistency in
2 revenue should be approved.

3 **Q. ARE THERE OTHER CHANGES ECH HAS IDENTIFIED IN ITS TARIFF?**

4 A. Yes. In the course of this proceeding, ECH has determined that it needs to update the
5 described methods of payment for customers that is provided for in its tariff. Section 11(e)
6 of the Rules and Regulations of ECH’s tariff currently states: “Bills may be paid during
7 business hours at the Company’s office at 100 N. 10th Street, Harrisburg, PA.” This
8 sentence should be replaced with the following: “Bills may be paid by ACH wire transfer
9 or by mail to Energy Center Harrisburg LLC, P.O. Box 223889, Pittsburgh, PA 19521-
10 2889.” This change reflects current payment methods for ECH customers.

11
12 **REBUTTAL ON DIRECT TESTIMONY RELATED TO ECH’S REVENUE**

13 **REQUIREMENT AND PROPOSED ANNUAL BASE RATE INCREASE**

14 **Q. PLEASE SUMMARIZE MR. MORGAN’S DIRECT TESTIMONY.**

15 A. On behalf of nine residential customers, OCA witness Mr. Morgan proposes significant
16 adjustments to ECH’s mitigated claimed base rate increase. Mr. Morgan proposes that
17 ECH’s mitigated claimed increase be reduced further down from \$894,300 to \$651,163 to
18 account for these adjustments. This is approximately a 28% decrease. When added with
19 likely rate case expenses, ECH’s increase could result in being half of its request.

20 **Q. DID ANY OTHER PARTY IN THIS PROCEEDING FILE DIRECT TESTIMONY**
21 **REGARDING ECH’S REVENUE REQUIREMENT OR CLAIMED INCREASE?**

22 A. No.

1 **Q. WHAT IS THE ANNUAL BASE RATE INCREASE BEING CLAIMED IN THIS**
2 **PROCEEDING AND WHAT IS THE SUPPORTABLE AMOUNT THAT ECH**
3 **COULD REQUEST?**

4 A. As explained in my Direct Testimony and supporting exhibits and in the Direct Testimony
5 of ECH witness Mark Schneider, the annual base rate increase that is being claimed in this
6 proceeding is \$894,300.³ This value represents a mitigated amount reduced from the
7 amount ECH could support. The mitigated claimed increase amounts to an increase of
8 only 11.6% on a total bill basis after no increases to non-fuel rates for over twelve years.
9 The Company's responses to the minimum filing requirements, exhibits, and discovery
10 responses in this proceeding all demonstrate that ECH could support an annual increase of
11 approximately \$1,775,157, which would amount to a 23.3% increase to customers. Again,
12 all actual numbers and proof in this proceeding have been based on the higher, supportable
13 amount and not the lower, mitigated amount.

14 **Q. WHY DID ECH NOTICE THE MITIGATED CLAIMED AMOUNT IN THIS**
15 **PROCEEDING AND NOT THE SUPPORTABLE AMOUNT?**

16 The mitigated claimed increase is ordinarily what ECH would wait to propose in settlement
17 discussions. However, there are key reasons why ECH would officially request the
18 mitigated claimed increase from the beginning of this proceeding. First and foremost, ECH
19 must propose rate increases that will not cause customers to turn to one of the viable
20 alternatives to ECH. ECH is highly attuned to market forces and the competitive nature of
21 its industry—factors that other regulated public utilities largely do not experience. For

³ See ECH Statement No. 1, Direct Testimony of Mark Schneider, at pp. 9-10 and ECH Statement No. 2, Direct Testimony of Keith L. Li, at pp. 7-8, for an explanation of the Company's supportable and mitigated values of its annual revenue increase.

1 example, while a small water company may also initiate a base rate proceeding with a
2 mitigated claimed amount that is lower than a supportable amount, it is unlikely that the
3 water company is utilizing this process because of market forces and a competitive industry
4 that naturally force lower rates. Water customers usually do not have the ability to choose
5 alternatives from the small water company, while ECH's customers have viable
6 alternatives that they could turn to if they see that their steam company is requesting a \$1.7
7 million base rate increase. Had ECH noticed and claimed an increase of approximately
8 \$1.7 million, this could have easily induced pivotal customers to leave. With an already
9 small client base and a need for increased revenue, the departure of certain key customers
10 could devastate ECH's financial position. The need to remain competitive for our
11 customers to resist installing their own boilers or turning to gas or electric heating options
12 drove us to initiate this proceeding with a mitigated claimed increase, even though our
13 supportable amount is much higher.

14 The second reason ECH is seeking its mitigated claimed increase is to keep rate
15 case expenses lower. ECH is a small company that does not have the cushion that some
16 other, larger companies have to hire consultants and experts for rate cases. ECH is saving
17 considerably by using me as a consultant, considering that I have deep knowledge of the
18 Company having worked for ECH and its predecessors from 1987 until 2017. ECH has
19 not engaged a return on equity expert because the mitigated, claimed increase represents
20 only a 3.28% return. Rate case expenses, including responding to discovery, negotiating
21 settlement, and litigating the case if necessary are felt by the Company and have the
22 potential to significantly eat away at and overshadow ECH's revenue requirement. In order
23 to avoid the costs of additional rate case expenses, ECH filed the mitigated, claimed

1 amount to take advantage of more abbreviated rate-making processes and to not hide-the-
2 ball on the amount that ECH actually needs to recover in this proceeding. It was ECH's
3 desire to promote quicker settlement and to propose its settlement amount from the
4 beginning, which respectfully, is in the benefit to all customers and promotes the public
5 interest. It is my understanding that as a matter of public policy in the Commonwealth, the
6 Commission encourages settlement and would encourage a utility to seek a mitigated rate
7 increase. In proposing a lower rate increase from the beginning, ECH is attempting to
8 avoid unnecessary costs and preserve resources.

9 **Q. IS THE PROCEDURE OF FILING A LOWER, MITIGATED CLAIMED**
10 **INCREASE INSTEAD OF THE HIGHER, SUPPORTABLE INCREASE A NEW**
11 **PRACTICE FOR ECH?**

12 A. No. In ECH's last base rate case in 2013, the Company proposed an increase to its base
13 rate by \$875,000, an increase of 11.46% on a total bill basis for the Company's Rate 1
14 customers. In the Terms of the Settlement, the parties agreed to rates designed to produce
15 \$875,000. Just like in the present proceeding, ECH presented a mitigated, claimed increase
16 that was lower than its supportable amount, and the parties agreed to settle at the mitigated
17 amount. The settlement was deemed "black box" in nature with no specification of allowed
18 or disallowed claims. The settlement reflected a compromise of competing positions
19 without any precedential value and without agreement to the methodologies, calculations,
20 and claims as used or submitted by ECH's predecessor in its filing. The OCA submitted a
21 Statement in Support and expressed that the terms of the settlement were in the public
22 interest and in the interest of the Company's customers.⁴

⁴ See generally Recommended Decision, *Pennsylvania Public Utility Commission, et al. v. NRG Energy Center Harrisburg LLC*, Docket No. R-2013-2350265 (Oct. 29, 2013); Order Adopting Recommended Decision,

1 **Q. HOW DID MR. MORGAN APPLY PROPOSED REVENUE ADJUSTMENTS?**

2 A. Mr. Morgan applied his suggested revenue adjustments against the mitigated, claimed
3 increase. This approach ignored the fact that ECH presented and relied upon its
4 supportable annual revenue increase of \$1,775,157, and instead, Mr. Morgan chose to
5 reduce ECH's already reduced and mitigated claimed increased amount by his proposed
6 adjustments. What was already a very modest and mitigated claimed increase was reduced
7 through these proposed adjustments to an untenable increase that risks being overshadowed
8 by rate case expenses, would defeat the purpose of this rate case proceeding, and could
9 devastate the Company's financial position.

10 **Q. HOW SHOULD ADJUSTMENTS TO THE REVENUE REQUIREMENT BE**
11 **CONSIDERED IN THIS PROCEEDING?**

12 A. It is fundamentally incorrect to consider adjustments by reducing ECH's mitigated claimed
13 increase as opposed to the actual supportable annual revenue increase of \$1,775,157. The
14 Company's responses to the minimum filing requirements, Direct Testimony, exhibits,
15 discovery responses, and workpapers have all been based on the actual supportable annual
16 revenue increase. As I stated in my Direct Testimony (p. 8), "[i]t should be noted that all
17 of the exhibits presented in my testimony include the 'supportable' increase as opposed to
18 the 'claimed' increase." To apply the proposed adjustments to the mitigated claimed
19 increase is to apply them against nothing. To apply the revenue adjustments to the actual
20 revenue that was presented in this proceeding, Mr. Morgan should have taken his proposed
21 adjustments off of the supportable amount.

Pennsylvania Public Utility Commission, et al. v. NRG Energy Center Harrisburg LLC, Docket No. R-2013-2350265 (Dec. 5, 2013).

1 ECH expected that the OCA, OSBA, and I&E would find discrepancies in the filed
2 materials. Mr. Morgan takes issue with specific elements of ECH's revenue requirement.
3 Exhibit LKM-1 presents a decrease of \$243,137 based on multiple challenges to the filed
4 methodology and assumptions. However, ECH has already proposed a reduction of
5 approximately \$800,000 from its supportable increase of approximately \$1.7 million to its
6 mitigated claimed increase of \$894,300. Even if we accepted all of the challenges and
7 discrepancies identified by Mr. Morgan, the \$243,137 reduction is less than half of the
8 \$800,000 difference between supportable rates and the offered mitigated amount. Mr.
9 Morgan decided to start with the already mitigated amount because it was what ECH
10 noticed in this proceeding. Had ECH requested and noticed a mitigated increase of
11 \$250,000, would the OCA have presented the same challenges to methodology and
12 assumptions so that there would be no increase in rates? Logically, the challenges to
13 methodology and assumptions should apply to the fully developed revenue requirement
14 presented in ECH's filing.

15 It is worth noting that the OCA's approach to apply proposed revenue adjustments
16 to a mitigated claimed increase because it is the noticed amount instead of the supportable
17 amount based on the data would induce ECH and similar companies to request higher rate
18 increases, and at least for ECH, more frequent rate increases. As explained above, due to
19 the competitive nature of ECH's business, it cannot survive and retain customers by asking
20 for higher rate increases and more frequent rate increases, especially with rising costs of
21 rate case expenses. More generally, this approach could result in higher rates to customers
22 and it would seem to go against what I understand to be a strong public policy in the
23 Commonwealth to encourage settlement.

1 **Q. WHAT EFFECT WOULD MR. MORGAN’S PROPOSED ADJUSTMENTS,**
2 **WHEN APPLIED TO THE MITIGATED CLAIMED INCREASE, HAVE ON THE**
3 **COMPANY’S RATE OF RETURN?**

4 A. As explained in my Direct Testimony (p. 12), the effective Return on Equity (“ROE”) for
5 the mitigated claimed increase of \$894,300 is only 3.28%, while the supportable revenue
6 increase would result in a 9.45% return. If we apply Mr. Morgan’s proposed adjustments
7 to the mitigated claimed increase and not the supportable revenue, which ECH does not
8 agree with, then this would result in a return of approximately 2.3%. This is demonstrably
9 lower than what the Commission has deemed a fair return on equity in similar proceedings.
10 It is a maxim in nearly every rate case that a public utility seeking a general rate increase
11 is entitled to an opportunity to earn a fair rate of return on the value of the property
12 dedicated to public service. What ECH has proposed in its mitigated claimed increase is
13 far and below what the Commission has deemed a fair rate of return. The even lower
14 number proposed by Mr. Morgan by applying revenue adjustments to an already mitigated
15 value is simply untenable.

16 **Q. WHAT IS YOUR RESPONSE TO MR. MORGAN’S CRITICISM OF YOUR USE**
17 **OF FULLY PROJECTED FUTURE TEST YEAR VERSUS FUTURE TEST YEAR**
18 **FOR DETERMINING ECH’S REVENUE REQUIREMENT?**

19 A. First, any concerns with the appropriateness of the methodologies or assumptions used in
20 this filing should be applied against the supportable value instead of the mitigated claimed
21 increase, for the reasons discussed above. This is consistent with ECH’s prior base rate
22 case and reflects the data and information provided by ECH in this proceeding. Second,
23 as discussed in my Direct Testimony (p. 4), it is my understanding and as advised by

1 counsel that Act 11 permits utilities to claim expenses that are expected to be incurred
2 during, and facilities that projected to be in service during, the fully projected future test
3 year (“FPFTY”). I disagree with Mr. Morgan’s contention that this was improper. Given
4 the small size of the Company, the modest rate increase requested, and the short-form
5 nature of the filing, it was a fair assumption that future test year (“FTY”) numbers carry
6 over to the FPFTY where appropriate and except as shown. It is consistent with
7 Commission practice to carry forward certain expenses from a FTY to a FPFTY, and my
8 Direct Testimony and accompanying exhibits, as well as responses to discovery, provide
9 adequate support.

10 **Q. WHAT IS MR. MORGAN’S PROPOSED REVENUE ADJUSTMENT TO PLANT**
11 **IN SERVICE?**

12 A. Mr. Morgan proposes a \$26,000 adjustment to reduce plant in service based on the net
13 savings achieved from certain projects discussed in ECH’s filing and discovery responses.

14 **Q. DO YOU AGREE?**

15 A. While ECH would not oppose this modest and insignificant reduction, the adjustment
16 should be applied to reduce ECH’s supportable increase for the reasons discussed above.

17 **Q. WHAT IS MR. MORGAN’S PROPOSED REVENUE ADJUSTMENT TO CASH**
18 **WORKING CAPITAL?**

19 A. Mr. Morgan proposes a \$95,385 adjustment to increase cash working capital based on
20 corresponding adjustments to operating and maintenance expenses.

21 **Q. DO YOU AGREE?**

1 A. ECH does not agree with the adjustments made to operating and maintenance expenses.
2 ECH accepts that there are positive adjustments to offset the negative adjustments, which
3 again should be applied to the supportable increase for the reasons discussed above.

4 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO**
5 **MISCELLANEOUS REVENUE?**

6 A. Mr. Morgan proposes an \$80,000 adjustment to increase miscellaneous revenues based on
7 ECH's responses to OCA 2-1 in which we acknowledged that \$80,000 should be added to
8 the cost of service for non-regulated customer service work.

9 **Q. DO YOU AGREE?**

10 A. Yes. However, to ensure consistency, the adjustment should be applied to increase ECH's
11 supportable increase for the reasons discussed above.

12 As further background, and explained in ECH's response to OCA 2-1, accounting
13 for certain unregulated customer service work should have netted out the cost of parts and
14 labor charges from the billed revenue. Because of changes to ECH's accounting system
15 over the past few years, discussed in more detail below, this was not done. Therefore, for
16 purposes of ECH's rate case filing, the gross customer service revenues should be added
17 to the regulated revenues. The annual projection for gross customer service revenue is
18 approximately \$80,000. Accordingly, the year ended 3/31/2026 Total Operating Revenue
19 should be increased from \$4,974,109 to \$5,054,109.

20 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO**
21 **UNCOLLECTIBLE EXPENSE?**

1 A. Mr. Morgan proposes a \$12,000 adjustment to reduce uncollectible expense because he
2 believes ECH should be required to establish proof of uncollectible expenses and he
3 disagrees with ECH's accounting practices for bad debt.

4 **Q. DO YOU AGREE?**

5 A. ECH does not agree with Mr. Morgan that further proof is necessary for uncollectible
6 expenses, but at the same time, ECH would not oppose this modest and insignificant
7 reduction. Such an adjustment should be applied to reduce ECH's supportable increase for
8 the reasons discussed above.

9 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO LABOR**
10 **& BENEFITS EXPENSE?**

11 A. Mr. Morgan proposes a \$76,174 adjustment to reduce labor and benefits expenses because
12 he disagrees with ECH's cost escalation mechanism.

13 **Q. DO YOU AGREE?**

14 A. No. As explained above, utilities are permitted to carry forward certain expenses from a
15 FTY to a FPFTY. I will also note that the 2.5% value for inflation is likely lower than
16 actual recent inflation values. While I do not agree with Mr. Morgan's proposed revenue
17 adjustment, in any event, the adjustment should be applied to reduce ECH's supportable
18 increase for the reasons discussed above.

19 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO**
20 **INSURANCE EXPENSE?**

21 A. Mr. Morgan proposes a \$4,204 adjustment to reduce insurance expense, citing the same
22 reasons for the proposed revenue adjustment to labor and benefits expense.

23 **Q. DO YOU AGREE?**

1 A. No. As explained above, utilities are permitted to carry forward certain expenses from a
2 FTY to a FPFTY. I will also note that the 2.5% value for inflation is likely lower than
3 actual recent inflation values. While I do not agree with Mr. Morgan’s proposed revenue
4 adjustment, in any event, the adjustment should be applied to reduce ECH’s supportable
5 increase for the reasons discussed above.

6 **Q. WHAT IS MR. MORGAN’S PROPOSED REVENUE ADJUSTMENT TO**
7 **OPERATIONS, MAINTENANCE & GENERAL EXPENSE?**

8 A. Taking significant issues with ECH’s methodology and accounting, Mr. Morgan entirely
9 overhauls ECH’s operations, maintenance, and general expense—representing the largest
10 and most significant reduction to ECH’s revenue requirement. ECH presented the
11 following data on operations, maintenance & general total expenses:
12

	12 Mos. Ended March 2026	12 Mos. Ended March 2025	12 Mos. Ended March 2024	12 Mos. Ended March 2023
Total Expenses	\$821,413	\$ 790,448	\$ 836,136	\$837,654

13

14 And Mr. Morgan adjusted this data as follows:

	12 Mos. Ended March 2026	12 Mos. Ended March 2025	12 Mos. Ended March 2024	12 Mos. Ended March 2023
Total Expenses	\$509,999	\$604,011	\$532,138	\$393,847

15

1 Mr. Morgan identifies certain inconsistencies and takes out two major expenses entirely,
2 the M&S Balance of Plant and M&S-Boiler expenses, because he believes they distort the
3 results and do not reflect proper accounting practices.

4 **Q. DO YOU AGREE?**

5 A. No. Mr. Morgan's assertion that the Company can run its operations and plant for \$500,000
6 is entirely irresponsible. This value would jeopardize the Company's provision of reliable
7 service and would be to the detriment of all customers, including the nine residential
8 customers he is supporting. Every year the total operations and maintenance plus general
9 expenses have been near or above \$800,000. Such a significant reduction to the already
10 mitigated claimed increase would defeat the purpose of this request for rate relief and
11 devastate the Company's financial position.

12 As ECH explained in its discovery response to OCA 1-14, in April 2023, ECH
13 underwent a major change in accounting systems from SAP to NetSuites. All the accounts
14 needed to be reentered and thus the historical data continuity was lost during the account
15 system platform transition. Furthermore, the corporate support changed during this time,
16 meaning that during a transitional time period, the priority was ensuring that daily
17 transactions were completed without an ability to necessarily ensure complete consistency
18 with historical practices. Accordingly, the individual O&M and A&G accounts were not
19 charged consistently, which makes precise reconciliation not possible. Although the
20 individual accounts showed year-to-year fluctuations, the total operational expenses were
21 relatively consistent as evidenced by the annual totals shown in Supporting Schedule No.
22 11. For the three historical years, 2023, 2024, and 2025, the Operating Expense totals were
23 \$837K, \$836K, and \$791K, respectively. As explained in the Direct Testimony of ECH

1 witness Mark Schneider (pp. 6-9), ECH has taken certain measures to mitigate the need for
2 base rate relief, including by reducing its workforce and through certain consolidation
3 measures. The inconsistencies and fluctuations that Mr. Morgan found are the result of a
4 small company, without significant resources or financial cushion, that changed accounting
5 systems and focused on ensuring that it met its daily transactions and kept operations
6 moving during a transitional period. To accept Mr. Morgan's proposed overhaul of this
7 data and to take out ECH's major expenses from consideration, ignores the reality of ECH's
8 operating expenses and could result in financial ruin for the Company.

9 That said, despite this inappropriate and irresponsible adjustment to significantly
10 reduce operations, maintenance, and general expense—this adjustment applied against the
11 supportable amount would not result in the full value of ECH's reduction in its mitigated,
12 claimed increase. This is a testament to the strength of the competitive business that forced
13 ECH to propose such a modest rate increase and the reasonableness of ECH's mitigated
14 claimed increase. Any adjustment should be applied to reduce ECH's supportable increase
15 for the reasons discussed above.

16 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO M/H#378**
17 **REBUILD?**

18 A. Mr. Morgan ultimately proposes an adjustment that increases ECH's operating expense by
19 \$400.

20 **Q. DO YOU AGREE?**

21 A. While ECH does not agree with Mr. Morgan's adjustments to operating expenses and ECH
22 does not necessarily agree with Mr. Morgan's methodologies with respect to this expense,
23 ECH would not ordinarily oppose such a modest and insignificant adjustment. Any

1 adjustment should be applied to increase ECH's supportable increase for the reasons
2 discussed above.

3 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO**
4 **DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION?**

5 A. Mr. Morgan proposes an adjustment to reduce depreciation expense by \$7,993 and to
6 increase accumulated depreciation by \$272,972. The proposed reduction is based on
7 updated values to plant in service discussed above. The proposed increase is based on
8 calculating the accumulated depreciation balance through March 2026 instead of as of
9 March 2025.

10 **Q. DO YOU AGREE?**

11 A. ECH does not understand the error Mr. Morgan describes with respect to accumulated
12 depreciation as all supportable values are reflected in ECH's workpapers that it has
13 produced in discovery, for both 2025 and 2026. While ECH does not necessarily agree
14 with Mr. Morgan's updated values to depreciation expenses and accumulated depreciation,
15 these adjustments should be applied to ECH's supportable increase for the reasons
16 discussed above.

17 **Q. WHAT IS MR. MORGAN'S PROPOSED REVENUE ADJUSTMENT TO PURTA**
18 **EXPENSE?**

19 A. Mr. Morgan proposes a \$29,202 adjustment to reduce Public Utility Realty Tax Act
20 ("PURTA") expense based on recent notices from the Pennsylvania Department of
21 Revenue indicating that the PURTA rate for 2025 and 2026 will be 0 mills.

22 **Q. DO YOU AGREE?**

1 A. Yes, we agree with this adjustment, with the understanding that the State Tax Adjustment
2 Surcharge (STAS) would allow ECH to recover changes in tax rates between rate cases.
3 This adjustment should be applied to reduce ECH's supportable increase for the reasons
4 discussed above.

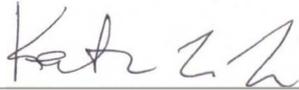
5 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

6 A. Yes, it does. I reserve the right to supplement my testimony as additional issues arise
7 during the course of this proceeding. Thank you.

VERIFICATION

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

Date: 11/3/2025



Keith L. Li
Consultant
Energy Center Harrisburg LLC

I&E Statement No. 1
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

ENERGY CENTER HARRISBURG LLC

Docket No. R-2025-3055959

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Rate Structure

TABLE OF CONTENTS

INTRODUCTION 1

RATE STRUCTURE 2

1 **INTRODUCTION**

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

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

5

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

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

9

10 **Q. WHAT IS YOUR EDUCATION AND EMPLOYMENT EXPERIENCE?**

11 A. An outline of my education and employment experience is attached as Appendix
12 A.

13

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

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

20

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

22 A. The purpose of my testimony is to evaluate the Energy Center Harrisburg LLC's

1 (ECH or Company) request for an annual increase in operating revenue of
2 \$894,300¹ in the Fully Projected Future Test Year (FPFTY) ending April 18,
3 2027.² My testimony will address the Company's proposal to move from a
4 distribution rate that is a combination of a minimum monthly bill and a usage
5 charge to a fixed monthly capacity charge.

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

8 A. Yes. I&E Exhibit No. 1 contains schedules relating to my testimony.
9

10 **RATE STRUCTURE**

11 **Q. WHAT CHANGES IN RATE DESIGN IS THE COMPANY PROPOSING**
12 **IN THIS PROCEEDING?**

13 A. The Company is proposing to change the minimum bill and per Mega-pound
14 (Mlb) usage charge to a fixed monthly capacity charge based on the customer's
15 Equivalent Cubic Footage (ECF) for seasonal customers or Equivalent Maximum
16 Pounds (EMP) for continuous customers and indicated that these values will be
17 back calculated individually to match the per Mlb increase that would have been
18 charged under the existing rate structure. The Company claims that this would
19 allow it to recover its allowed revenue requirement in this case.³

¹ NRGH Statement No. 1, p. 9.

² ECH Statement No. 2, p. 4.

³ ECH Statement No. 2, p. 12.

1 **Q. DO YOU AGREE WITH THE COMPANY'S PROPOSAL TO CHANGE**
2 **THE MINIMUM BILL AND USAGE CHARGE TO A FIXED MONTHLY**
3 **CAPACITY CHARGE?**

4 A. No. The Company's proposal to change the minimum bill and usage charge to a
5 fixed monthly capacity charge will not result in just and reasonable rates for
6 customers.

7
8 **Q. WHAT CLAIMS DID THE COMPANY USE TO SUPPORT ITS PROPOSAL**
9 **TO CHANGE TO A FIXED MONTHLY CAPACITY CHARGE?**

10 A. ECH witness Schneider claimed that because ECH is not a typical public utility, due
11 to its small customer base and competitive environment, consistency of annual
12 revenue is imperative. Mr. Schneider also claimed that while consumption is
13 reducing overall, relative usage levels between customers do not change very much
14 and that the most frequent complaints from customers are the wide variations from
15 year to year in steam charges. Additionally, he claimed that certainty of distribution
16 revenue every year will also help to provide financial stability for ECH, which is
17 essential according to ECH. Finally, Mr. Schneider claimed that customers will be
18 able to save money through conservation.⁴ ECH witness Li claimed that most of the
19 non-fuel expense does not vary with weather or sales volumes, so it is reasonable to

⁴ NRGH Statement No. 1, pp. 11-13.

1 set non-fuel revenues accordingly and that the change in rate structure also provides
2 greater rate certainty for customers.⁵

3
4 **Q. ARE YOU AWARE OF ANY PROVISION IN THE CODE OR**
5 **COMMISSION POLICIES OR PRECEDENT THAT ALLOWS FOR**
6 **UTILITIES TO ABANDON THE TRADITIONAL RATE STRUCTURE DUE**
7 **TO THEIR SIZE OR COMPETITIVE SITUATION?**

8 A. No. I am not aware of any provision in the Code or Commission policies or
9 precedent that allows utilities to abandon the traditional rate structure due to size or
10 competitive situation. Therefore, the Company's proposal that these circumstances
11 should provide it special consideration for its rate proposal is without merit.

12
13 **Q. ARE THE COMPANY'S CLAIMS THAT CONSUMPTION IS**
14 **DECREASING EVERY YEAR AND THAT THE MOST COMMON**
15 **CUSTOMER COMPLAINTS ARE OF WIDE VARIATIONS IN STEAM**
16 **CHARGES SUPPORTIVE OF THE COMPANY'S PROPOSED CHANGES**
17 **TO THE RATE STRUCTURE?**

18 A. No. Assuming that the Company is correct that consumption is decreasing, which I
19 am not challenging, then customer base rate bills would necessarily be decreasing on
20 a yearly basis with the decrease in customer consumption. It is difficult to believe

⁵ ECH Statement No. 2, pp. 12-13.

1 that customers would complain about decreasing bills. However, because base rates
2 can only increase as a result of a base rate case, any complaints about increasing
3 rates would be because of increases to supply charges, which would be unaffected by
4 the company's rate proposal and customer bills would still increase with increased
5 supply rates. As such, I disagree with the Company's claim that the proposal
6 eliminates wide variations in steam charges as the supply charge rates will be
7 unaffected by the Company's proposal.

8
9 **Q. WOULD A SHIFT FROM A TRADITIONAL RATE STRUCTURE TO A**
10 **FIXED MONTHLY CAPACITY CHARGE PROVIDE FINANCIAL**
11 **STABILITY FOR THE COMPANY?**

12 A. Yes. However, this is not how ratemaking in Pennsylvania works. ECH's desire for
13 additional "financial stability" is no different than any other utility in the
14 Commonwealth. Neither the size of the Company nor its competitive situation
15 should grant ECH any special consideration on this issue. A utility's desire for
16 financial stability must be balanced against issues such as affordability, conservation,
17 and cost of service. Despite the Company's claims, the proposal stands in opposition
18 to any standards of conservation or cost of service.

19
20 **Q. WHAT DID THE COMPANY CLAIM REGARDING CUSTOMER**
21 **CONSERVATION EFFORTS?**

22 A. Mr. Schneider claimed that, despite the proposal to remove the usage rate from the

1 base rate bill, customers will continue to be able to conserve due to the Steam Cost
2 Rate (SCR) which is a dollar for dollar pass-through of the Company's fuel costs.⁶

3
4 **Q. DO YOU AGREE WITH THE COMPANY'S CLAIM REGARDING**
5 **CONSERVATION?**

6 A. No. While the SCR portion of the bill does allow for customers to engage in some
7 conservation, eliminating the usage component from the base charge will reduce the
8 incentive for and effectiveness of any conservation measures that customers may
9 enact.

10
11 **Q. WHAT DOES ECH WITNESS MR. LI CLAIM REGARDING NON-FUEL**
12 **EXPENSE?**

13 A. Mr. Li claims that most of the non-fuel expense does not vary with weather or sales
14 volumes, so it is reasonable to set non-fuel revenues accordingly.⁷

15
16 **Q. DOES MR. LI'S CLAIM REGARDING NON-FUEL EXPENSE FOLLOW**
17 **COST OF SERVICE PRINCIPLES?**

18 A. No. The Commission has established that certain non-fuel expenses, such as mains,
19 should be allocated based on how the assets are used and not how they are designed.
20 Specifically, in the Commission Order resolving the Columbia Gas of Pennsylvania,

⁶ NRGH Statement No. 1, pp. 12-13.

⁷ ECH Statement No. 2, pp. 12-13.

1 Inc. at Docket No. R-2020-3018835, the Commission stated, “we remain of the
2 opinion that although mains serve customers, it is the throughput that determines
3 the type of main investment, not the number of customers served.”⁸ This means
4 that certain costs, and mains specifically, should be allocated based on usage and not
5 number of customers, which is the opposite of what the Company is proposing with
6 its rate proposal.

7
8 **Q. MR. LI ALSO CLAIMED THAT THE CHANGE IN RATE STRUCTURE**
9 **PROVIDES GREATER RATE CERTAINTY FOR CUSTOMERS.⁹ DO YOU**
10 **AGREE?**

11 A. Yes. A fixed rate would provide greater rate certainty for customers. However, this
12 rate certainty could be achieved through methods that would not sacrifice cost
13 causation or conservation principles, such as a budget billing program.

14
15 **Q. DOES ECH OFFER ITS CUSTOMERS A BUDGET BILLING PROGRAM?**

16 A. Yes. In its response to I&E-RS-1-D,¹⁰ the Company stated that it currently offers
17 budget billing to certain customers, including residential and non-residential
18 customers, and that the budget is reconciled after the heating season in June and at a
19 midseason review in which adjustments are made if necessary. The Company also

⁸ Docket No. R-2020-3018835, Order entered February 19, 2021, p. 217.

⁹ ECH Statement No. 2, p. 12.

¹⁰ I&E-RS-1-D attached as I&E Exhibit No. 1, Schedule 1.

1 stated that it would be willing to offer budget billing, provided the Company is
2 ultimately able to true-up any cost variances.

3
4 **Q. SHOULD THE COMPANY BE PERMITTED TO TRUE-UP ANY COST**
5 **VARIANCES?**

6 A. It is not entirely clear what the Company means by “true-up any cost variances” but,
7 based on the context provided in its direct testimony, it appears ECH is requesting
8 that the budget billing “true-up” would be up to the Commission-approved revenue
9 requirement level. As discussed above, the guarantee of the revenue requirement is
10 not consistent with Pennsylvania ratemaking and should be rejected. However, it is
11 reasonable for the Company to offer a budget billing program to all customers with
12 mid-year and end-of-year reconciliation based on the Customer’s usage levels, which
13 is what it appears the Company currently offers. I do not believe that customers
14 would need any additional rate certainty beyond a budget billing program.

15
16 **Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING THE**
17 **COMPANY’S PROPOSAL TO SHIFT TO A FIXED MONTHLY CAPACITY**
18 **CHARGE?**

19 A. Yes. In the likely scenario that customer usage continues its trend of decreasing,
20 then a fixed monthly capacity charge will not reflect those changes in usage. This
21 disconnect between usage and revenue, while admittedly beneficial for the
22 Company, will result in customers paying for services that they are not using. This is

1 not a reasonable outcome for rate design and does not result in rates that are just and
2 reasonable.

3

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

5 A. Yes.

ETHAN H. CLINE

PROFESSIONAL EXPERIENCE AND EDUCATION

EXPERIENCE:

03/2009 - Present

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

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

06/2008 – 09/2008

Akens Engineering, Inc. - Shiremanstown, Pennsylvania

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

10/2007 – 05/2008

J. Michael Brill and Associates - Mechanicsburg, Pennsylvania

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

01/2006 – 10/2007

CABE Associates, Inc. - Dover, Delaware

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

EDUCATION:

Pennsylvania State University, State College, Pennsylvania
Bachelor of Science; Major in Civil Engineering, 2005

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

TESTIMONY SUBMITTED:

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

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

40. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2015-2480937
41. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2015-2480950
42. UGI Utilities, Inc. – Gas Division, Docket No. R-2015-2518438
43. Joint Application of Pennsylvania American Water, et al., Docket No. A-2016-2537209
44. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2016-2543309
45. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2016-2543311
46. City of Dubois – Company, Docket No. R-2016-2554150
47. UGI Penn Natural Gas, Inc., Docket No. R-2016-2580030
48. UGI Central Penn Gas, Inc. 1307(f), Docket No. R-2017-2602627
49. UGI Penn Natural Gas, Inc. 1307(f), Docket No. R-2017-2602633
50. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2017-2602638
51. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the City of McKeesport, Docket No. A-2017-2606103
52. Pennsylvania American Water Company, Docket No. R-2017-2595853
53. Pennsylvania American Water Company Lead Line Petition, Docket No. P-2017-2606100
54. UGI Utilities, Inc. – Electric Division, Docket No. R-2017-2640058
55. Peoples Natural Gas Company, LLC – Peoples and Equitable Division 1307(f), Docket Nos. R-2018-2645278 & R-2018-3000236
56. Peoples Gas Company, LLC 1307(f), Docket No. R-2018-2645296
57. Columbia Gas of Pennsylvania, Inc., Docket No. R-2018-2647577
58. Duquesne Light Company, Docket No. R-2018-3000124
59. Suez Water Pennsylvania, Inc., Docket No. R-2018-3000834
60. Application of Pennsylvania American Water Company Acquisition of the Municipal Authority of the Township of Sadsbury, Docket No. A-2018-3002437
61. The York Water Company, Docket No. R-2018-3000006
62. Application of SUEZ Water Pennsylvania, Inc. Acquisition of the Water and Wastewater Assets of Mahoning Township, Docket Nos. A-2018-3003517 and A-2018-3003519
63. Pittsburgh Water and Sewer Authority, Docket Nos. R-2018-3002645 and
64. R-2018-3002647
65. Joint Application of Aqua America, Inc. et al., Acquisition of Peoples Natural Gas Company LLC, et al., Docket Nos. A-2018-3006061, A-2018-3006062, and A-2018-3006063
66. Implementation of Chapter 32 of the Public Utility Code Regarding Pittsburgh Water and Sewer Authority, Docket Nos. M-2018-2640802 and M-2018-2640803
67. Philadelphia Gas Works 1307(f), Docket No. R-2019-3007636
68. People Natural Gas Company, LLC, Docket No. R-2018-3006818
69. Application of Pennsylvania American Water Company Acquisition of the Steelton Borough Authority, Docket No. A-2019-3006880
70. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the Township of Cheltenham, Docket No. A-2019-3006880
71. Philadelphia Gas Works, Docket No. R-2019-3009016
72. Wellsboro Electric Company, Docket No. R-2019-3008208
73. Valley Energy, Inc., Docket No. R-2019-3008209
74. Citizens’ Electric Company of Lewisburg, Pa, Docket Non. R-2019-3008212

75. Application of Aqua America, Inc. et al., Acquisition of the Wastewater System Assets of the East Norriton Township, Docket No. A-2019-3009052
76. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2020-3017850
77. Peoples Gas Company, LLC 1307(f), Docket No. R-2020-3017846
78. Philadelphia Gas Works, Docket No. R-2020-3017206
79. Pittsburgh Water and Sewer Authority, Docket Nos. R-2020-3017951 et al.
80. Columbia Gas of Pennsylvania, Docket No. R-2020-3018835
81. Pennsylvania America Water Company, Docket Nos. R-2020-3019369 and
82. R-2020-3019371
83. PECO Energy Company – Gas Division, Docket No. R-2020-3019829
84. PGW 1307(f), Docket No. R-2021-3023970
85. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2021-3023965
86. Peoples Gas Company, LLC 1307(f), Docket No. R-2021-3023967
87. UGI Utilities, Inc. – Electric Division, Docket No. R-2021-3023618
88. Columbia Gas of Pennsylvania, Inc., Docket No. R-2021-3024926
89. Duquesne Light Company, Docket No. R-2021-3024750
90. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2021-3025652
91. Pittsburgh Water and Sewer Authority, Docket Nos. R-2021-3024773 et al.
92. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of Lower Makefield Township, Docket No. A-2021-3024267
93. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc., Docket Nos. R-2021-3027385 and R-2021-3027386
94. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the York City Sewer Authority, Docket No. A-2021-3024681
95. City of Lancaster – Bureau of Water, Docket No. R-2021-3026682
96. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater System Assets of East Whiteland Township, Docket No. A-2021-30246132
97. UGI Utilities, Inc. – Gas Division, Docket No. R-2021-3030218
98. Peoples Natural Gas Company, LLC 1307(f), Docket No. R-2022-3030661
99. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3031211
100. UGI Utilities, Inc. – Gas Division 1307(f), Docket No. R-2022-3032242
101. Pennsylvania American Water Company, Docket Nos. R-2022-3031672 and R-2022-3031673
102. The York Water Company, Docket Nos. R-2022-3031340 and R-2022-3032806
103. Columbia Gas of Pennsylvania, Inc., Docket No. R-2022-3032167
104. National Fuel Gas Distribution Corporation, Docket No. R-2022-3035730
105. UGI Utilities, Inc. – Electric Division, Docket No. R-2022-3037368
106. Application of Pennsylvania-American Water Company for Acquisition of the Wastewater Collection and Treatment System Assets of the Butler Area Sewer Authority, Docket No. A-2022-3037047
107. Philadelphia Gas Works, Docket No. R-2023-3037933
108. Pittsburgh Water and Sewer Authority, Docket Nos. R-2023-3039920 et al.
109. Pennsylvania-American Water Company, Docket Nos. R-2023-3043189 and R-2023-3043190

110. Peoples Natural Gas Company, LLC, Docket No. R-2023-3044549
111. Duquesne Light Company, Docket No. R-2024-3046523
112. PECO Energy Company – Gas Division, Docket No. R-2024-3046932
113. Aqua Pennsylvania Water, Inc. and Aqua Pennsylvania Wastewater, Inc.,
Docket Nos. R-2024-3047822 and R-2024-3047824
114. Application of Aqua America Wastewater, Inc. et al., Acquisition of the Wastewater
System Assets of Beaver Falls, Docket No. A-202-3033138
115. Pike County Light and Power Company (Gas), Docket No. R-2024-3052357
116. UGI Utilities, Inc. – Gas Division, Docket No. R-2024-3052716
117. Philadelphia Gas Works, Docket No. R-2025-3053112
118. Citizens’ Electric Company of Lewisburg, Pa, Docket No. R-2025-3054394
119. Wellsboro Electric Company, Docket No. R-2025-3054392
120. Pittsburgh Water and Sewer Authority, Docket No. R-2025-3055010, R-2025-3055011,
and R-2025-3055012
121. Section 529 Investigation of Rock Spring Water Company, Docket No. P-2024-3051313

I&E Exhibit No. 1
Witness: Ethan H. Cline

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

ENERGY CENTER HARRISBURG LLC

Docket No. R-2025-3055959

Exhibit to Accompany

the

Direct Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Rate Structure

**PENNSYLVANIA PUBLIC UTILITY COMMISSION v. ENERGY CENTER
HARRISBURG LLC**

**Response of Energy Center Harrisburg LLC to the
Bureau of Investigation and Enforcement's Data Request**

Docket No. R-2025-3055959

Respondent: **Keith L. Li, Consultant**
 Energy Center Harrisburg LLC

I&E-RS-1-D Identify whether or not the Company currently offers a budget billing or similar program that allows customers to pay a flat rate each month based on estimated annual usage with a reconciliation at the end of the year.

Response: Energy Center Harrisburg LLC (“ECH”) currently offers budget billing to certain customers, including residential and non-residential customers. The monthly budget amount is estimated in July or August based on individual customer usage multiplied by the billing components, which includes non-fuel steam distribution charges and the steam cost rate (“SCR”). The SCR is the dollar-for-dollar passthrough charge for variable costs (namely fuel). For demand charge customers, the budget stabilizes the SCR. The budget is reconciled after the heating season in June. There is also a midseason review in which adjustments are made if necessary. Budget billing is available for any customer who seeks to stabilize their monthly non-fuel and SCR charges. ECH is willing to offer budget billing, so long as the Company is ultimately able to true-up any cost variances.

ECH further notes that its proposal for a fixed monthly capacity charge serves a similar function to budget billing with respect to the non-fuel steam distribution charge. The fixed monthly capacity charge would allow a customer to budget accurately its steam distribution charge and ECH would still be willing to budget bill for the SCR.



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

November 7, 2025

Via Electronic Mail

Administrative Law Judge Steven K. Haas
Administrative Law Judge Charece Z. Collins
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
sthaas@pa.gov
charcollin@pa.gov

Re: Pennsylvania Public Utility Commission v.
Energy Center Harrisburg LLC
Docket No. R-2025-3055959
I&E Surrebuttal Testimony

Your Honors:

Enclosed please find the following prepared Surrebuttal Testimony of the Bureau of Investigation and Enforcement's witness in the above-captioned proceeding:

Ethan H. Cline: I&E Statement No. 1-SR

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

Respectfully,

A handwritten signature in black ink that reads 'Carrie B. Wright' with a stylized flourish at the end.

Carrie B. Wright
Deputy Chief Prosecutor
Bureau of Investigation and Enforcement
PA Attorney ID No. 208185
(717) 783-6156
carwright@pa.gov

CBW/nb
Enclosures

cc: Matthew L. Homsher, Secretary (*Cover Letter and Certificate of Service only – via e-file*)
Per Certificate of Service

**I&E Statement No. 1-SR
Witness: Ethan H. Cline**

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

ENERGY CENTER HARRISBURG LLC

Docket No. R-2025-3055959

Surrebuttal Testimony

of

Ethan H. Cline

Bureau of Investigation and Enforcement

Concerning:

Rate Structure

TABLE OF CONTENTS

INTRODUCTION 1

RATE STRUCTURE 1

1 **INTRODUCTION**

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

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

5

6 **Q. ARE YOU THE SAME ETHAN H. CLINE WHO SUBMITTED I&E
7 STATEMENT NO. 1 AND I&E EXHIBIT NO. 1?**

8 A. Yes.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. The purpose of my surrebuttal testimony is to address the rebuttal testimony of
12 Keith L. Li, identified as Energy Center Harrisburg LLC (ECH or Company)
13 Statement No. 2-R, which was submitted on behalf of Energy Center Harrisburg
14 LLC.

15

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

17 A. No.

18

19 **RATE STRUCTURE**

20 **Q. WHAT CHANGES IN RATE DESIGN DID THE COMPANY PROPOSE IN
21 THIS PROCEEDING?**

22 A. The Company is proposing to change the minimum bill and per Mega-pound

1 (Mlb) usage charge to a fixed monthly capacity charge based on the customer's
2 Equivalent Cubic Footage (ECF) for seasonal customers or Equivalent Maximum
3 Pounds (EMP) for continuous customers and indicated that these values will be
4 back calculated individually to match the per Mlb increase that would have been
5 charged under the existing rate structure. The Company claims that this would
6 allow it to recover its allowed revenue requirement in this case.¹

7
8 **Q. IN DIRECT TESTIMONY, DID YOU AGREE WITH THE COMPANY'S**
9 **PROPOSAL TO CHANGE THE MINIMUM BILL AND USAGE CHARGE**
10 **TO A FIXED MONTHLY CAPACITY CHARGE?**

11 A. No.

12
13 **Q. WHY DID YOU NOT AGREE WITH THE COMPANY'S CLAIMED**
14 **CHANGE TO RATE STRUCTURE?**

15 A. I did not agree with the Company's claimed change to rate structure for several
16 reasons. The Company's proposal to change the minimum bill and usage charge to a
17 fixed monthly capacity charge will not result in just and reasonable rates for
18 customers. Specifically, I stated that I am not aware of any provision in the Code or
19 Commission policies or precedent that allows utilities to abandon the traditional rate
20 structure due to size or competitive situation. Also, neither the size of the Company

¹ ECH Statement No. 2, p. 12.

1 nor its competitive situation should grant ECH any special consideration on the issue
2 of the Company's desire for revenue stability and the proposal stands in opposition
3 to any standards of conservation or cost of service. Furthermore, I do not believe
4 that customers would need any additional rate certainty beyond a budget billing
5 program and the guarantee of the revenue requirement, requested by the Company
6 through a true-up, is not consistent with Pennsylvania ratemaking and should be
7 rejected. Finally, the disconnect between usage and revenue, while admittedly
8 beneficial for the Company, will result in customers paying for services that they are
9 not using.²

10
11 **Q. DID THE COMPANY RESPOND TO YOUR DIRECT TESTIMONY?**

12 A. Yes. ECH witness Mr. Li disagreed with my testimony for two reasons. First, he
13 claimed that I did not give much credence to the fact that ECH's last base rate case
14 was over twelve years ago. Second, he referred to the Company's size and
15 competitive market.³

16
17 **Q. WHY DOES ECH CLAIM THAT THE TIME IN BETWEEN ITS BASE**
18 **RATE CASES SHOULD BE CONSIDERED IN ITS RATE STRUCTURE**
19 **PROPOSAL?**

20 A. Mr. Li stated that ECH has taken every measure possible to delay seeking a rate

² I&E Statement No. 1, pp. 4-8.

³ ECH Statement No. 2-R, pp. 2-12.

1 increase and to mitigate its claim for relief, due largely to the uniquely competitive
2 nature of its industry. He further claimed that if “ECH is not able to guarantee a
3 certain amount of fixed revenue to keep operating, then a likely outcome would be
4 that ECH is required to seek rate increases much more frequently – an outcome that
5 ECH may not necessarily be able to afford and that would increase rate case
6 expense.”⁴

7
8 **Q. DO YOU AGREE THAT THE RISK OF ADDITIONAL RATE CASES IS**
9 **SUPPORT FOR GRANTING A FULLY GUARANTEED REVENUE**
10 **REQUIREMENT?**

11 A. No. Extremely long periods between base rate cases may result in “stable” rates for
12 customers outside of changes to the Steam Cost Rate, however, it also results in a
13 growing disconnect between revenues generated and the costs that those revenues are
14 meant to recover. The result is a situation in which the Company finds itself in
15 during the current proceeding, where a larger rate increase is justified but the
16 Company’s request is less due to concerns of customers leaving for other sources of
17 heating such as UGI Utilities or PPL Electric. This strategy of delaying rate cases as
18 long as possible and then under-funding the utility does not appear to be a reasonable
19 method of operation. The likely outcome, regardless of the guarantee of revenue, is
20 that the Company will not have the funds necessary to maintain the plant that Mr. Li

⁴ ECH Statement No. 2-R, p. 6.

1 already stated is already over 100-years old.⁵ The result will ultimately be a need for
2 further rate increases, which may result in the customers leaving due to the
3 competitive nature of the steam industry, which I will discuss further below.
4

5 **Q. WHAT DID ECH STATE REGARDING THE COMPETITIVE NATURE OF**
6 **ECH?**

7 A. Mr. Li stated that there is a very real and competitive market for steam that both
8 influences customer behavior and applies pressure on ECH to maintain lower rates
9 because customers can meet the heating requirement for their buildings from UGI
10 Utilities or PPL Electric. He further stated that the need to ask for a higher increase
11 or to ask for more frequent increase would jeopardize the Company's already shaky
12 financial position.⁶
13

14 **Q. DO YOU AGREE THAT THE COMPETITIVE MARKET AND FINANCIAL**
15 **CONDITION OF ECH IS REASON FOR THE COMMISSION TO**
16 **ABANDON COST OF SERVICE AND CONSERVATION PRINCIPLES**
17 **AND ALLOW A FULL GUARANTEE OF REVENUE THROUGH A FIXED**
18 **RATE?**

19 A. No. It is not the Commission's responsibility to prop up a utility that cannot meet its
20 revenue requirement needs through standard base rates without risking a "death

⁵ ECH Statement No. 2-R, p. 11.

⁶ ECH Statement No. 2-R, p. 10.

1 spiral” as was claimed by the Company.⁷ While I am not advocating for the
2 Company to lose customers or even go out of business, based on the Company’s
3 testimony, there may come a time when customers themselves decide to switch to a
4 larger company to fulfill their heating needs. This is comparable to the small water
5 companies that were referenced by Mr. Li⁸ who have a similarly small customer
6 base. Many times, those small water companies end up being sold to the larger water
7 companies because they do not have the ability to raise rates enough to keep up with
8 the revenue requirement needs due to aging systems and increasing regulations. I am
9 not aware of any case in which the Commission allowed one of those small water
10 companies to fully guarantee its revenue requirement in lieu of being acquired by a
11 larger water company.

12
13 **Q. DO YOU WISH TO CHANGE YOUR RECOMMENDATION?**

14 A. No. I continue to recommend that the Company’s proposal to switch to a fixed rate
15 structure be denied because, for the reasons discussed above, ECH has not provided
16 sufficient support that its proposed rates would be just and reasonable.

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

19 A. Yes.

⁷ ECH Statement No. 2-R, p. 6.

⁸ ECH Statement No. 2-R p. 10.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2025-3055959
 :
 Energy Center Harrisburg LLC :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Surrebuttal Testimony** dated
November 7, 2025, in the manner and upon the persons listed below:

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Commonwealth of Pennsylvania
Pennsylvania Public Utility Commission
 Harrisburg, PA 17105-3265
EFILING - FILING DETAIL

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The date filed on will be the current day if the filing occurs on a business day before or at 4:30 p.m. (EST). It will be the next business day if the filing occurs after 4:30 p.m. (EST) or on weekends or holidays.

Docket Number: R-2025-3055959

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY CENTER HARRISBURG LLC
(GENERAL RATE INCREASE FILED
PURSUANT TO 66 PA. C.S. § 1308,
INCLUDING RESPONSES TO 52 PA.
CODE§ 53.52)

:
:
:
:
:
:
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R-2025-3055959

DIRECT TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.

ON BEHALF OF THE
OFFICE OF CONSUMER ADVOCATE

OCTOBER 22, 2025

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SUMMARY AND RECOMMENDATIONS 4

III. REVENUE REQUIREMENT ISSUES 7

 A. Plant in Service 7

 B. Cash Working Capital..... 8

 C. Miscellaneous Revenue 9

 D. Uncollectible Expense 10

 E. Labor & Benefits Expense 11

 F. Insurance Expense 12

 G. Adjustment to Operations, Maintenance & General Expenses..... 12

 H. M/H #378 Rebuild 16

 I. Depreciation..... 16

 J. PURTA Expense..... 17

I. Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Lafayette K. Morgan, Jr. My business address is 10480 Little Patuxent Parkway, Suite 300, Columbia, Maryland, 21044. I am a Public Utilities Consultant working with Exeter Associates, Inc. (“Exeter”). Exeter is a consulting firm specializing in issues pertaining to public utilities.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND QUALIFICATIONS.

A. I received a Master of Business Administration degree from The George Washington University. The major area of concentration for this degree was Finance. I received a Bachelor of Business Administration degree with concentration in Accounting from North Carolina Central University. I was previously a CPA licensed in the state of North Carolina, however, in 2009, I elected to place my license in an inactive status as I focused on start-up activities for other business interests.

Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

A. From May 1984 until June 1990, I was employed by the North Carolina Utilities Commission - Public Staff in Raleigh, North Carolina. I was responsible for analyzing testimony, exhibits, and other data presented by parties before the North Carolina Utilities Commission. I had the additional responsibility of performing the examination of books and records of utilities involved in rate proceedings and summarizing the results into testimony and exhibits for presentation before that Commission. I was also involved in numerous special projects, including participating in compliance and prudence audits of a major utility, and conducting research on several issues affecting natural gas and electric utilities.

From June 1990 until July 1993, I was employed by Potomac Electric Power Company (“Pepco”) in Washington, D.C. At Pepco, I was involved in the preparation of the cost of service, rate base and ratemaking adjustments supporting Columbia's requests for revenue increases in the State of Maryland and the District of Columbia.

From July 1993 through 2010, I was employed by Exeter as a Senior Regulatory Analyst. During that period, I was involved in the analysis of the operations of public utilities, with emphasis on utility rate regulation. I reviewed and analyzed utility rate filings, focusing primarily on revenue requirements determination. This work involved natural gas, water, electric, and telephone companies.

In 2010, I left Exeter to focus on start-up activities for other ongoing business interests. In late 2014, I returned to Exeter continuing to work in a similar capacity as prior to my hiatus.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS ON UTILITY RATES?

A. Yes. I have previously presented testimony and affidavits on numerous occasions before the Regulatory Commission of Alaska, the Colorado Public Utilities Commission, the Georgia Public Service Commission, the Illinois Commerce Commission, the Kansas Corporation Commission, the Kentucky Public Service Commission, the Louisiana Public Service Commission, the Maine Public Utilities Commission, the Maryland Public Service Commission, the Massachusetts Department of Public Utilities the North Carolina Utilities Commission, the Public Utilities Commission of Ohio, the Corporation Commission of Oklahoma, the Pennsylvania Public Utility Commission, the Philadelphia Gas Commission, the Philadelphia Water, Sewer and Storm Water Rate Board, the Public Utilities Commission of Rhode Island,

the Public Service Commission of South Carolina, the Public Utility Commission of Texas, the Vermont Public Service Board, the Virginia Corporation Commission, the West Virginia Public Service Commission, the Wyoming Public Service Commission, and the Federal Energy Regulatory Commission (“FERC”). My resume is attached hereto as Appendix A.

Q. ON WHOSE BEHALF ARE YOU APPEARING?

A. I am presenting this testimony on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. Exeter has been retained by the OCA to assist in the evaluation of Energy Center Harrisburg LLC’s (“ECH” or the “Company”) request for a base rate increase. This testimony presents my findings regarding ECH’s test year rate base and operating income. I have been asked by the OCA to determine the level of revenue that the Commission should authorize ECH to collect as a result of this proceeding. In this testimony, I present my findings regarding ECH’s test year rate base and net operating income at present rates.

Q. IN CONNECTION WITH THIS CASE, HAVE YOU PERFORMED AN EXAMINATION AND REVIEW OF THE COMPANY’S TESTIMONY AND EXHIBITS?

A. Yes. I have reviewed ECH’s testimony, exhibits, and its rate filing. I have also reviewed the Company’s responses to data requests propounded by the OCA.

Q. HAVE YOU PREPARED EXHIBITS TO ACCOMPANY YOUR TESTIMONY?

A. Yes. I have prepared Exhibits LKM-1 through LKM-13. Exhibit LKM-1 provides a summary of the calculation of the increase in revenues after reflecting the adjustments

proposed by the OCA. Exhibit LKM-2 provides my recommended rate base. Exhibit LKM-3 presents a summary of the cost of service (revenues and operating expenses) adjustments. My adjustments to ECH's claimed revenues and operating expenses are presented on Exhibits LKM-4 through LKM-13.

Q. PLEASE EXPLAIN HOW THE REMAINING SECTIONS OF YOUR TESTIMONY ARE ORGANIZED.

A. This section, Section I, provides the introductory information to my testimony. Section II presents a summary of my findings and conclusions. In Section III, I document and explain each of the accounting adjustments that I have made to the rate base and operating income to arrive at the test year revenue increase shown on Exhibit LKM-1. Additionally, attached to this testimony, I present the exhibits that support my adjustments and summarize my revenue requirement recommendation. Appendix A, attached to this testimony, provides my resumé which summarizes my professional experience.

II. Summary and Recommendations

Q. PLEASE SUMMARIZE THE RATE RELIEF REQUESTED BY ECH IN ITS FILING.

A. On July 18, 2025, ECH filed its application with the Pennsylvania Public Utility Commission proposing a change to its tariffed rates for steam service. In ECH's filing, it proposes to increase base revenues for steam service by \$894,300 annually. Though the filing states the rate increase is based upon the future test year ended March 31, 2025,¹ ECH witness Keith L. Li explains:

¹ Answers of Energy Center Harrisburg LLC to Minimum Filing Requirements at 52 PA CODE§ 53.52(a). It is assumed that the March 31, 2025 was an error and should have stated March 31, 2026.

In addition to Historic Test Year (“HTY”) information (for the 12 months ended March 31, 2025), the supporting data also sets forth, based upon known and measurable changes to the operating revenue and expenses, Future Test Year (“FTY”) information (for the 12 months ending March 31, 2026). I used a Fully Projected Future Test Year (“FPFTY”) for the very limited purpose of capturing certain major expenses and capital investments that are anticipated to occur by the end of the FPFTY (April 18, 2027). Given the infrequent nature of ECH’s base rate filings, I wanted to ensure that those items were captured. I did not use the FPFTY to its fullest extent because ECH is already requesting an annual revenue requirement that is far below what it can justify, and disputes over the use of the FPFTY would have the potential of unnecessarily increasing rate case expense.²

ECH estimates the change in rates would increase customers’ bills by approximately 11.6% on a total bill basis (fuel and non-fuel). According to ECH, the primary reason for the filing is to recover revenue lost due to warmer winters and customer conservation. Further, ECH explains that since its last base rate relief in 2013, it has experienced a loss of approximately 26,000 Mlbs of sales, or 10% of its base load. This loss represents over \$400,000 in lost revenue. Hence, ECH indicates that it needs to improve its income considering the reduction in steam sales and increasing costs.

Q. DO YOU AGREE WITH THE USE OF BLENDED TEST YEARS AS EXPLAINED BY MR. LI?

A. No. Mr. Li explains his understanding of the use of the FPFTY as follows:

Counsel advises me that Act 11 of 2012 permits utility companies to use a FPFTY, which is the 12-month period beginning with the first month that the new rates will be placed in effect after the application of the full suspension period permitted under Section 1308(d) of the Public Utility Code. In essence, Act 11 permits utilities to claim expenses that are expected to be incurred during, and facilities that are projected to be in service during, the FPFTY.³

² Li Direct Testimony beginning at pages 3:21 to 4:8.

³ Li Direct Testimony beginning at page 4:18-23.

The use of blended test years is not consistent with Act 11. The Commission's Final Implementation Order (Implementation of Act 11 of 2012) in Docket No. M-2012-2293611 stated:

Section 315 of the Code, 66 Pa. C.S. § 315, contains the burden of proof a utility has in various proceedings before the Commission. With the enactment of Act 11, the burden of proof standard for utilities in rate proceedings has been amended to permit use of **either a future test year or a “fully-projected future test year”** [emphasis added] in rate cases. The fully projected test year is defined as the 12-month period that begins with the first month that the new rates will be placed into effect, after application of the full suspension period permitted under Section 1308(d). See 66 Pa. C.S. § 1308(d). Under this approach, the risks associated with regulatory lag will be substantially reduced because the new rates will be consistent with the test year used to establish those rates for at least the first year.⁴

The Commission's order, in Docket No. M-2012-2293611, makes clear that the utility has a choice between the FTY or FPFTY. I am not aware of any provision of Act 11 or the Commission's implementation of Act 11 that permits the use of blended test years or the use of different test year for purposes of determining cost elements of the cost of service.

Q. WHAT PERIOD HAVE YOU USED IN MAKING YOUR DETERMINATION OF ECH'S REVENUE REQUIREMENT?

A. I have derived my revenue requirement recommendations based upon the data for the future test year ending March 31, 2026 (the FTY). I have chosen the FTY because of the underlying data supporting the cost of service. As ECH does not use budgeted or projected data which reflect future activities, initiatives, and operating plans, which are the instances where it attempts to project future costs, ECH has instead derived the

⁴ PaPUC's Final Implementation Order in Docket No. M-2012-2293611 at page 5.

adjustments by using an inflation escalation rate of 2.5%. For those adjustments where ECH attempted to use a FPFTY amount, it effectively “compounded” the inflation escalation over two periods by multiplying the costs by the inflation factor twice. There were only two instances that I am aware of where ECH adjusted costs to an FPFTY basis. In those instances, I consider ECH’s adjustment to be speculative and removed the compounding effect of the inflation adjustment. After removing the FPFTY adjustments, the remaining costs are essentially presented on an FTY basis.

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND FINDINGS.

A. As shown on Exhibit LKM-1, I have determined that the Company has a revenue deficiency of \$651,163. This represents a decrease of \$243,137 from ECH’s requested increase of \$894,300. This is the amount by which revenues exceed those required to generate an overall rate of return of 3.28 percent, as requested by ECH.

III. Revenue Requirement Issues

A. Plant in Service

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PLANT IN SERVICE?

A. In ECH’s filing, it proposed adjustments Plant in Service to reflect certain plant additions that were scheduled to occur by March 31, 2026. The Plant additions proposed by ECH are as follows:

- Boiler Plant Equipment\$80,000
- Steam Mains M/H#378.....\$150,000
- General Garage Equipment.....\$75,000

In response to OCA 1-13, ECH indicated that the plant additions were completed or purchased in May 2025 and September 2025. The final costs for the plant additions were as follows:

- Boiler Plant Equipment\$93,000
- Steam Mains M/H#378.....\$2,000 (Change of scope)
- General Garage Equipment.....\$66,000
- Plant Roof -Incinerator Station.....\$120,000 (Not included in filing)

The adjustment I am recommending updates the proposed costs presented by the Company contained in its rate filing. It should be noted that Steam Mains decreased from \$150,000 to \$2,000 because there was a change in the scope of the project. This change resulted in significant savings. In my adjustment, I did not include the \$2,000 cost related to the change of scope of the Steam Main project as an addition to Plant in Service. Instead, I have reclassified the cost as a component of operating expenses, which I discuss later in this testimony.

The Company also added the cost of the plant roof at the incinerator station. This cost offset the saving achieved from the Steam Mains plant. As a result of the changes explained above, I am recommending an adjustment to reduce plant in service by \$26,000 to reflect the net savings achieved from the projects. This adjustment is presented on Exhibit LKM-4.

B. Cash Working Capital

Q. HOW DO YOU DEFINE CASH WORKING CAPITAL?

A. For ratemaking purposes, cash working capital is the investment that a utility needs to have on hand to fund its day-to-day operations. Positive cash working capital represents funds provided by investors that should be included in rate base so that the utility earns a return on it. Negative cash working capital represents funds supplied by ratepayers that should be recognized as a rate base offset to reflect funds advanced for operations by ratepayers.

Q. **PLEASE EXPLAIN YOUR ADJUSTMENT TO CASH WORKING CAPITAL.**

A. The Company has used the formula method to determine its cash working capital allowance. This formula is based upon one-eighth (1/8) of operating and maintenance expenses. Hence, the value of the operating and maintenance has a direct effect on calculating cash working capital. Since I have made certain adjustments to Operating and Maintenance expenses, the level of cash working capital must be adjusted to correspond to the changes in Operating and Maintenance expenses that I am recommending. On Exhibit LKM-5, I show my calculation of the adjusted cash working capital and present my adjustment which increases cash working capital by \$95,385.

C. **Miscellaneous Revenue**

Q. **PLEASE EXPLAIN YOUR ADJUSTMENT TO MISCELLANEOUS REVENUE.**

A. The Company provides certain services that are not included in the utility service tariffs and are not included as part of the cost of service. Specifically, the Company's mechanics perform service work for customers building steam systems, and the Company bills the Commonwealth of Pennsylvania for a condensate collection system. The revenues related to these services were not included in the cost of service because these services are treated as non-regulated services. However, according to the Company, the accounting for non-regulated customer services work should have netted out the cost of parts and labor charges from the billed revenue. In other words, the cost of parts and labor related to the non-regulated services should have been removed from the regulated accounting records. However, that was not done. Consequently, the costs

related to the non-regulated customer service revenues were included in the cost of service, but the revenues were excluded. This is a mismatch of revenues and expenses.

In response to OCA 2-1, ECH appears to have recognized this discrepancy, and proposes that revenues of \$80,000 be added to the cost of service to recognize the annual gross revenue for the services. I believe the Company's proposal is a reasonable resolution of the revenue/expense mismatch. Therefore, on Exhibit LKM-6, I am recommending an adjustment that increases miscellaneous revenues by \$80,000.

D. Uncollectible Expense

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO UNCOLLECTIBLE EXPENSE.

A. During the historical test year, no uncollectible expense was recorded on the Company's books. However, for the FTY, the Company is claiming uncollectible expense of \$1,000 per month or \$12,000 per year. When asked to provide the basis of the uncollectible expense claim, ECH stated:

It is general good business practice to charge Bad Debt periodically in order to build an allowance for writing off uncollectible accounts receivable. This has not been done in the past several years because there was an existing reserve balance that exceeded the anticipated write-offs. In the last year, several aged receivables were written off, and the reserve will be built up again with monthly charges to Bad Debt expense.⁵

The Company was also asked to explain why no uncollectible was recorded on its books for the historical test year. The response referred to the quote above. There are several problems with ECH's response to the request for support for its uncollectible expense. First, for ratemaking purposes, uncollectibles are based on actual write-offs of bad debts. However, none have been provided and none were recorded, which implies that none were experienced during the historical test year. While ECH states

⁵ Response to OCA 2-14.

also that “[i]t is general good business practice to charge Bad Debt periodically in order to build an allowance for writing off uncollectible accounts receivable.” That may be true, but ECH has failed to provide adequate support for its claim. In other words, there must be a reasonable basis for determining the amount charged as bad debt that can be linked to the Company’s experience with bad debts.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments—Credit Losses that includes guidance on the determination of bad debt/uncollectibles. Nevertheless, the Company’s response provides no basis for the determination of its uncollectible claim. Without such a support, it would be improper to include the \$12,000 claim in the cost service. Therefore, I am recommending an adjustment which removes the \$12,000 from the cost of service as shown on Exhibit LKM- 7.

E. Labor & Benefits Expense

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO LABOR AND BENEFITS EXPENSE.

A. ECH calculated its pro forma level of Labor and Benefits expense by escalating the Labor and Benefits for the test year ended March 31, 2025 by 2.5% twice (to compound the inflation year over year). This means that Labor and Benefits expense is one of the expenses that Mr. Li describes as being adjusted to “a Fully Projected Future Test Year (“FPFTY”) for the very limited purpose of capturing certain major expenses”.⁶ As I explained earlier, the utility is given a choice of either using the FTY or the FPFTY. Hence, the practice of using different test years for certain adjustments is not appropriate. Therefore, I have adjusted Labor and benefits expense by reducing the

⁶ Li Direct Testimony beginning at pages 3:21 to 4:8.

expense by \$76,174 to remove the additional cost escalation claimed by ECH. This adjustment is reflected on Exhibit LKM-8.

F. Insurance Expense

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO INSURANCE EXPENSE.

A. Similar to Labor and Benefits expense, ECH calculated its pro forma level of Insurance expense by escalating the Insurance expense for the test year ended March 31, 2025 by 2.5% twice (to compound the inflation year over year). Hence Insurance Expense is also one of the expenses that Mr. Li describes as being adjusted to “a Fully Projected Future Test Year (“FPFTY”)”.⁷ As I explained earlier, the utility is given a choice of either using the FTY or the FPFTY. Hence, the practice of using different test years for certain adjustments is not appropriate. Therefore, I have adjusted Insurance expense by reducing the expense by \$4,204 to remove the additional cost escalation claimed by ECH. This adjustment is reflected on Exhibit LKM-9.

G. Adjustment to Operations, Maintenance & General Expenses

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO OPERATIONS, MAINTENANCE & GENERAL EXPENSE.

A. ECH adjusted Operations, Maintenance and General expenses to reflect the three-year average of those expenses based on the 12 months ended March 31, 2023, 2024, and 2025. The adjustment proposed by ECH is derived from comparing the 3-year average expenses to the 12 months ended March 2025 expenses. From my review, I surmised that the rationale for this adjustment is to recognize the normal ongoing level of the expenses that were grouped in this category. The table below shows the data used in the development of the adjustment.

⁷ Li Direct Testimony beginning at pages 3:21 to 4:8.

Operations, Maintenance & General Expenses				
Account	12 Mos. Ended Mar26 ^{1/}	12 Mos. Ended Mar25	12 Mos. Ended Mar24	12 Mos. Ended Mar23
M&S - Land and Bldgs	\$ 33,562	\$ 75,739	\$ 22,267	\$ 2,680
M&S - Balance of Plant	116,809	17,348	7,938	325,140
M&S- Boiler	59,001	926	176,078	-
M&S - Facilities	29,039	34,159	33,202	19,756
M&S - Steamlines	44,110	44,602	87,730	-
M&S - Vehicles	24,374	22,911	29,314	20,898
M&S - Consumables	91,208	112,508	101,467	59,647
M&S - Chemicals	42,380	51,808	47,077	28,253
Permits and Fees	28,260	26,113	40,060	18,608
Safety and Protection	16,706	23,102	21,786	5,230
Other Maintenance	1,074	(198)	-	3,421
Employee Exp	9,253	8,546	2,469	16,744
Travel & Meals	16,807	16,220	10,851	23,348
Office Expenses	35,464	28,416	39,794	38,182
Insurance	135,604	168,164	119,981	118,666
Other Admin	130,841	152,123	88,876	151,523
Advertising	6,921	7,962	7,245	5,555
Total Expenses	\$ 821,413	\$ 790,448	\$ 836,136	\$ 837,654

Source: Supporting Schedule No. 11

^{1/} 3-year average based on March 2023 - March 2025.

I have concerns about the data used by ECH for calculating its adjustment to Operations, Maintenance & General Expenses. First, as the data for M&S-Boiler and MS-Balance of Plant contain amounts that appear to be so extraordinarily high, they skew the results of the analysis. For the 12 months ended March 2023, the M&S Balance of Plant expense is \$325,140. For the same period in 2024 and 2025, the amounts were \$7,938 and \$17,348, respectively. The use of the \$325,140 skews the average M&S Balance of Plant expense upwards to an average of \$116,809. Because of these adjustments, and the value of the M&S Balance of Plant expense for the 12 months ended March 2023, the 12 months ended March 2023 was an unusual year for M&S Balance of Plant expense.

Similarly, for M&S-Boiler expenses, for the 12 months ended March 2024, the M&S-Boiler expense is \$176,078. For the same period in 2023 and 2025, the amounts

were \$0 and \$926, respectively. The significant level of the 12 months ended March 2024 relative to the other years shown suggest that 2024 was an unusual year.

Based on my review of the expenses, I believe the two expenses, M&S Balance of Plant and M&S-Boiler expenses, should be removed from the determination of the ongoing level of Operations, Maintenance & General expenses because they distort the results.

The other concern I have with the analysis presented by the Company is the inclusion of Insurance expense in the Operations, Maintenance & General expenses. The adjustment proposed by ECH is derived from comparing the 3-year average Operations, Maintenance & General expenses to the Operations, Maintenance & General expenses for the 12 months ended March 2025. This results in an increase in the expenses and contributes to the adjustment of \$30,964 to increase in Operations, Maintenance & General expense as shown on ECH's Supporting Schedule No. 11. However, Insurance expense has already been separately adjusted by the Company. Consequently, it should not be included in this analysis. Moreover, the effect of the inclusion of the Insurance expense significantly causes the increase of \$30,964 as proposed by ECH.

Q. WHAT ADJUSTMENT ARE YOU PROPOSING TO OPERATION, MAINTENANCE & GENERAL EXPENSE?

A. Below, I have re-presented the Operations, Maintenance & General expenses table after removing the abnormal line items for M&S Balance of Plant, M&S Boiler Plant and Insurance. Using the same approach as the Company, I compared the 3-year average expenses to the 12 months ended March 31, 2025. The resulting comparison would result in a decrease in Operations, Maintenance & General expenses of \$94,012 from the 12 months ended March 31, 2025.

Restated Operations, Maintenance & General Expenses				
Account	12 Mos. Ended Mar26 ^{1/}	12 Mos. Ended Mar25	12 Mos. Ended Mar24	12 Mos. Ended Mar23
M&S - Land and Bldgs	\$ 33,562	\$ 75,739	\$ 22,267	\$ 2,680
M&S - Balance of Plant	-	-	-	-
M&S- Boiler	-	-	-	-
M&S - Facilities	29,039	34,159	33,202	19,756
M&S - Steamlines	44,110	44,602	87,730	-
M&S - Vehicles	24,374	22,911	29,314	20,898
M&S - Consumables	91,208	112,508	101,467	59,647
M&S - Chemicals	42,380	51,808	47,077	28,253
Permits and Fees	28,260	26,113	40,060	18,608
Safety and Protection	16,706	23,102	21,786	5,230
Other Maintenance	1,074	(198)	-	3,421
Employee Exp	9,253	8,546	2,469	16,744
Travel & Meals	16,807	16,220	10,851	23,348
Office Expenses	35,464	28,416	39,794	38,182
Insurance	-	-	-	-
Other Admin	130,841	152,123	88,876	151,523
Advertising	6,921	7,962	7,245	5,555
Total Expenses	\$ 509,999	\$ 604,011	\$ 532,138	\$ 393,847

Source: Supporting Schedule No. 11

^{1/} 3-year average based on March 2023 - March 2025.

Rather than reflect a reduction in expenses, I am recommending an adjustment which reverses the Company's adjustment that increased Operations, Maintenance & General expenses by \$30,964. I have chosen to reverse the Company's adjustment to these expenses to allow it to recover expenses at the level incurred during the 12-months ended March 31, 2025. This adjustment is presented on Exhibit LKM-10.

H. M/H #378 Rebuild

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REFLECT M/H#378 REBUILD.

A. In ECH's filing, it included an increase in Plant in Service of \$150,000 related to the M/H#378 rebuild project. In the response to OCA 1-13, the Company indicated that the scope of the project was changed, and it incurred only \$2,000 on the project. Earlier, I explained that I removed the \$150,000 expenditure from ECH's plant in service claim because of the change in scope.

However, I believe the Company is entitled to recover the \$2,000 cost of the project. Since the project is described as a rebuild, it does not seem to be a project that recurs on an annual basis. Therefore, I am recommending an adjustment that normalized the project's cost over a 5-year period. This result in an adjustment that increases operating expense by \$400. I present this adjustment on Exhibit LKM-11. The 5-year period was chosen to be consistent with the Company-proposed period to normalize Rate Case expenses.

I. Depreciation

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO REFLECT DEPRECIATION EXPENSE AND ACCUMULATED DEPRECIATION.

A. In ECH's filing, Depreciation expense and Accumulated Depreciation were derived based upon the value of the Company's Plant in Service Additions, and its existing Plant in Service subject to depreciation. As I have explained, I have updated value of the Plant in Service additions. As a result, there is a corresponding effect on the Company's depreciation claims. The adjustment I am recommending to depreciation is a result of reflecting the updated values of the Company's plant additions based on the

same depreciation rates used by the Company. This adjustment results in a decrease in Depreciation expense of \$7,993. However, for the Accumulated Depreciation, the Company appears to reflect the balance as March 2025 instead of March 2026. Hence, I have updated the Accumulated Depreciation balance through March 2026 resulting in an increase in Accumulated Depreciation of \$272,972. My adjustment to Depreciation expense and Accumulated Depreciation is presented on Exhibit LKM-12.

J. PURTA Expense

Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO PURTA EXPENSE.

A. In ECH's cost of service, it included \$29,202 in Public Utility Realty Tax Act (PURTA) expense. The Pennsylvania Department of Revenue has released notices indicating that the PURTA rate for calendar years 2025 and 2026, the PURTA rate will be 0 mills. This means there will be no PURTA expense for those years. Therefore, I am recommending an adjustment on Exhibit LKM-13 that reduces PURTA expense by \$29,202.

Q. IN THE EVENT THERE IS A PURTA RATE IS PLACED IN EFFECT, DOES THIS MEAN THAT ECH WILL HAVE TO ABSORB THE TAX?

A. No. Utilities in the Commonwealth have the State Tax Adjustment Surcharge (STAS) mechanism which allows them to recover changes in tax rates between rate cases. Hence, ECH would not be required to absorb the PURTA if the rate changes.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY CENTER HARRISBURG LLC
(GENERAL RATE INCREASE FILED
PURSUANT TO 66 PA. C.S. § 1308,
INCLUDING RESPONSES TO 52 PA.
CODE § 53.52)

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R-2025-3055959

EXHIBITS ACCOMPANYING
DIRECT TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY CENTER HARRISBURG LLC
(GENERAL RATE INCREASE FILED
PURSUANT TO 66 PA. C.S. § 1308,
INCLUDING RESPONSES TO 52 PA.
CODE§ 53.52)

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R-2025-3055959

DIRECT TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.

Appendix A

LAFAYETTE K. MORGAN, JR.

Mr. Morgan is an independent regulatory consultant focusing in the area of the analysis of the operations of public utilities with particular emphasis on rate regulation. He has reviewed and analyzed utility rate filings, focusing primarily on revenue requirements determination, accounting and regulatory policy and cost recovery mechanisms. This work has included natural gas, water, electric, and telephone utilities.

Education and Qualifications

B.B.A. (Accounting) – North Carolina Central University, 1983

M.B.A. (Finance) – The George Washington University, 1993

C.P.A. – Licensed in the State of North Carolina (Inactive status)

Previous Employment

1993-2010	Senior Regulatory Analyst Exeter Associates, Inc. Columbia, MD
1990-1993	Senior Financial Analyst Potomac Electric Power Company Washington, D.C.
1984-1990	Staff Accountant North Carolina Utilities Commission – Public Staff Raleigh, NC

Professional Experience

As a Staff Accountant with the North Carolina Utilities Commission – Public Staff, Mr. Morgan was responsible for analyzing testimony, exhibits, and other data presented by parties before the Commission. In addition, he performed examinations of the books and records of utilities involved in rate proceedings and summarized the results into testimony and exhibits for presentation before the Commission. Mr. Morgan also participated in several policy proceedings and audits involving regulated utilities.

As a Senior Financial Analyst with Potomac Electric Power Company, Mr. Morgan was a lead analyst and was involved in the preparation of the cost of service, rate base, and ratemaking adjustments supporting the Company's request for revenue increases in its retail jurisdictions.

As a Senior Regulatory Analyst with Exeter Associates, Inc., Mr. Morgan has been involved in the analysis of the operations of public utilities with particular emphasis on rate regulation. He has reviewed and analyzed utility rate filings, focusing primarily on revenue requirements determination, accounting and regulatory policy and cost recovery mechanisms. This work included natural gas, water, electric, and telephone utilities.

Kings Grant Water Company (North Carolina Utilities Commission, Docket No. W-250, Sub 5), 1984. Presented testimony on rate base, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

Northwood Water Company (North Carolina Utilities Commission, Docket No. W-690, Sub 1), 1985. Presented testimony on rate base, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

Emerald Village Water System (North Carolina Utilities Commission, Docket No. W-184, Sub 3), 1985. Presented testimony on rate base, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

General Telephone Company of the South (North Carolina Utilities Commission, Docket No. P-19, Sub 207), July 1986. Presented testimony on the level of cash working capital allowance on behalf of the North Carolina Utilities Commission – Public Staff.

Heins Telephone Company (North Carolina Utilities Commission, Docket No. P-26, Sub 93), November 1986. Presented testimony on rate base, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

Carolina Power and Light Company (North Carolina Utilities Commission, Docket No. E-2, Sub 537), March 1988. Presented testimony on rate base, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

Public Service Company of North Carolina, Inc. (North Carolina Utilities Commission, Docket No. G-5, Sub 246), August 1989. Presented testimony on rate base, cash working capital allowance, cost of service, and revenue and expense adjustments on behalf of the North Carolina Utilities Commission – Public Staff.

Conestoga Telephone and Telegraph Company (Pennsylvania Public Utility Commission, Docket No. I-00920015), September 1993. Presented testimony on cost of service on behalf of the Pennsylvania Office of Consumer Advocate.

Louisiana Power and Light Company (Louisiana Public Service Commission, Docket No. U-20925), February 1995. Presented testimony on rate base and working capital issues on behalf of the Louisiana Public Service Commission Staff.

South Central Bell Telephone Company – Louisiana (Louisiana Public Service Commission, Docket No. U-17949, Subdocket E), June 1995. Presented testimony on rate base and working capital issues on behalf of the Louisiana Public Service Commission Staff.

Apollo Gas Company (Pennsylvania Public Utility Commission, Docket No. R-00953378), August 1995. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Carnegie Natural Gas Company (Pennsylvania Public Utility Commission, Docket No. R-00953379), August 1995. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Tennessee Gas Pipeline Company (Federal Energy Regulatory Commission, Docket No. RP95-112), September 1995. Presented testimony rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Virginia-American Water Company (Virginia State Corporation Commission, Case No. PUE-950003), March 1996. Presented testimony on rate base and cost of service issues on behalf of the City of Alexandria.

GTE North, Inc. Interconnection Arbitration (Pennsylvania Public Utility Commission, Docket No. A-310125F0002), September 1996. Presented testimony on the determination of the appropriate resale discount on behalf of the Pennsylvania Office of Consumer Advocate.

United Cities Gas Company (Georgia Public Service Commission, Docket No. 6691-U), October 1996. Presented testimony on rate base and cost of service issues on behalf of the Office of Governor, Consumer Utility Counsel Division.

GTE North, Inc. (Pennsylvania Public Utility Commission, Docket Nos. R-00963666 and R-00963666C001), February 1997. Presented testimony on the determination of the appropriate resale discount on behalf of the Pennsylvania Office of Consumer Advocate.

Consumers Maine Water Company (Maine Public Utilities Commission, Docket No. 96-739), May 1997. Presented testimony on rate base, cost of service, and rate of return issues on behalf of the Maine Office of the Public Advocate.

Pennsylvania-American Water Company (Pennsylvania Public Utility Commission, Docket No. R-00973944), July 1997. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Pennsylvania-American Water Company – Wastewater Operations (Pennsylvania Public Utility Commission, Docket No. R-00973973), July 1997. Presented testimony on rate base, cost of service, depreciation, and rate design issues on behalf of the Pennsylvania Office of Consumer Advocate.

Jackson Purchase Electric Cooperative Corporation (Kentucky Public Service Commission, Case No. 97-224), December 1997. Presented testimony on rate base and cost of service issues on behalf of the Kentucky Office of the Attorney General.

Henderson Union Electric Cooperative Corporation (Kentucky Public Service Commission, Case No. 97-220), January 1998. Presented testimony on the return of patronage capital on behalf of the Kentucky Office of the Attorney General.

Green River Electric Corporation (Kentucky Public Service Commission, Case No. 97-219), January 1998. Presented testimony on the return of patronage capital on behalf of the Kentucky Office of the Attorney General.

Western Kentucky Gas Company (Kentucky Public Service Commission, Case No. 99-070), November 1999. Presented testimony on rate base and cost of service issues on behalf of the Kentucky Office of the Attorney General.

American Broadband, Inc. (Rhode Island Public Utilities Commission, Docket No. 2000-C-3), June 2000. Presented report and testimony on the Company's financing plan on behalf of the Rhode Island Division of Public Utilities and Carriers.

PPL Utilities (Pennsylvania Public Utility Commission, Docket No. R-00005277), October 2000. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

T.W. Phillips Oil and Gas Company (Pennsylvania Public Utility Commission, Docket No. R-00005459), October 2000. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Pike County Light & Power Company (Pennsylvania Public Utility Commission, Docket No. P-00011872), May 2001. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Vermont Gas Systems, Inc. (Vermont Public Service Board, Docket No. 6495), June 2001. Presented testimony on rate base and cost of service issues on behalf of the Vermont Public Service Department.

Community Service Telephone Company (Maine Public Utilities Commission, Docket No. 2001-249), July 2001. Presented joint testimony on rate base and cost of service issues on behalf of the Maine Office of the Public Advocate.

West Virginia-American Water Company (Public Service Commission of West Virginia, Docket No. 01-0326-W-42-T), August 2001. Presented testimony on rate base and cost of service issues on behalf of the Consumer Advocate Division.

Philadelphia Suburban Water Company (Pennsylvania Public Utility Commission, Docket No. R-00016750) February 2002. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Illinois-American Water Company (Illinois Commerce Commission, Docket No. 02-0690) January 2003. Presented testimony on cost of service issues on behalf of Citizens Utility Board.

Pennsylvania-American Water Company (Pennsylvania Public Utility Commission, Docket No. R-00027983), February 2003. Presented testimony addressing surcharge mechanism to recover security costs on behalf of the Pennsylvania Office of Consumer Advocate.

FairPoint New England Telephone Companies (Maine Public Utilities Commission, Docket Nos. 2002-747, 2003-34, 2003-35, 2003-36, and 2003-37), June 2003. Presented testimony on rate base and cost of service issues on behalf of the Maine Office of the Public Advocate.

Pennsylvania-American Water Company (Pennsylvania Public Utility Commission, Docket No. R-00038304), August 2003. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

PPL Electric Utilities Corporation (Pennsylvania Public Utility Commission, Docket No. R-00049255), June 2004. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Entergy Louisiana, Inc. (Louisiana Public Service Commission, Docket No. U-20925 RRF 2004), August 2004. Presented testimony on rate base and cost of service issues on behalf of the Louisiana Public Service Commission Staff.

Vectren Energy Delivery of Indiana (Indiana Utility Regulatory Commission, Cause No. 42598), September 2004. Presented testimony on O&M expense issues on behalf of the Indiana Office of Utility Consumer Counselor.

National Fuel Gas Distribution Corporation (Pennsylvania Public Utility Commission, Docket No. R-00049656), December 2004. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Block Island Power Company (Rhode Island Public Utilities Commission, Docket No. 3655), April 2005. Presented testimony on cash working capital on behalf of the Rhode Island Division of Public Utilities & Carriers.

Verizon New England, Inc. (Maine Public Utilities Commission, Docket No. 2005-155), September 2005. Presented joint testimony with Thomas S. Catlin on rate base and cost of service issues on behalf of the Maine Office of the Public Advocate.

T.W. Phillips Oil and Gas Company (Pennsylvania Public Utility Commission, Docket No. R-00051178), May 2006. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Duquesne Light Company (Pennsylvania Public Utility Commission, Docket No. R-00061346), July 2006. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

National Fuel Gas Distribution Company (Pennsylvania Public Utility Commission, Docket No. R-00061493), September 2006. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Southern Indiana Gas & Electric Co. (Indiana Utility Regulatory Commission, Cause No. 43112), January 2007. Presented testimony on rate base and cost of service issues on behalf of the Indiana Office of Utility Consumer Counsel.

PPL Electric Utilities (Pennsylvania Public Utility Commission, Docket No. R-00072155), July 2007. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Aqua Pennsylvania, Inc. (Pennsylvania Public Utility Commission, Docket No. R-00072711), February 2008. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Equitable Gas Company (Pennsylvania Public Utility Commission, Docket No. R-2008-2029325), October 2008. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

The Narragansett Bay Commission (Rhode Island Public Utilities Commission, Docket No. 4026), April 2009. Presented testimony on rate base and cost of service issues on behalf of the Rhode Island Division of Public Utilities and Carriers.

Maryland-American Water Company (Maryland Public Service Commission, Case No. 9187), July 2009. Presented testimony on rate base and cost of service issues on behalf of the Maryland Office of People's Counsel.

Monongahela Power Company & The Potomac Edison Company, both d/b/a Allegheny Power Company (West Virginia Public Service Commission, Case No. 09-1352-E-42T), February 2010. Presented testimony on rate base and cost of service issues on behalf of the West Virginia Consumer Advocate Division.

PPL Electric Utilities (Pennsylvania Public Utility Commission, Docket No. R-2010-2161694), June 2010. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Pawtucket Water Supply Board (Rhode Island Public Utilities Commission, Docket No. 4550), June 2015. Presented testimony on revenue requirements issues on behalf of the Rhode Island Division of Public Utilities and Carriers.

Columbia Gas of Pennsylvania (Pennsylvania Public Utility Commission, Docket No. R-2015-2468056), June 2015. Presented testimony on rate base and cost of service issues on behalf of the Pennsylvania Office of Consumer Advocate.

Indianapolis Power and Light Company (Indiana Utility Regulatory Commission, Cause No. 44576/44602), July 2015. Presented testimony on revenue requirements issues on behalf of the Indiana Office of Utility Consumer Counselor.

Public Service Company of Oklahoma (Corporation Commission of Oklahoma, Cause No. PUD 201500208), October 2015. Presented testimony on revenue requirements and environmental compliance rider issues on behalf of the United States Department of Defense and the Federal Executive Agencies.

Northern Indiana Public Service Company (Indiana Utility Regulatory Commission, Cause No. 44688), January 2016. Presented testimony on the company's electric division operating revenues, operating expenses and income taxes issues on behalf of the Indiana Office of Utility Consumer Counselor.

Philadelphia Water Department (Philadelphia Water, Sewer And Storm Water Rate Board, FY2017-2018 Rate Proceeding), March 2016. Presented testimony on revenue requirements issues on behalf of the Public Advocate.

Columbia Gas of Maryland (Public Service Commission of Maryland, Case No. 9417), June 2016. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Chesapeake Utilities Corporation (Delaware Public Service Commission, PSC Docket No. 15-1734), August 2016. Presented testimony on rate base and cost of service issues on behalf of the Staff of the Delaware Public Service Commission.

Kent County Water Authority (Public Service Commission of Rhode Island, Docket No. 4611), September 2016. Presented testimony on rate base and cost of service issues on behalf of the Division of Public Utilities and Carriers.

Northern Utilities, Inc. (Maine Public Utilities Commission, Docket No. 2017-00065), August 2017. Assisted the Maine Office of Public Advocate (OPA) with Northern Utilities application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements, the utility's request to renew and modify its alternative rate plan, and its Targeted Infrastructure Replacement Adjustment.

Indiana Michigan Power Company (Indiana Utility Regulatory Commission, Cause No. 44967), November 2017. Presented testimony on rate base, operating revenues and operating expenses issues on behalf of the Indiana Office of Utility Consumer Counselor.

Emera Maine (Maine Public Utilities Commission, Docket No. 2017-00198), December 2017. Assisted the Maine Office of Public Advocate (OPA) with Emera Maine's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements, the utility's request to reflect the changes brought about by the Tax Change and Jobs Act of 2017.

UGI-Electric (Pennsylvania Public Utility Commission, Docket No. R-2017-2640058), April 2018. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with UGI-Electric's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OCA, on accounting issues including test year revenue requirements, the utility's request to reflect the changes brought about by the Tax Change and Jobs Act of 2017.

Philadelphia Water Department (Philadelphia Water, Sewer And Storm Water Rate Board, FY2019-2020 Rate Proceeding), April 2018. Presented testimony on revenue requirements and the Department's three-year rate plan issues on behalf of the Public Advocate.

Westar Energy, Inc. (Westar Energy) and Kansas Gas and Electric Company (KGE), (Kansas State Corporation Commission, Docket No. 18-WSEE-328-RTS), May 2018. Presented testimony on revenue requirements on behalf of the Federal Executive Agencies.

Duquesne Light Company (Pennsylvania Public Utility Commission, Docket No. R-2018-3000124), June 2018. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with UGI-Electric's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements, the utility's request to reflect the changes brought about by the Tax Change and Jobs Act of 2017.

Bangor Natural Gas Company (Maine Public Utilities Commission, Docket No. 2018-00007), June 2018. Assisted the Maine Office of Public Advocate (OPA) Presented testimony, on behalf of the OPA, on the changes brought about by the Tax Change and Jobs Act of 2017.

SUEZ Water Pennsylvania, Inc. (Pennsylvania Public Utility Commission, R-2018-3000834), July 2018. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with SUEZ Water's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including Rate Base, Operating Income, Inclusion of Costs Related to Expansion Territories and the utility's request to reflect the changes brought about by the Tax Change and Jobs Act of 2017.

Woonsocket Water Division (Public Service Commission of Rhode Island, Docket No. 4879), January 2019. Presented testimony on cost of service issues on behalf of the Division of Public Utilities and Carriers.

Central Maine Power Company (Maine Public Utilities Commission, Docket No. 2018-00194), January 2019. Assisted the Maine Office of Public Advocate (OPA) with Central Maine Power's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements, the utility's request to reflect the changes brought about by the Tax Change and Jobs Act of 2017.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, 2019 Tiered Assistance Program Rate Rider Surcharge Rates Proceeding), May 2019. Presented testimony regarding the appropriate adjustments to the 2019 TAP-R determination. Presented testimony on behalf of the Public Advocate.

Newport Water Department (Public Service Commission of Rhode Island, Docket No. 4933), July 2019. Presented testimony on cost of service issues on behalf of the Division of Public Utilities and Carriers.

UGI-Gas (Pennsylvania Public Utility Commission, Docket No. R-2018-3006814), April 2019. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with UGI-Gas' application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OCA, on accounting issues including Rate Base and Net Operating Income.

Columbia Gas of Maryland (Public Service Commission of Maryland, Case No. 9609), August 2019. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Public Service Company of Colorado (Colorado Public Utility Commission, Proceeding No. 19AL-0268E), September 2019. Mr. Morgan provided testimony, on behalf of the Department of Energy and the Federal Executive Agencies, on accounting issues including test year revenue requirements, Rate Base and Net Operating Income.

Northern Utilities, Inc. (Maine Public Utilities Commission, Docket No. 2019-00092), September 2019. Assisted the Maine Office of Public Advocate (OPA) with Northern Utilities application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements and the utility's request to institute a Capital Investment Recovery Mechanism.

Citizens' Electric Company of Lewisburg (Pennsylvania Public Utility Commission, Docket No. R-2019-3008212), October 2019. Provided testimony on Plant in Service, Construction Work in Progress, Materials and Supplies, Customer Deposits, Depreciation Expense, Growth Factor, and The Tax Cuts and Jobs Act. Mr. Morgan provided testimony on behalf of the Pennsylvania Office of Consumer Advocate (OCA).

Valley Energy, Inc. (Pennsylvania Public Utility Commission, Docket No. R-2019-3008209), October 2019. Provided testimony on Plant in Service, Construction Work in Progress, Materials and Supplies, Customer Deposits, Depreciation Expense, Growth Factor, and The Tax Cuts and Jobs Act. Mr. Morgan provided testimony on behalf of the Pennsylvania Office of Consumer Advocate (OCA).

Wellsboro Electric Company (Pennsylvania Public Utility Commission, Docket No. R-2019-3008208), October 2019. Provided testimony on Plant in Service, Construction Work in Progress, Materials and Supplies, Customer Deposits, Depreciation Expense, Growth Factor, and The Tax Cuts and Jobs Act. Mr. Morgan provided testimony on behalf of the Pennsylvania Office of Consumer Advocate (OCA).

Blue Granite Water Company (Public Service Commission of South Carolina, (Docket No. 2019-290-WS), January 2020. Assisted the South Carolina Department of Consumer Affairs. Presented testimony on accounting policy issues including test year revenue requirements.

UGI-Gas (Pennsylvania Public Utility Commission, Docket No. R-2019-3015162), May 2020. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with UGI-Gas' application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OCA, on accounting issues including Rate Base and Net Operating Income.

Columbia Gas of Maryland (Public Service Commission of Maryland, Case No. 9644), July 2020. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

PECO Energy Company - Gas Division (Pennsylvania Public Utility Commission, Docket No. R-2020-3018929), December 2020. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with PECO-Gas' application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OCA, on accounting issues including Rate Base and Net Operating Income.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, Fiscal Years 2022 - 2023 Rates Proceeding), March 2021. Presented testimony on revenue requirements and the Department's three-year rate plan issues on behalf of the Public Advocate.

Versant Maine (Maine Public Utilities Commission, Docket No. 2020-00316), April 2021. Assisted the Maine Office of Public Advocate (OPA) with Versant's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Maine Water Company (Maine Public Utilities Commission, Docket No. 2021-00053), April 2021. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's Request for Approval of Rate Increase and Rate Smoothing Mechanism Pertaining to The Maine Water Company Biddeford & Saco Division. Mr. Morgan provided testimony on the authorization of the Rate Smoothing Mechanism.

UGI-Electric (Pennsylvania Public Utility Commission, Docket No. R-2021-3023618), May 2021. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with UGI-Electric's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OCA, on accounting issues including Rate Base and Net Operating Income.

Bangor Natural Gas Company (Maine Public Utilities Commission, Docket No. 2021-00024), June 2021. Assisted the Maine Office of Public Advocate (OPA) with Bangor Natural Gas' application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2021 - 2022 Operating Budget Proceeding), June 2021. Presented testimony on the reasonableness of the Fiscal Year 2022 Operating Budget on behalf of the Public Advocate.

Duquesne Light Company (Pennsylvania Public Utility Commission, Docket No. R-2021-3024750), June 2021. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with Duquesne Light Company's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements.

Columbia Gas of Maryland (Public Service Commission of Maryland, Case No. 9664), July 2021. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Palmetto Wastewater Reclamation, Inc. (Public Service Commission of South Carolina, (Docket No. 2021-153-S), September 2021. Assisted the South Carolina Department of Consumer Affairs. Presented testimony on accounting policy issues including test year revenue requirements.

Maine Water Company (Maine Public Utilities Commission, Docket No. 2021-00289), November 2021. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

City of Lancaster – Water Department (Pennsylvania Public Utility Commission, Docket No. R-2021-3026682), December 2021. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with the City of Lancaster – Water Department's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements.

Maryland Water Service (Public Service Commission of Maryland, Case No. 9671), January 2022. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Commonwealth Edison Company (Illinois Commerce Commission, ICC Docket No. 21-0607 & ICC Docket No. 21-0739 (consolidated), February 2022. Provided testimony related to the review and evaluation of the rate effects of Commonwealth Edison's misconduct admitted in the Deferred Prosecution Agreement between the United States Attorney for the Northern District of Illinois and Commonwealth Edison. Provided testimony on behalf of the Office of the Illinois Attorney General, the City of Chicago, and the Citizens Utility Board.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2022 - 2023 Capital Budget Proceeding), February 2022. Presented testimony proposing several adjustments to Philadelphia Gas Works' Fiscal Year 2023 Capital Budget on behalf of the Public Advocate.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, 2022 Tiered Assistance Program Rate Rider Surcharge Rates Proceeding), March 2022. Presented testimony regarding the appropriate adjustments to the 2022 TAP-R determination. Presented testimony on behalf of the Public Advocate.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, Fiscal Years 2023 Special Rate Proceeding), April 2022. Presented testimony that demonstrated Philadelphia Water Department's outperformance and proposed a sharing of the utility's outperformance earnings. Presented testimony on behalf of the Public Advocate.

Maine Water Company-Camden& Rockland Division (Maine Public Utilities Commission, Docket No. 2022-00056), June 2022. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Maine Water Company-Freeport Division (Maine Public Utilities Commission, Docket No. 2022-00057), June 2022. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Maine Water Company-Millinocket Division (Maine Public Utilities Commission, Docket No. 2022-00058), June 2022. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Maine Water Company-Oakland Division (Maine Public Utilities Commission, Docket No. 2022-00059), June 2022. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Columbia Gas of Pennsylvania (Pennsylvania Public Utility Commission, Docket No. R-2022-3031211), June 2022. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with Columbia Gas of Pennsylvania's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2022 - 2023 Operating Budget Proceeding), June 2022. Presented testimony on the reasonableness of the Fiscal Year 2023 Operating Budget on behalf of the Public Advocate.

Columbia Gas of Maryland (Public Service Commission of Maryland, Case No. 9680), July 2022. Presented joint testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Oncor Electric Delivery Company (Public Utility Commission of Texas, PUC Docket No. 53601), August 2022. Presented joint testimony on rate base and cost of service issues on behalf of the Department of Defense and Federal Executive Agencies.

Cheyenne Light, Fuel and Power Company d/b/a Black Hills Energy (Wyoming Public Service Commission, Docket No. 20003-214-ER-22), November 2022. Presented testimony, on behalf of Microsoft Corporation, on rate base and cost of service issues.

Central Maine Power Company (Maine Public Utilities Commission, Docket No. 2022-00152), December 2022. Assisted the Maine Office of Public Advocate (OPA) with Central Maine Power's application for an increase in rates. Provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements and the company's request for a multi-year rate plan.

National Fuel Gas Distribution Corporation (Pennsylvania Public Utility Commission, Docket No. R-2022-3035730), January 2023. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with National Fuel Gas Distribution Corporation's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2022 - 2023 Capital Budget Proceeding), February 2023. Presented testimony proposing several adjustments to Philadelphia Gas Works' Fiscal Year 2024 Capital Budget on behalf of the Public Advocate.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, 2023 Tiered Assistance Program Rate Rider Surcharge Rates Proceeding), March 2023. Presented testimony regarding the appropriate adjustments to the 2023 TAP-R determination. Presented testimony on behalf of the Public Advocate.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, Fiscal Years 2024 - 2025 Rates Proceeding), April 2023. Presented testimony on behalf of the Public Advocate on revenue requirements and issues relating to the Department's proposed two-year rate plan.

Dayton Power and Light Company d/b/a AES Ohio (The Public Utilities Commission of Ohio, Case No. 22-900-EL-SSO), April 2023. Presented testimony addressing the recovery of deferred costs and regulatory assets as part of AES Ohio's Application for Approval of Its Electric Security Plan on behalf of the Office of the Ohio Consumers' Counsel.

Maine Water Company- Biddeford & Saco Division (Maine Public Utilities Commission, Docket No. 2023-00065), June 2023. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Provided testimony, on behalf of the OPA, on accounting issues and test year revenue requirements.

Potomac Edison Company (Public Service Commission of Maryland, Case No. 9695), June 2023. Presented testimony on rate base, cost of service and accounting issues on behalf of the Office of People's Counsel.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2023 - 2024 Operating Budget Proceeding), June 2023. Presented testimony identifying issues and recommendations to be considered in approving the Fiscal Year 2024 Operating Budget on behalf of the Public Advocate.

Northern Utilities, Inc. (Maine Public Utilities Commission, Docket No. 2023-00051), July 2023. Assisted the Maine Office of Public Advocate (OPA) with Northern Utilities application for an increase in rates. Provided testimony, on behalf of the OPA, on accounting issues and test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2024 Capital Budget Amendment), August 2023. Presented testimony as to the appropriateness of Philadelphia Gas Works' amendments to the Fiscal Year 2024 Capital Budget on behalf of the Public Advocate.

Evergy Kansas Central, Inc. (Kansas State Corporation Commission, Docket No. 23-EKCE-775-RTS), August 2023. Assisted the U.S. Department of Defense and the Federal Executive Agencies with Evergy Kansas Central, Inc. application for an increase in rates. Provided testimony on accounting issues including test year revenue requirements.

American Transmission Systems, Inc., Mid-Atlantic Interstate Transmission, LLC and Trans-Allegheny Interstate Line Company (Pennsylvania Public Utility Commission, Docket Nos. A-2023-3040481, A-2023-3040482, A-2023-3040483, G-2023-3040484 and G-2023-3040485), August 2023. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with investigation of Joint Applicants application to sell additional equity stake in FirstEnergy Transmission LLC to North American Transmission Company II, L.P. Provided testimony, on behalf of the OCA, identifying issues and recommendations to be considered by the Commission in approving the transaction.

Fitchburg Gas and Electric Light Company d/b/a Unitil (Electric and Gas Divisions) (Massachusetts Department of Public Utilities, Docket Nos. D.P.U. 23-80 & 23-81), December 2023. Assisted the Massachusetts Office of Attorney General (AGO) with Fitchburg Gas and Electric Light Company's application for an increase in rates. Provided testimony, on behalf of the OPA, on accounting issues and test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2024 - 2025 Capital Budget Proceeding), February 2024. Presented testimony proposing several adjustments to Philadelphia Gas Works' Fiscal Year 2024 Capital Budget on behalf of the Public Advocate.

Pawtucket Water Supply Board (Rhode Island Public Utilities Commission, Docket No. 23-30-WW), March 2024. Presented testimony on revenue requirements issues on behalf of the Rhode Island Division of Public Utilities and Carriers.

Massachusetts Electric Company and Nantucket Electric Company, d/b/a National Grid (Massachusetts Department of Public Utilities, Docket Nos. D.P.U. 23-150), March 2024. Assisted the Massachusetts Office of Attorney General (AGO) with National Grid's application for an increase in rates. Provided testimony, on behalf of the OPA, on accounting issues and test year revenue requirements.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, 2024-Tiered Assistance Program Rate Rider Surcharge Rates Proceeding), April 2024. Presented testimony regarding the appropriate adjustments to the 2024 TAP-R determination. Presented testimony on behalf of the Public Advocate.

Pennsylvania-American Water Company, Manwalamink Water Company and Manwalamink Sewer Company (Pennsylvania Public Utility Commission, Docket Nos. A-2023-3044418, A-2023-3044419, A-2023-3044421, A-2023-3044422), May 2024. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with investigation of Pennsylvania-American application to acquire Manwalamink Water Company and Manwalamink Sewer Company. Provided testimony, on behalf of the OCA, identifying issues and recommendations to be considered by the Commission in approving the transaction.

Veolia Water Pennsylvania, Inc. (Pennsylvania Public Utility Commission, Docket Nos. R-2024-3045192 and R-2024-3045193, May 2024. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with Veolia Water Pennsylvania's application for an increase in rates. Presented testimony, on behalf of the OCA, on accounting issues including test year revenue requirements.

Dominion Energy South Carolina, Inc. (South Carolina Public Service Commission, Docket No. 2024-34-E), June 2024. Assisted the U.S. Department of Defense and the Federal Executive Agencies with Dominion Energy South Carolina, Inc.'s application for an increase in rates. Provided testimony on accounting issues including test year revenue requirements.

Versant Maine (Maine Public Utilities Commission, Docket No. 2023-00336), June 2024. Assisted the Maine Office of Public Advocate (OPA) with Versant's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Maryland Water Service (Public Service Commission of Maryland, Case No. 9729), June 2024. Presented testimony on rate base and cost of service issues on behalf of the Office of People's Counsel.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2024 - 2025 Operating Budget Proceeding), June 2024. Presented testimony identifying issues and recommendations to be considered in approving the Fiscal Year 2025 Operating Budget on behalf of the Public Advocate.

Elizabethtown Gas Company (New Jersey Board of Public Utilities, BPU Docket No. GR24020158), June-August 2024. Assisted the Division of Rate Counsel with the investigation and litigation of Elizabethtown Gas Company's application for an increase in rates. Mr. Morgan investigated the Company's claimed revenue requirement and assisted the Division of Rate Counsel on accounting issues and participated in the settlement negotiations leading to the case resolution.

New Jersey Natural Gas Company (New Jersey Board of Public Utilities, BPU Docket No. GR19020278), July-September 2024. Assisted the Division of Rate Counsel with the investigation and litigation of New Jersey Natural Gas Company's Request for Approval to Implement an Infrastructure Investment Program and Associated Cost Recovery Mechanism.

City of Newport Utilities Department Water Division (Rhode Island Public Utilities Commission, Docket No. 24-30-WW), October 2024. Presented testimony on revenue requirements issues on behalf of the Rhode Island Division of Public Utilities and Carriers.

Staff-Assisted Rate Case for Nine Water Utilities Located in Southern Maryland (Maryland Public Service Commission, Case No. 9750), November 2024. Engaged by the Maryland Office of People's Counsel to review, evaluate and determine the reasonableness of the revenue requirement of the Commission Staff-assisted Rate Case for nine small water utilities.

Maine Water Company-Camden & Rockland Division (Maine Public Utilities Commission, Docket No. 2024-00291), January 2025. Assisted the Maine Office of Public Advocate (OPA) with Maine Water Company's application for an increase in rates. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including test year revenue requirements.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2025 - 2026 Capital Budget Proceeding), February 2025. Presented testimony proposing several adjustments to Philadelphia Gas Works' Fiscal Year 2026 Capital Budget on behalf of the Public Advocate.

City of Woonsocket Water Division (Rhode Island Public Utilities Commission, Docket No. 25-01-WW), April 2025. Presented testimony on revenue requirements issues on behalf of the Rhode Island Division of Public Utilities and Carriers.

Golden Heart Utilities, Inc. and College Utilities Corporation (The Regulatory Commission of Alaska, Docket No. U-24-030 & U-24-031), April 2025. Presented testimony on water and sewer revenue requirements/cost of service issues on behalf of the United States Department of Defense and All Other Federal Executive Agencies.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, 2025 Tiered Assistance Program Rate Rider Surcharge Rates Proceeding), April 2025. Presented testimony regarding the appropriate adjustments to the 2025 TAP-R determination. Presented testimony on behalf of the Public Advocate.

Philadelphia Water Department (Philadelphia Water, Sewer and Storm Water Rate Board, Fiscal Years 2026 - 2027 Rates Proceeding), May 2025. Presented testimony on behalf of the Public Advocate on revenue requirements and issues relating to the Department's proposed two-year rate plan.

Philadelphia Gas Works (Philadelphia Gas Commission, Fiscal Year 2025 - 2026 Operating Budget Proceeding), June 2025. Presented testimony identifying issues and recommendations to be considered in approving the Fiscal Year 2026 Operating Budget on behalf of the Public Advocate.

Loring Development Authority (Maine Public Utilities Commission, Docket No. 2024-00300), June 2025. Assisted the Maine Office of Public Advocate (OPA) with the determination Loring Development Authority's initial rates as a regulated utility. Mr. Morgan provided testimony, on behalf of the OPA, on accounting issues including the test year cost of service and revenue requirements.

Pike County Light and Power Company, Leatherstocking Gas Company, LLC, Corning Energy Corporation, ACP Series 3 Partnership L.P., Argo Capital Platform (P) 2017, L.P. Argo Capital Platform (K) Series 3, L.P., ACP Crotona Holdings L.P., ACP Crotona Corp., Argo Infrastructure Partners LLC and Apollo Global Management, Inc. (Pennsylvania Public Utility Commission, A-2025-3055264, A-2025-3055265, A-2025-3055335), September 2025. Assisted the Pennsylvania Office of Consumer Advocate (OCA) with investigation of Apollo Global Management, Inc. application to acquire Pike County Light and Power Company and Leatherstocking Gas Company, LLC,. Provided testimony, on behalf of the OCA, identifying issues and recommendations to be considered by the Commission in approving the transaction.

Special Projects

Developed a Uniform System of Accounts and Financial Data Collection Template for five countries participating in the National Association of Regulatory Utility Commissioners (NARUC)/East Africa Regional Energy Regulatory Partnership. Also conducted training seminars and participated as a panel member addressing issues in the utility industry from the perspective of the regulator. This work was conducted by NARUC) and the United States Agency for International Development (USAID).

Other Projects

Texas Gas Transmission Corporation (Federal Energy Regulatory Commission, Docket No. RP93-106). Technical analysis and participation in settlement negotiations on cost of service, invested capital, and revenue deficiency on behalf of the Indiana Office of Utility Consumer Counselor.

Natural Gas Pipeline Company of America (Federal Energy Regulatory Commission, Docket No. RP93-36). Technical analysis and participation in settlement negotiations on cost of service, invested capital, and revenue deficiency on behalf of the Indiana Office of Utility Consumer Counselor.

Texas Gas Transmission Company (Federal Energy Regulatory Commission, Docket No. RP94-423). Technical analysis and participation in settlement negotiations on cost of service, invested capital, and revenue deficiency on behalf of the Indiana Office of Utility Consumer Counselor.

Lafourche Telephone Company (Louisiana Public Service Commission, Docket No. U-21181). Analysis and investigation of earnings and appropriate rate of return on behalf of the Louisiana Public Service Commission Staff.

Natural Gas Pipeline Company of America (Federal Energy Regulatory Commission, Docket No. RP95-326). Technical analysis and participation in settlement negotiations on cost of service, invested capital, and revenue deficiency on behalf of the Indiana Office of Utility Consumer Counselor.

Pymatuning Independent Telephone Company (Pennsylvania Public Utility Commission, Docket No. R-00953502). Technical analysis and development of settlement position in the Company's rate case on behalf of the Pennsylvania Office of Consumer Advocate.

Illinois Bell Telephone Company (Illinois Commerce Commission, Docket No. 96-0172). Technical analysis of the Company's annual rate filing pursuant to its Price Cap Plan on behalf of Citizens Utility Board.

Illinois Bell Telephone Company (Illinois Commerce Commission, Docket No. 97-0157). Technical analysis of the Company's annual rate filing pursuant to its Price Cap Plan on behalf of Citizens Utility Board.

TDS Telecom (Pennsylvania Public Utility Commission, Docket Nos. R-00973892 and R-00973893). Technical analysis regarding rate base, cost of service, rate design, and rate of return, and assistance in settlement negotiations in the Company's rate case and alternative regulatory filing on behalf of the Pennsylvania Office of Consumer Advocate.

Appalachian Power Company (Virginia State Corporation Commission, Case No. PUE 960301).
Technical analysis regarding rate base and cost of service and assistance in settlement negotiations in the Company's rate case and alternative regulatory filing on behalf of the Virginia Office of the Attorney General.

Central Maine Power Company (Maine Public Utilities Commission, Docket No. 97-580).
Technical analysis regarding attrition and accounting issues in the Company's Transmission and Distribution unbundling proceeding on behalf of the Maine Public Utilities Commission Staff.

Illinois Bell Telephone Company (Illinois Commerce Commission, Docket No. 98-0259).
Technical Analysis of the Company's annual rate filing pursuant to its Price Cap Plan on behalf of Citizens Utility Board.

Maine Public Service Company (Maine Public Utilities Commission, Docket No. 98-577).
Technical analysis regarding attrition and accounting issues in the Company's Transmission and Distribution unbundling proceeding on behalf of the Maine Public Utilities Commission Staff.

Bangor Hydro-Electric Company (Maine Public Utilities Commission, Docket No. 97-596).
Technical analysis regarding attrition and accounting issues in the Company's Transmission and Distribution unbundling proceeding on behalf of the Maine Public Utilities Commission Staff.

TDS Telecom (Maine Public Utilities Commission, Docket Nos. 98-894, 98-895, 98-904, 98-906, 98-911, and 98-912). Technical analysis regarding accounting issues and access rate changes on behalf of the Maine Office of the Public Advocate.

Mid-Maine Telecom (Maine Public Utilities Commission, Docket No. 2000-810). Technical analysis regarding accounting issues and access rate changes on behalf of the Maine Office of the Public Advocate.

Unitel, Inc. (Maine Public Utilities Commission, Docket No. 2000-813). Technical analysis regarding accounting issues and access rate changes on behalf of the Maine Office of the Public Advocate.

Hydraulics International, Inc. (Armed Services Board of Contract Appeals, ASBCA No. 51285).
Technical analysis and support relating to the Economic Adjustment Clause claim on behalf of the Air Force Materiel Command.

Tidewater Telecom and Lincolnville Telephone Company (Maine Public Utilities Commission, Docket Nos. 2002-100 and 2002-99). Technical analysis regarding accounting issues and access rate changes on behalf of the Maine Office of the Public Advocate.

TDS Telecom (Vermont Public Service Board, Docket No. 6576). Technical analysis regarding rate base, cost of service, and depreciation expense on behalf of the Vermont Department of Public Service.

CenterPoint Energy-Entex (Louisiana Public Service Commission, Docket No. U-26720, Subdocket A). Technical analysis regarding rate base and cost of service on behalf of the Louisiana Public Service Commission Staff.

CenterPoint Energy-Arkla (Louisiana Public Service Commission, Docket No. U-27676). Technical analysis regarding rate base and cost of service on behalf of the Louisiana Public Service Commission Staff.

Provided technical analysis and support on behalf of the Louisiana Public Service Commission Staff relating to CLECO Power LLC Rate Stabilization Plan.

Provided technical analysis and support on behalf of the Louisiana Public Service Commission Staff relating to CLECO Power LLC post-Katrina power purchases.

Provided technical analysis and support on behalf of the Louisiana Public Service Commission Staff relating to Entergy Louisiana LLC recovery of storm damage costs.

Westar Energy, Inc. (Westar Energy) and Kansas Gas and Electric Company (KGE), (Kansas State Corporation Commission, Docket No. 17-WSEE-147-RTS). Technical analysis regarding rate base and cost of service on behalf of the Federal Executive Agencies.

Westar Energy, Inc. (Westar Energy) and Kansas Gas and Electric Company (KGE), (Kansas State Corporation Commission, Docket No. 17-WSEE-147-RTS). Technical analysis regarding rate base and cost of service on behalf of the Federal Executive Agencies.

Energy Center Harrisburg, LLC.
 Statement of Operating Income
 For the Future Test Year Ended March 31, 2026

Line No.	Description	Company Amounts at Present Rates	OCA Adjustments	Amounts After OCA Adjustments	Pro Forma Change in Revenues	Amounts After Change in Revenues
1	<u>Steam Service Revenues</u>	\$ 4,313,605 ^{1/}	\$ -	\$ 4,313,605	\$ 651,163	\$ 4,964,768
2	Other Operating Revenue	<u>660,504</u> ^{1/}	<u>80,000</u>	<u>740,504</u>	<u>-</u>	<u>740,504</u>
3	<u>Total Operating Revenues</u>	<u>4,974,109</u>	<u>80,000</u>	<u>5,054,109</u>	<u>651,163</u>	<u>5,705,272</u>
4						
5	<u>Operating Expenses</u>					
6	Operating & Maintenance Expenses	4,970,825 ^{2/}	(122,942)	4,847,883	-	4,847,883
7	Depreciation Expense	<u>369,736</u> ^{2/}	<u>(5,326)</u>	<u>364,410</u>	<u>-</u>	<u>364,410</u>
8	Total Operating Expenses	5,340,561	(128,269)	5,212,292	-	5,212,292
	<u>Taxes Other Than Income</u>					
9	Regulatory Assessments	23,014 ^{2/}	-	23,014	1,758	24,772
10	PURTA	29,202 ^{2/}	(29,202)	-	-	-
11	Property Tax	8,069 ^{2/}	-	8,069	-	8,069
12	Sales & Use Tax	<u>557</u> ^{2/}	<u>-</u>	<u>557</u>	<u>-</u>	<u>557</u>
13	Total Taxes Other Than Income	60,842	(29,202)	31,640	1,758	33,398
14	Operating Income Before Income Taxes	(427,294)	237,471	(189,823)	649,405	459,581
15	<u>Federal & State Income Taxes</u>					
16	State Income Tax	-	-	-	-	-
17	Federal Income Tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
18	Total Income Taxes	-	-	-	-	-
19	Operating Income after Taxes	<u>\$ (427,294)</u>	<u>\$ 237,471</u>	<u>\$ (189,823)</u>	<u>\$ 649,405</u>	<u>\$ 459,581</u>
20	Rate Base	<u>\$ 14,215,191</u>		<u>\$ 14,011,604</u>		<u>\$ 14,011,604</u>
21	Rate of Return	<u>-3.01%</u>		<u>-1.35%</u>		<u>3.28%</u>

Notes:

^{1/} Answer to 52 Pa. Code§ 53.52(b)(4), page 1-9.

^{2/} Answers to 52 Pa. Code§ 53.52(c), page 1-13.

Energy Center Harrisburg, LLC.
 Summary of Revenue Increase
 For the Future Test Year Ended March 31, 2026

Line No.	Description	Amount	Source
1	Adjusted Rate Base	\$ 14,011,604	Exhibit LKM-2, Page 1
2	Required Rate of Return	<u>3.2800%</u>	
3			
4	Net Operating Income Required	\$ 459,581	Exhibit LKM-1, Page 1
5	Net Operating Income at Present Rates	<u>(189,823)</u>	
6			
7	Income Deficiency/(Surplus)	\$ 649,404	
8	Revenue Multiplier	<u>1.002707</u>	
9			
10	Required Change in Company Revenue	<u>\$ 651,163</u>	
11			
12	Proposed Revenue Change	\$ 651,163	
13	Less: Regulatory Assessment	0.27% <u>1,758</u>	
14	Net Income (Surplus)/Deficiency	<u>\$ 649,405</u>	

Energy Center Harrisburg, LLC.
 Summary of Rate Base
 For the Future Test Year Ended March 31, 2026

Line No.	Description	Amount per Company Filing ^{1/}	OCA Adjustments	Amount After OCA Adjustments
1	Total Utility Plant in Service	\$ 25,385,221	\$ (26,000)	\$ 25,359,221
2	Accumulated Depreciation	<u>(13,413,855)</u>	<u>(272,972)</u>	<u>(13,686,827)</u>
3	Net Plant in Service	<u>11,971,366</u>	<u>(298,972)</u>	<u>11,672,394</u>
4				
5	<u>Rate Base Additions</u>			
6	Cash Working Capital	910,352	95,385	1,005,737
7	Materials and Supplies	<u>1,333,473</u>	-	<u>1,333,473</u>
8	Total Additions	<u>2,243,825</u>	<u>95,385</u>	<u>2,339,210</u>
9	Total Rate Base	<u><u>\$ 14,215,191</u></u>	<u><u>\$ (203,587)</u></u>	<u><u>\$ 14,011,604</u></u>

Notes:

^{1/} Answers to 52 Pa. Code § 53.52(c), page 1-17.

Energy Center Harrisburg, LLC.
Summary of Rate Base Adjustments
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>
1	Rate Base per Company Filing		<u>\$ 14,215,191</u>
2			
3	<u>OCA Adjustments:</u>		
4	Adjustment to Plant in Service	Exhibit LKM-4	(26,000)
5	Adjustment to Accumulated Depreciation	Exhibit LKM-12	(272,972)
6	Adjustment to Cash Working Capital	Exhibit LKM-5	<u>95,385</u>
7			
8	Total Ratemaking Adjustments		<u>\$ (203,587)</u>
9			
10	Adjusted Rate Base per OCA		<u><u>\$ 14,011,604</u></u>

Energy Center Harrisburg, LLC.
 Summary of Adjustments to Operating Income
 For the Future Test Year Ended March 31, 2026

Line No.	Description	Operating Revenues	Operating & Maintenance Expenses	Depreciation Expense	Other Taxes & Assessments	Operating Income
1	Amount per Company	\$ 4,974,109	\$ 4,970,825	\$ 369,736	\$ 60,842	\$ (427,294)
2						
3	<u>OCA Adjustments:</u>					
4	Reflect Miscellaneous Revenues	80,000	-	-	-	80,000
5	Remove Uncollectible Accounts Expense	-	(12,000)	-	-	12,000
6	Reflect FTY Insurance Expense	-	(4,204)	-	-	4,204
7	Reflect FTY Payroll and Benefits Expense	-	(76,174)	-	-	76,174
8	Remove 3-yr. Operations, Maintenance & General Expenses	-	(30,964)	-	-	30,964
9	Reflect M/H#378 Rebuild Normalization	-	400	-	-	(400)
10	Depreciation Expense and Accumulated Depreciation	-	-	(5,326)	-	5,326
11	Remove PURTA Expense	-	-	-	(29,202)	29,202
12		-	-	-	-	-
13	Total OCA Adjustments	\$ 80,000	\$ (122,942)	\$ (5,326)	\$ (29,202)	\$ 237,471
14						
15	Total Adjusted Income Before Income Taxes	\$ 5,054,109	\$ 4,847,883	\$ 364,410	\$ 31,640	\$ (189,823)

Energy Center Harrisburg, LLC.
Adjustment to Plant in Service
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount per Filing</u> ^{1/}	<u>Amount per Filing</u> ^{2/}	<u>Adjustment</u>
1	Boiler Plant Equipment	\$ 80,000	\$ 93,000	\$ 13,000
2	Steam Mains	150,000	- ^{3/}	(150,000)
3	General Garage Equipment	75,000	66,000	(9,000)
4	Roof Over Incinerator Station	-	120,000	120,000
5	Adjustment to Rate Base	<u>\$ 305,000</u>	<u>\$ 279,000</u>	<u>\$ (26,000)</u>

Notes:

^{1/} Answer to 52 Pa. Code § 53.52c(3), page 1-20.

^{2/} Response to OCA 1-13.

^{3/} Amount from Response to OCA 1-13 reflected as an expense.

Energy Center Harrisburg, LLC.
Adjustment to Cash Working Capital
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Total Operating Expenses	\$ 4,879,523 ^{1/}
2	Steam Cost Rate Expenses	3,280,771 ^{2/}
3	Amortizations	<u>(114,400) ^{3/}</u>
4	Net Expenses for Working Capital	\$ 8,045,894
5	Cash Working Capital Allowance (1/8 of Net Expenses) per OCA	\$ 1,005,737
6	Cash Working Capital Allowance per ECH	<u>910,352</u>
7	Adjustment to Cash Working Capital	<u>\$ 95,385 ^{4/}</u>

Notes:

^{1/} Exhibit LKM-1

^{2/} Answer to 52. Pa. Code § 53.52c(1) Sheet 1 c, page 1-15.

^{3/} Amortizations - (M/H\$#378=\$400), (Rate Case exp =\$50,000) & (Major Maint.+ \$64,000).

^{4/} Answer to 52 Pa. Code § 53.52c(1) - Sheet 2

Energy Center Harrisburg, LLC.
Adjustment to Reflect Miscellaneous Revenues
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Operating Revenues	<u>\$ 80,000</u> ^{1/}
2		
3	Adjustment to Operating Revenue	<u><u>\$ 80,000</u></u>
4		

Notes:

^{1/} Response to OCA 2-1.

Energy Center Harrisburg, LLC.
Adjustment to Uncollectible Accounts Expense
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Uncollectible Accounts Expense	<u>\$ 12,000</u> ^{1/}
2		
3	Adjustment to Uncollectible Accounts Expense	<u>\$ (12,000)</u>
4		

Notes:

^{1/} Response to OCA 2-14.

Energy Center Harrisburg, LLC.
Adjustment to Payroll and Benefits Expense
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> ^{1/}
1	Payroll and Benefits Expense per Books	\$ 3,046,989
2	Inflation Escalation Rate	<u>102.500%</u>
3	Proforma Payroll and Benefits Expense	\$ 3,123,164
4	Proforma Payroll and Benefits Expense per ECH	<u>3,199,338</u>
5	Adjustment to Payroll and Benefits Expense	<u><u>\$ (76,174)</u></u>

Notes:

^{1/} Answer to 52. Pa. Code § 53.52c(1) Sheet 1c

Energy Center Harrisburg, LLC.
Adjustment to Insurance Expense
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> ^{1/}
1	Insurance Expense per Books	\$ 168,164
2	Inflation Escalation Rate	<u>102.500%</u>
3	Proforma Insurance Expense	\$ 172,368
4	Proforma Insurance Expense per ECH	<u>176,572</u>
5	Adjustment to Insurance Expense	<u><u>\$ (4,204)</u></u>

Notes:

^{1/} Answer to 52. Pa. Code § 53.52c(1) Sheet 1c

Energy Center Harrisburg, LLC.
Adjustment to Operations, Maintenance & General Expenses
For the Future Test Year Ended March 31, 2026

Line No.	Description	Amount
1	ECH's Adjustment to Operations, Maintenance & General Expenses	\$ <u>30,964</u> ^{1/}
2	Adjustment to O&M Expenses	\$ <u>(30,964)</u>

Notes:

^{1/} Answer to 52. Pa. Code § 53.52c(1) Sheet 1 c

Energy Center Harrisburg, LLC.
Adjustment to Reflect M/H#378 Rebuild
For the Future Test Year Ended March 31, 2026

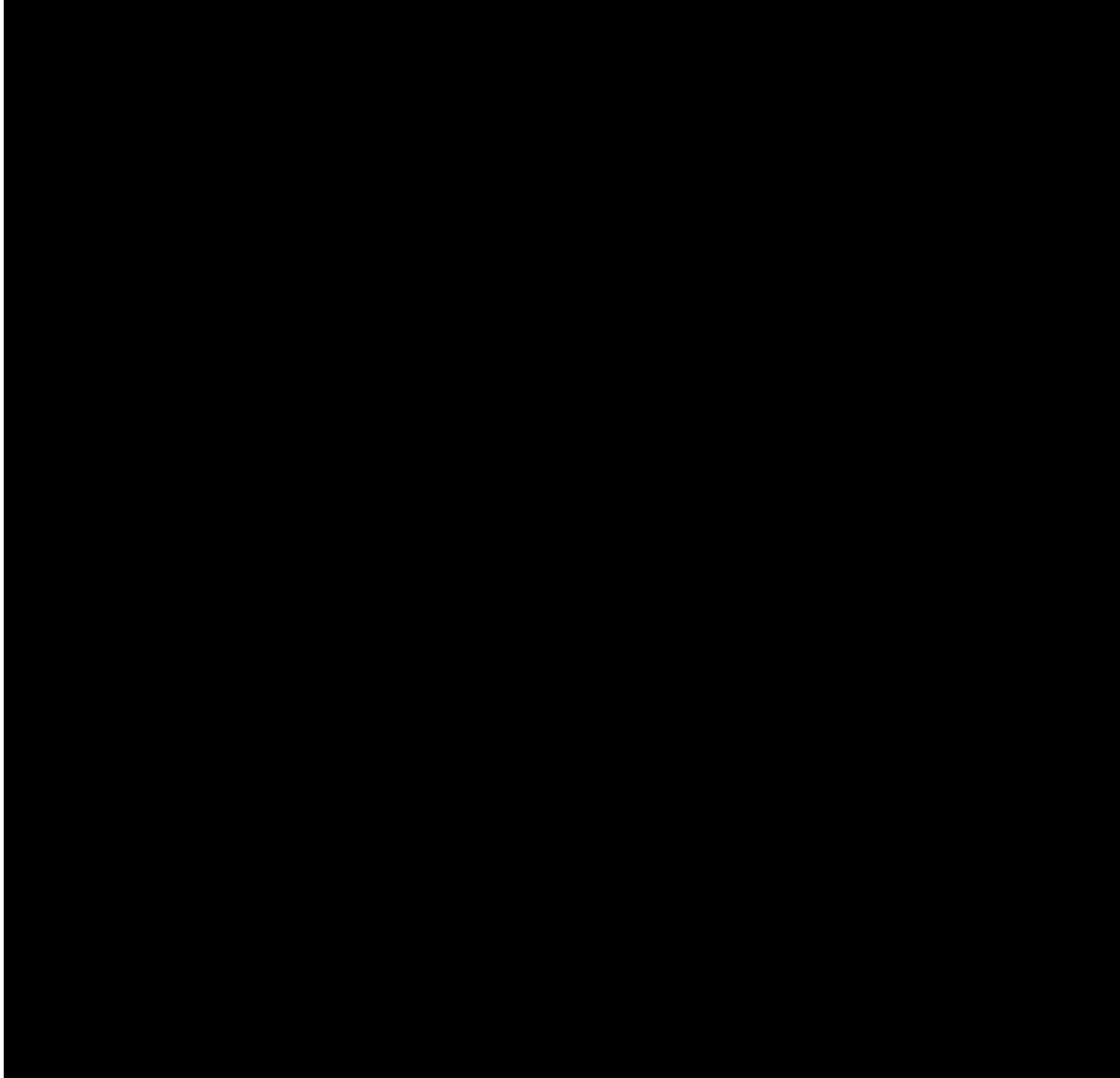
<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Final Cost of M/H 378 Rebuild	\$ 2,000 ^{1/}
2	Normalization Period	<u>5</u>
3	Normalized cost of Rebuilding M/H 378	<u>\$ 400</u>
4	Adjustment to O&M Expenses	<u><u>\$ 400</u></u>

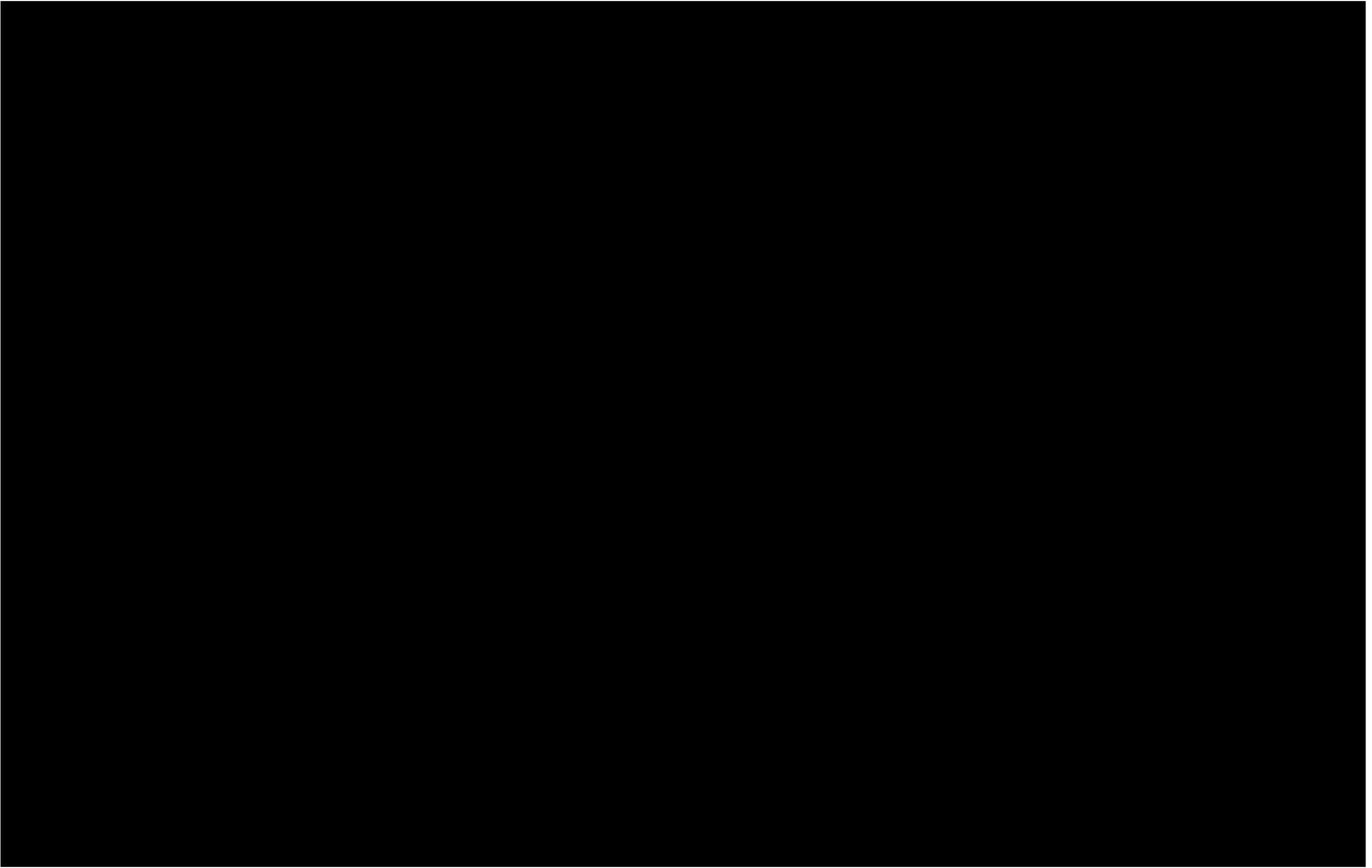
Notes:

^{1/} Response to OCA 1-13.

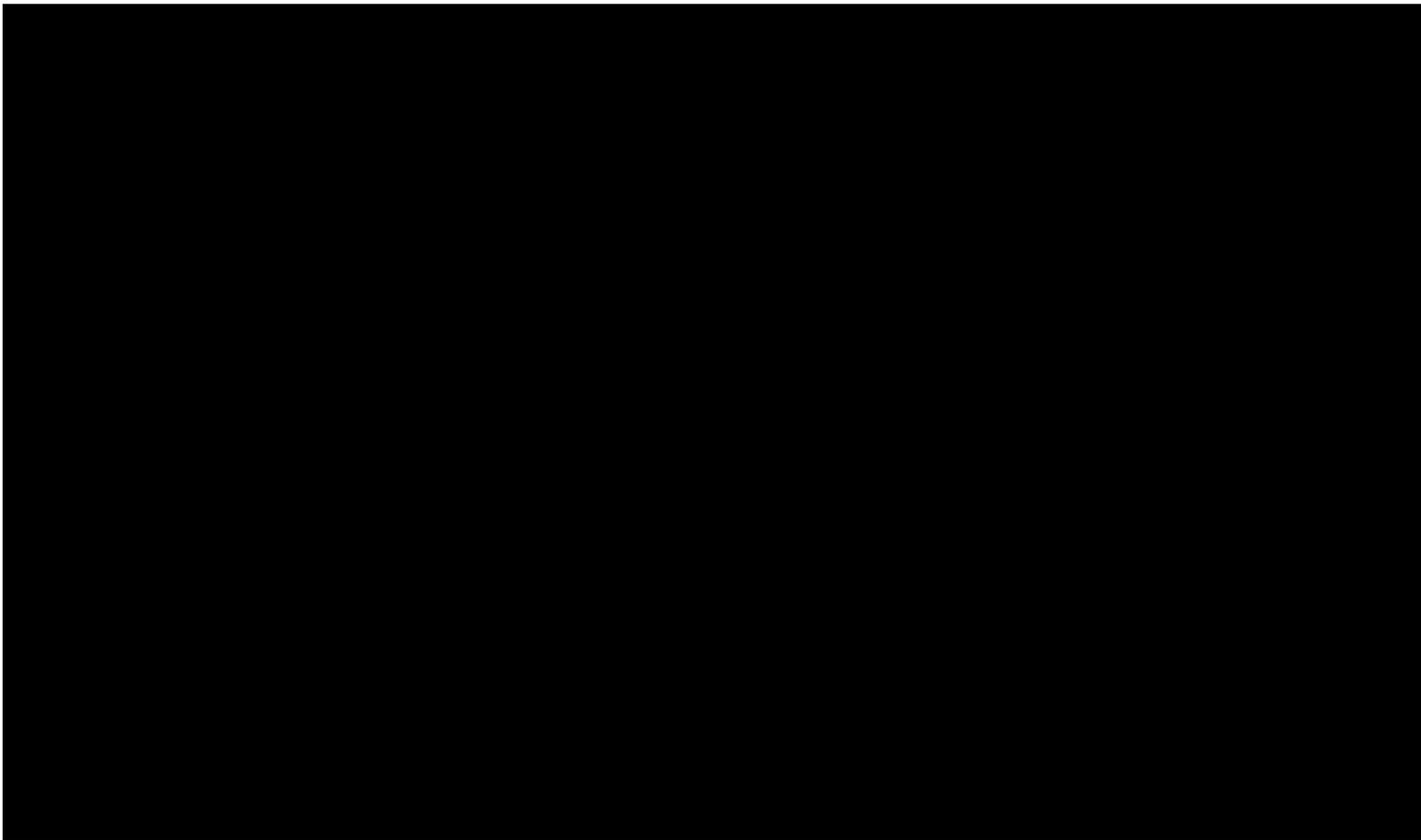
Contains Information Deemed Confidential

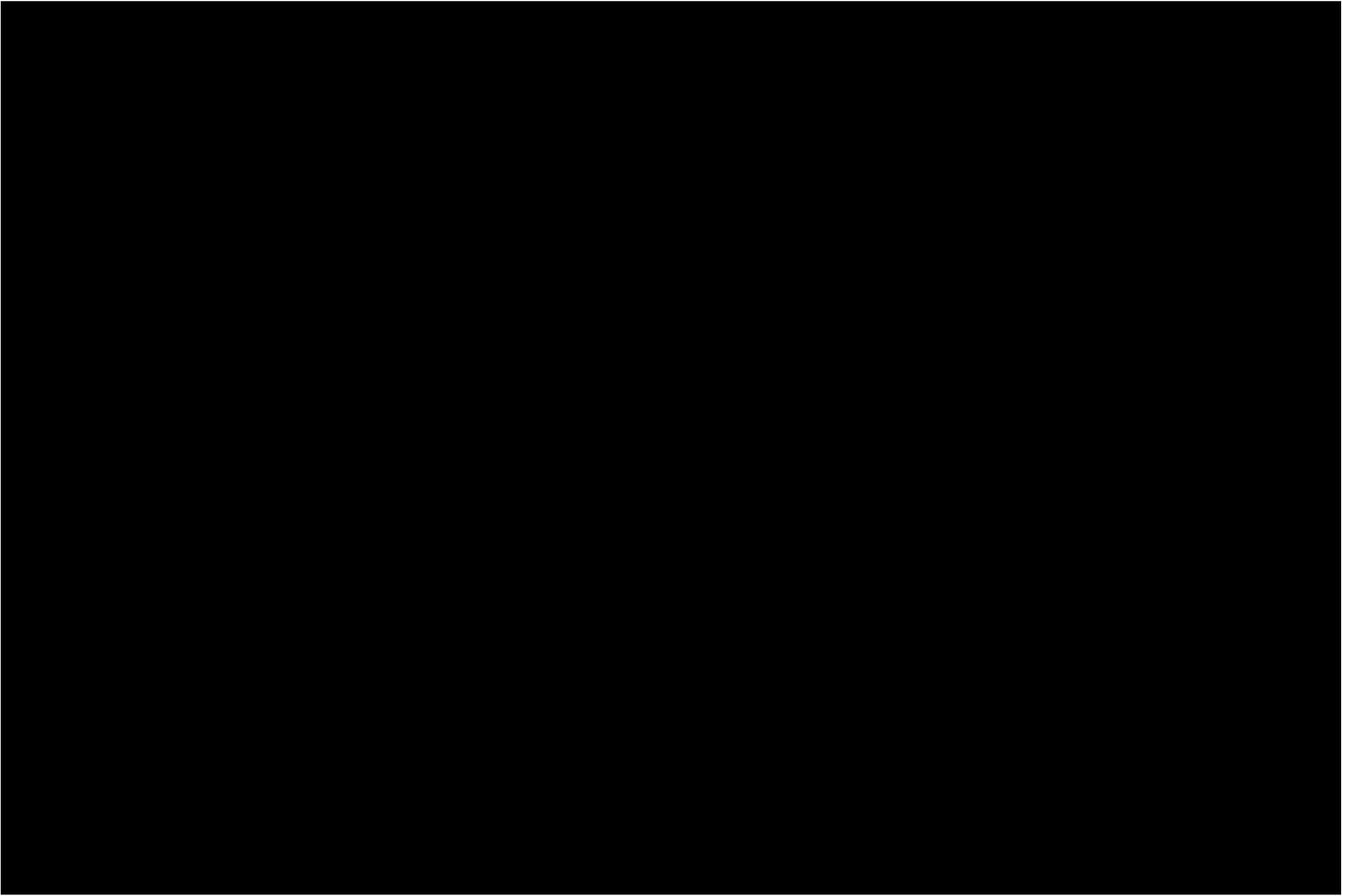
Docket No. R-2025-3055959
Exhibit LKM - 12













Energy Center Harrisburg, LLC.
Adjustment to PURTA Expense
For the Future Test Year Ended March 31, 2026

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	ECH PURTA Expense	<u>\$ 29,202</u> ^{1/}
2	Adjustment to Taxes Other Than Income	<u><u>\$ (29,202)</u></u>

Notes:

^{1/} Response to OCA 1-13.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3055959
	:	
Energy Center Harrisburg, LLC	:	
	:	

VERIFICATION

I, Lafayette K. Morgan, hereby state that the facts set forth in my Direct Testimony, OCA Statement 1, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: October 22, 2025

Signature: /s/ Lafayette K. Morgan
Lafayette K. Morgan

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-3575

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY CENTER HARRISBURG LLC
(GENERAL RATE INCREASE FILED
PURSUANT TO 66 PA. C.S. § 1308,
INCLUDING RESPONSES TO 52 PA.
CODE§ 53.52)

:
:
:
:
:
:
:
:

R-2025-3055959

SURREBUTTAL TESTIMONY
OF
LAFAYETTE K. MORGAN, JR.

ON BEHALF OF THE
OFFICE OF CONSUMER ADVOCATE

NOVEMBER 7, 2025

EXETER

ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

TABLE OF CONTENTS

I. INTRODUCTION 1

II. RATEMAKING CONCEPTS 1

III. RATE OF RETURN..... 11

IV. REVENUE REQUIREMENT ISSUES 14

 A. Adjustment to Operations, Maintenance & General Expenses..... **Error! Bookmark not defined.**

1 **I. Introduction**

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

3 A. My name is Lafayette K. Morgan, Jr. My business address is 10480 Little Patuxent
4 Parkway, Suite 300, Columbia, Maryland, 21044. I am a Public Utilities Consultant
5 working with Exeter Associates, Inc. (“Exeter”). Exeter is a consulting firm specializing in
6 issues pertaining to public utilities.

7 Q. **ARE YOU THE SAME LAFAYETTE K. MORGAN, JR. WHO SUBMITTED PRE-
8 FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

9 A. Yes, I am.

10 Q. **WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Mr.
12 Keith L. Li on behalf of Energy Center Harrisburg LLC (“ECH” or the “Company”) which
13 was filed on November 3, 2025. In this testimony, I address Mr. Li’s responses to the issues
14 I raised in my direct testimony in this proceeding. To the extent that there are issues to
15 which I did not respond, it should not be assumed that the OCA accepts the Company’s
16 position.

17 **II. Ratemaking Concepts**

18 Q. **FOR CONTEXT, PLEASE EXPLAIN HOW ECH DETERMINED ITS REVENUE
19 REQUIREMENT IN ITS DIRECT FILING.**

20 A. ECH is requesting an increase in revenue of \$894,300. However, the Company claims its
21 so-called “supportable” annual revenue increase is \$1,775,157, but in an effort to keep its
22 steam rates as competitive as possible, ECH chose to lower the revenue increase being
23 sought.¹ ECH states that its effective ROE for its annual revenue increase is 3.28%.² In Mr.
24 Li’s Rebuttal Testimony, he discusses ECH’s ratemaking concepts of “claimed” rate

¹ Li Direct Testimony at 7:20-8:2.

² *Id.* at 12:13-14.

1 increase versus the so-called “supportable” rate increase.³ There, he states that as explained
2 in his Direct Testimony and the Direct Testimony of ECH witness Mark Schneider, the
3 annual base rate increase that is being claimed in this proceeding is \$894,300. He then
4 claims that the Company’s responses to the minimum filing requirements, exhibits, and
5 discovery responses in this proceeding all demonstrate ECH’s supportable annual increase
6 of \$1,775,157.⁴

7 Mr. Li then argues that this novel ratemaking concept, where the Company seeks
8 dual and competing rate increases simultaneously, is not a new practice.⁵ He cites ECH’s
9 last base rate case in 2013, where the Company proposed an increase of \$875,000 to its
10 base rates, but presented a mitigated claimed increase that was lower than its supportable
11 amount (presumably, the \$875,000).⁶

12 **Q. PLEASE RESPOND TO MR. LI’S DISCUSSION AS IT RELATES TO THE**
13 **THEORY THAT IT IS A LEGITIMATE COMMISSION PRACTICE TO SEEK A**
14 **RATE INCREASE BASED ON ECH’S DUAL RATEMAKING CONCEPT**
15 **SIMULTANEOUSLY.**

16 **A.** Essentially, Mr. Li’s position is that ECH is seeking a \$1,775,157 increase, even though it
17 has noticed customers that it is seeking \$894,300. In other words, Mr. Li is claiming that
18 the \$894,300 is not the true rate increase being sought. I interpret this to mean that ECH’s
19 strategy is to disclose a lower revenue increase as the amount being sought without fully
20 disclosing the higher increase as the amount it is seeking. Then, any adjustment that is
21 made by the OCA or another intervenor, ECH will claim that the adjustment is negated
22 because the Company believes that it could support a higher amount than stated. This is an
23 unreasonable and impractical approach which misleads the Commission and customers.

³ Li Rebuttal Testimony at 13:4-13.

⁴ *Id.*

⁵ *Id.* at 15:9-22.

⁶ *Id.*

1 There is no Commission sanctioned ratemaking practice I am aware of that suggests
 2 that it is a legitimate ratemaking practice for a utility to seek two separate rate increases
 3 simultaneously. The reference to the Settlement in Docket No. R-2013-2350265 has no
 4 precedential value. In fact, under the Terms of Settlement in Docket No. R-2013-2350265,
 5 it states:

6 ...The Joint Petitioners agree that the Settlement shall not constitute or
 7 be cited as precedent in any other proceeding, except to the extent
 8 required to implement the Settlement. A Joint Petitioner's support of the
 9 Settlement does not indicate the Joint Petitioner's agreement to the
 10 methodologies, calculations, and claims as used or submitted by NRG in
 11 its filing.⁷

12 Therefore, the notion put forth by Mr. Li that seeking a rate increase based on ECH'S dual
 13 ratemaking concepts simultaneously is not a new practice⁸, and is neither supported by the
 14 Commission approval of the prior rate case Settlement, nor any other regulation or practice
 15 before the Commission.

16 **Q. PLEASE SUMMARIZE MR. LI'S DISAGREEMENT WITH YOUR APPROACH**
 17 **TO DEVELOPING THE REVENUE REQUIREMENT.**

18 **A.** Mr. Li states that I applied my recommended adjustments against ECH's mitigated claimed
 19 increase, and that it is fundamentally incorrect to consider adjustments by reducing ECH's
 20 mitigated claimed increase as opposed to the actual supportable annual revenue increase of
 21 \$1,775,157. He states that my adjustments ignored the fact that ECH presented and relied
 22 upon its supportable annual revenue increase of \$1,775,157. Furthermore, he states that I
 23 have chosen to reduce ECH's already reduced claimed increase.

24 **Q. ARE MR. LI'S ASSERTIONS CORRECT?**

25 **A.** No. Mr. Li's assertions are incorrect because he appears to misunderstand the way the
 26 revenue requirement is calculated. His assertions are also misleading because he implies

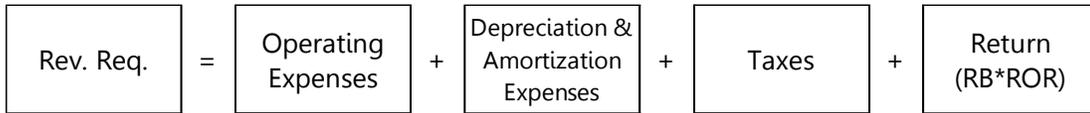
⁷ Recommended Decision in Docket No. R-2013-2350265 at page 5.

⁸ Li Rebuttal Testimony at 15:9-22

1 ECH adjusted several components of the revenue requirement formula to reduce or
 2 mitigate its claim and I reduced them again when I made my adjustment.⁹ In the sections
 3 below, I will explain more fully why Mr. Li is wrong.

4 In his rebuttal testimony, Mr. Li states:

5 What was already a very modest and mitigated claimed increase was
 6 reduced through these proposed adjustments to an untenable increase
 7 that risks being overshadowed by rate case expenses, would defeat the
 8 purpose of this rate case proceeding, and could devastate the Company’s
 9 financial position.¹⁰



10 The chart above is the revenue requirement formula which I will use to demonstrate why I
 11 disagree with Mr. Li. Mr. Li’s assertion is misleading because the only component of the
 12 formula that ECH adjusted on the basis of mitigating the impact of the rate increase is the
 13 rate of return component. I did not change ECH’s claimed rate of return of 3.28%. Since
 14 the revenue increase I calculated was based on the 3.28%, it cannot be said that I further
 15 reduced any component of ECH’s revenue requirement that it had already reduced to
 16 mitigate the impact of the revenue increase. The remaining components of the revenue
 17 requirement formula that were adjusted by ECH were operating expenses, depreciation
 18 expenses and Rate Base. None of these components of the revenue requirement formula
 19 would change if the “supportable” increase or the “claimed” increase were used because
 20 the only difference between the two is the rate of return.

21 With respect to operating expenses, ECH adjusted those expenses to reflect the
 22 going level of expenses, not to mitigate the impact of the revenue increase. It should be
 23 noted that in Mr. Li’s direct testimony, none of the adjustments made were based on

⁹ Li Rebuttal Testimony at 16:4-6.

¹⁰ Id. at 12:6-9.

1 mitigation or reduction of the revenue increase. Below, I have reproduced a section taken
2 from Mr. Li's Direct Testimony at pages 8 and 9 to support my assertion. As can be seen
3 from his testimony, ECH's adjustments were based on deriving the going level of expenses.
4 The adjustments I made to operating expenses were valid adjustments because I corrected
5 errors in Mr. Li's understanding of the FPFTY concept, unsupported claims or the failure
6 to remove non-regulated expenses from the cost of service.
7

17 **Q. PLEASE EXPLAIN THE GOING-LEVEL ADJUSTMENTS SHOWN ON PAGE 1-**
18 **14 OF ECH EXHIBIT KLL-1.**

19 **A.** There are nine going-level adjustments that produce a net decrease in operating expenses
20 of \$2,867,010 compared to the "Per Book" level of expense at March 31, 2025:

21 Adjustment No. 1 decreases operating expenses by \$3,280,771 to reflect removal of the
22 expenses related to the SCR.

1 Adjustment No. 2 increases operating expenses by \$152,349 to reflect two years of 2.5%
2 escalation which is expected through the FPPTY.

3 Adjustment No. 3 increases operating expenses by \$30,964 to average normal maintenance
4 and administrative items. Refer to **ECH Exhibit KLL-1**, Section 2, Schedule No. 11, page
5 2-30 for detailed support.

6 Adjustment No. 4 decreases operating expenses by \$63,000 to reflect lower contractor
7 expenses.

8 Adjustment No. 5 decreases operating expenses by \$287,813 to reflect the five-year
9 amortization of the planned \$320,000 project compared to the actual per book major
10 maintenance charge of \$351,813.

11 Adjustment No. 6 increases operating expenses by \$12,000 to reflect a monthly charge of
12 \$1,000 for bad debt.

13 Adjustment No. 7 increases operating expenses by \$8,408 to reflect two years escalation
14 at 2.5% per year for insurance costs.

15 Adjustment No. 8 increases operating expenses by \$350,817 to reflect projected parent
16 company affiliated charges. These charges are explained in the direct testimony of ECH
17 witness Mark Schneider.

18 Adjustment No. 9 increases operating expenses by \$50,000, which is the five-year
19 amortization of anticipated rate case expense.

20

1 With respect to depreciation expense, my adjustment was also valid and necessary
2 because the adjustment was made to depreciation expense to reflect the actual cost of plant
3 additions rather than estimates which ECH included in its filing.

4 With respect to rate base, the Plant in Service included in the Company's filing was
5 based on estimated costs of plant additions. My adjustment replaced the estimates with the

1 actual cost of plant additions. For Working Capital, I made an adjustment to increase rate
2 base because my calculation of the working capital was higher than the amount sought by
3 the Company.

4 To summarize, Mr. Li's statement that my recommended adjustments to ECH's
5 claimed increase is fundamentally incorrect has no merit. Therefore, it should be rejected
6 by the Commission.

7 **Q. WHY DO YOU SAY THAT MR. LI'S ASSERTIONS ARE INCORRECT GIVEN**
8 **THE WAY REVENUE REQUIREMENT IS CALCULATED?**

9 A. As I have stated, the instance where ECH has made a concession for the sake of mitigating
10 the impact of the revenue increase on rates from this proceeding is in the reduction of the
11 return component of the revenue requirement. A concession made on the rate of return is
12 not related to the expenses that are claimed, nor does it mean a concession somehow
13 impacts the expenses claimed. The purpose for displaying the revenue requirement formula
14 was to demonstrate that the return component is separate and apart from the operating
15 expenses. By conflating the two concepts, Mr. Li appears to misconstrue how the revenue
16 requirement is calculated.

17 **Q. PLEASE RESPOND TO MR. LI'S DISAGREEMENT WITH YOUR**
18 **ADJUSTMENTS WHERE HE STATES ECH HAD ALREADY PROPOSED A**
19 **REDUCTION OF APPROXIMATELY \$800,000.**

20 A. In his Rebuttal Testimony, Mr. Li states:

21 ECH expected that the OCA, OSBA, and I&E would find discrepancies
22 in the filed materials. Mr. Morgan takes issue with specific elements of
23 ECH's revenue requirement. Exhibit LKM-1 presents a decrease of
24 \$243,137 based on multiple challenges to the filed methodology and
25 assumptions. However, ECH has already proposed a reduction of
26 approximately \$800,000 from its supportable increase of approximately
27 \$1.7 million to its mitigated claimed increase of \$894,300. Even if we
28 accepted all of the challenges and discrepancies identified by Mr.
29 Morgan, the \$243,137 reduction is less than half of the 800,000

1 difference between supportable rates and the offered mitigated amount.
2 Mr. Morgan decided to start with the already mitigated amount because
3 it was what ECH noticed in this proceeding. Had ECH requested and
4 noticed a mitigated increase of \$250,000, would the OCA have presented
5 the same challenges to methodology and assumptions so that there would
6 be no increase in rates? Logically, the challenges to methodology and
7 assumptions should apply to the fully developed revenue requirement
8 presented in ECH's filing.¹¹

9 This section of Mr. Li's Rebuttal testimony is significantly flawed for multiple reasons.
10 First, to summarize this section of his testimony, from his perspective, ECH expected that
11 the OCA, OSBA, and I&E would find discrepancies in ECH's filing, but he expected the
12 discrepancies to be ignored because of ECH's proposed reductions in its revenue
13 requirement. Essentially, Mr. Li is suggesting that the parties to this rate increase commit
14 an ethical breach because he is suggesting that errors should be ignored since the Company
15 chose to file for a lower amount. As such, reasonable adjustments that were conceded to
16 by the Company in its rebuttal testimony should be disregarded entirely. This is an
17 unreasonable approach to ratemaking and should not receive the endorsement of the
18 Pennsylvania Public Utility Commission.

19 Second, he states that my Exhibit LKM-1 presents a decrease of \$243,137 based on
20 multiple challenges to the filed methodology and assumptions. He then states that ECH has
21 already proposed a reduction of approximately \$800,000 from its so-called supportable
22 increase of approximately \$1.7 million to derive its mitigated claimed increase of
23 \$894,300. The flaw here is that, because the claimed rate increase is \$800,000 less than the
24 so-called supportable rate increase, he believes I should not reflect my adjustments to
25 reduce the proposed \$894,300 revenue increase. According to ECH, the problem is that the
26 \$800,000 reduction is a phantom reduction because ECH adopted an ROE rate from a
27 proceeding that has nothing to do with a steam company. ECH then applies the adopted

¹¹ Li Rebuttal Testimony at 17:1-14.

1 ROE to its revenue requirement calculation and labelled the resulting increase as
2 “supportable.” It is unclear how it can be supportable when ECH provides no evidence that
3 an analysis was performed to confirm that the assumptions apply to a steam company.
4 However, ECH avoids scrutiny of the ROE by claiming it will forego the return. In short,
5 it is not known what the appropriate ROE should be.

6 Third, Mr. Li states “[e]ven if we accepted all of the challenges and discrepancies
7 identified by Mr. Morgan, the \$243,137 reduction is less than half of the 800,000 difference
8 between supportable rates and the offered mitigated amount.” It is unclear what point Mr.
9 Li was attempting to make here because the adjustments were based on errors and
10 misapplication of ratemaking concepts and were never intended to be an amount that would
11 be measured relative to the \$800,000 difference he identified. This criticism is
12 unreasonable.

13 Fourth, he states that I decided to start with the “already mitigated” amount because
14 it was what ECH noticed in this proceeding. Mr. Li is incorrect. The so-called “already
15 mitigated” amount is the actual increase ECH is requesting. The only meaningful
16 adjustments to make are the adjustments that affect the actual requested increase.

17 Fifth, he asks, “[h]ad ECH requested and noticed a mitigated increase of \$250,000,
18 would the OCA have presented the same challenges to methodology and assumptions so
19 that there would be no increase in rates?” Logic dictates that if ECH’s so-called mitigated
20 increase were \$250,000, the amounts that yielded the \$250,000 would be different, so any
21 adjustment I proposed would be different than what I am proposing now.

22 Finally, Mr. Li is also incorrect when he states the challenges to methodology and
23 assumptions should apply to the fully developed revenue requirement presented in ECH’s
24 filing. The difference between his so-called fully developed revenue requirement and the

1 mitigated revenue requirement is the rate of return. My adjustments were not related to the
2 rate of return.

3 **Q. PLEASE ADDRESS MR. LI'S CLAIMS AS THEY RELATE TO THE USE OF THE**
4 **FULLY PROJECTED FUTURE TEST YEAR.**

5 A. Mr. Li offers incorrect opinions with respect to the use of the Fully Projected Future Test
6 Year ("FPFTY"). First, he states: "any concerns with the appropriateness of the
7 methodologies or assumptions used in this filing should be applied against the supportable
8 value instead of the mitigated claimed increase."¹² The so-called supportable revenue
9 increase is irrelevant to this proceeding because it is not what ECH has filed. It appears
10 that Mr. Li believes that by simply referring to the so-called supportable rate increase
11 somehow makes it consequential. It is not. I cannot find anywhere in ECH's rate increase
12 filing where it states that it is seeking a rate increase based on the so-called supportable
13 rate increase.

14 He then states:

15 ...it is my understanding and as advised by counsel that Act 11 permits
16 utilities to claim expenses that are expected to be incurred during, and
17 facilities that projected to be in service during, the fully projected future
18 test year ("FPFTY"). I disagree with Mr. Morgan's contention that this
19 was improper. Given the small size of the Company, the modest rate
20 increase requested, and the short-form nature of the filing, it was a fair
21 assumption that future test year ("FTY") numbers carry over to the
22 FPFTY where appropriate and except as shown. It is consistent with
23 Commission practice to carry forward certain expenses from a FTY to a
24 FPFTY, and my Direct Testimony and accompanying exhibits, as well
25 as responses to discovery, provide adequate support.

26 First, Mr. Li misrepresents my testimony when he insinuates that I indicated that the use
27 of the FPFTY was improper. Instead, what I indicated in my testimony was that it was not
28 appropriate to use the FTY for some adjustments and the FPFTY for others. I supported

¹² Li Rebuttal Testimony at 18:19-21.

1 my position with a cite from a Commission order. On the other hand, Mr. Li disagrees but
2 offers no support other than his understanding. I believe his response is inadequate because
3 he offers no authoritative support that supersedes the citation that I provided.

4 Q. **IN YOUR OPINION, WHAT IS THE REVENUE INCREASE REQUESTED**
5 **IN THIS PROCEEDING?**

6 A. To be clear, there is only one proposed rate increase of \$894,300. ECH witness Mark
7 Schneider very clearly states that the proposed rate is “approximately \$894,300.”¹³ Any
8 discussion about the so-called “supportable” increase is theoretical and unsupported. As I
9 have explained, the difference between the so-called “supportable” increase and the
10 “claimed” increase is the rate of return. In the next section of this testimony, I explain that
11 the rate of return on which the so-called “supportable” increase has not been analyzed to
12 confirm that the underlying data applies to ECH. Therefore, in practical terms, the so-called
13 “supportable” increase does not exist a proposed rate increase.

14 **III. Rate of Return**

15 Q. **HAS ECH PROPERLY SUPPORTED THE RATE OF RETURN IT IS CLAIMING?**

16 A. No. ECH points to its Supporting Schedule No. 10 as the support for its so-called
17 “supportable” rate of return. In that section of its filing, ECH presents the Commission's
18 Quarterly Earnings Report adopted at the May 8, 2025 Public Meeting in Docket No. M-
19 2025-3054401. On page 15 (Attachment D) of the report, the Distribution System
20 Improvement Charge (DSIC) Return on Equity (ROE) is provided. The ROE for 8 water
21 and wastewater utilities are provided (2 at 9.45% and 6 at 9.75%). Based on this data, ECH
22 adopts a ROE of 9.45% as the ROE it presumed to be reasonable. However, ECH claims
23 that its annual revenue increase claim of \$894,300 is based on a ROE of 3.28%. The
24 Company does not provide any information on whether it independently derived the 3.28%,

¹³ Schneider Direct Testimony at 9:8.

1 or whether the 3.28% is the effective return based on the revenue increase reflected in the
2 analysis.

3 **Q. WHAT CONCERNS DO YOU HAVE WITH ECH'S PRESUMED ROE?**

4 A. Because ECH has adopted the ROE without any analyses, there is no evidence that the
5 ROE it has chosen is reasonable for a steam company. In other words, the risk profile for
6 a steam company may not be the same as a water company. However, because no analyses
7 have been performed, the so-called "supportable" rate increase should not be interpreted
8 as if the 9.45% is a conclusive return that has undergone scrutiny. Therefore, I do not
9 believe ECH's so-called supportable rate increase is, in fact, supportable because no
10 analyses support the claim.

11 **Q. DO YOU HAVE OTHER CONCERNS ABOUT ECH'S RATE OF RETURN**
12 **CLAIM?**

13 A. Yes. ECH is owned by Cordia Energy and is not an independent company. The rate of
14 return proposed by the Company assumes 100% equity. The Balance Sheet that was
15 submitted as part of the application for rate increase does not reflect any long-term debt.
16 This is likely because the capital funding source is ECH's parent company, Cordia.
17 Because ECH filed its application implying the revenue requirement was based on the
18 3.28%, the OCA did not engage a rate of return expert. However, according to Mr. Li's
19 rebuttal testimony, the rate increase should not be evaluated based on the 3.28% that was
20 proposed in the filing. Instead, the rate increase should be evaluated based on the 9.45%.
21 Therefore, it appears that ECH is now claiming an overall rate of return of 9.45% since its
22 capital structure is all equity. Had a rate of return analyst been involved, the OCA's
23 recommended capital structure would likely have included a mix of debt and equity, which
24 would have the effect of reducing the overall return from 9.45% because debt has a lower
25 cost than equity. An overall rate of return 9.45% is generally considered high and would

1 have been challenged if ECH stated upfront that it was seeking a 9.45% overall rate of
2 return.

3 **Q. PLEASE RESPOND TO MR. LI'S CLAIM THAT IF YOUR RECOMMENDED**
4 **ADJUSTMENTS ARE ACCEPTED BY THE COMMISSION, IT WOULD HAVE**
5 **THE EFFECT OF ECH EARNING A RETURN OF 2.3%.**

6 A. In this section of his Rebuttal Testimony he conflates ratemaking concepts. He makes the
7 following statements in his rebuttal testimony:

8 As explained in my Direct Testimony (p. 12), the effective Return on
9 Equity ("ROE") for the mitigated claimed increase of \$894,300 is only
10 3.28%, while the supportable revenue increase would result in a 9.45%
11 return. If we apply Mr. Morgan's proposed adjustments to the mitigated
12 claimed increase and not the supportable revenue, which ECH does not
13 agree with, then this would result in a return of approximately 2.3%. This
14 is demonstrably lower than what the Commission has deemed a fair
15 return on equity in similar proceedings. It is a maxim in nearly every rate
16 case that a public utility seeking a general rate increase is entitled to an
17 opportunity to earn a fair rate of return on the value of the property
18 dedicated to public service. What ECH has proposed in its mitigated
19 claimed increase is far and below what the Commission has deemed a
20 fair rate of return. The even lower number proposed by Mr. Morgan by
21 applying revenue adjustments to an already mitigated value is simply
22 untenable.¹⁴

23
24 On page 12 of his Direct Testimony (which he references) he states: "The effective ROE
25 for ECH's annual revenue increase claim of \$894,300 is only 3.28%."¹⁵ Similarly, Mr.
26 Schneider, clearly states that ECH is seeking "[a]pproximately \$894,300. We are
27 requesting an increase of only 11.6%, which is a very modest request after no increases in
28 non-fuel rates for 12 years."¹⁶ These are clear statements that ECH is seeking a 3.28% rate
29 of return, and ECH is seeking an increase of \$894,300. The choice of the rate of return and
30 revenue increase was a decision made solely by ECH. This was not imposed by the OCA

¹⁴ Li Rebuttal Testimony at 18:4-15.

¹⁵ Li Direct Testimony at 12:13.

¹⁶ Schneider Direct Testimony at 9:10.

1 or any party to this proceeding. Hence, the so-called supportable revenue increase is
2 irrelevant to this proceeding because it is not what ECH is seeking in its filing. It appears
3 that Mr. Li believes that by simply mentioning the so-called supportable rate increase
4 somehow makes it consequential. It does not.

5 He then claims that if my recommended adjustments were applied to the mitigated
6 claimed increase and not the supportable revenue, it would result in a return of
7 approximately 2.3%. Had Mr. Li reviewed my Exhibit LKM-1, Page 1, he would see that,
8 after my adjustments, I show that ECH would earn its requested rate of return of 3.28%. It
9 should be noted that he provides no support for how he derived the 2.3%. As such, he is
10 incorrect when he attempts to attribute the 2.3% to me. I make no such recommendation
11 anywhere in my Direct Testimony.

12 Mr. Li also incorrectly states: “[w]hat ECH has proposed in its mitigated claimed
13 increase is far and below what the Commission has deemed a fair rate of return.” In rate
14 cases, the Commission decides the fair rate of return based on the evidence presented by
15 the parties to the proceeding. The Commission, on its own accord, does not determine what
16 it deems as a fair rate of return.

17 **IV. Revenue Requirement Issues**

18 **Q. PLEASE RESPOND TO MR. LI’S DISAGREEMENT WITH YOUR**
19 **ADJUSTMENT TO OPERATIONS, MAINTENANCE & GENERAL EXPENSES.**

20 **A.** In my direct testimony, I expressed concerns about the data ECH used to calculate its
21 adjustment to Operations, Maintenance & General Expenses. In ECH’s filing, it
22 normalized these expenses over three years. Two accounts had significantly abnormal
23 activity in one year that skewed the three-year average to a significantly higher level.
24 Additionally, the Company included Insurance expense in the analysis even though
25 Insurance expense was separately adjusted in the cost of service. Therefore, I removed the

1 abnormal expenses and Insurance expense from the analysis to avoid overstating the
2 operating expenses. After removing those expenses, the resulting average would have
3 significantly reduced Operations, Maintenance & General expenses. Instead of reducing
4 these expenses further, I decided that a reasonable compromise would be to only remove
5 the Company-proposed increase.

6 Mr. Li not only disagrees with my assertion, but he characterizes my adjustment as
7 “inappropriate and irresponsible.”¹⁷ He states: “Mr. Morgan’s assertion that the Company
8 can run its operations and plant for \$500,000. This value would jeopardize the Company’s
9 provision of reliable service and would be to the detriment of all customers, including the
10 nine residential customers he is supporting. Every year the total operations and
11 maintenance plus general expenses have been near or above \$800,000.”¹⁸

12 Mr. Li’s claim that I am adjusting these expenses to \$500,000 is a
13 mischaracterization of my adjustment. As explained above, my adjustment only removes
14 the Company’s proposed increase. Therefore, I have allowed nearly \$800,000 (which Mr.
15 Li claims is the appropriate level of expense) to be recovered for these expenses. As a
16 result, there is no merit to his criticism. Therefore, the Commission should reject the
17 arguments made in his Rebuttal Testimony as they relate to Operations, Maintenance &
18 General expenses.

19 **Q. ARE YOU RESPONDING TO ALL OF MR. LI’S COMMENTS ON THE**
20 **INDIVIDUAL COST OF SERVICE ADJUSTMENTS YOU RECOMMENDED?**

21 **A.** No. The adjustments, as recommended in my Direct Testimony, speak for themselves. In
22 general, Mr. Li responds by: 1) agreeing with certain adjustments; 2) disagreeing with
23 certain adjustments and stating the adjustment should be made to the so-called supportable

¹⁷ Li Rebuttal Testimony at 23:5-9.

¹⁸

1 adjustments; or 3) stating that ECH would not oppose the adjustment. I do not believe any
2 lengthy discussion is warranted.

3 Q. **DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

4 A. Yes, it does.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2025-3055959
 :
 Energy Center Harrisburg, LLC :
 :

VERIFICATION

I, Lafayette K. Morgan, hereby state that the facts set forth in my Surrebuttal Testimony, OCA Statement 1SR, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: November 7, 2025

Signature: /s/ Lafayette K. Morgan
Lafayette K. Morgan

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-3575

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY)
COMMISSION)
) DOCKET NOS. R-2025-3055959
 v.)
)
ENERGY CENTER HARRISBURG, LLC)**

**DIRECT TESTIMONY OF
JEROME D. MIERZWA**

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

CONFIDENTIAL

OCTOBER 22, 2025

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

3 A. My name is Jerome D. Mierzwa. I am a Principal at and the President of Exeter Associates,
4 Inc (“Exeter”). My business address is 10480 Little Patuxent Parkway, Suite 300,
5 Columbia, Maryland 21044. Exeter specializes in providing public utility-related
6 consulting services.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.

9 A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of
10 Science Degree in Marketing.¹ In 1985, I received a Master’s Degree in Business
11 Administration with a concentration in finance, also from Canisius College. In July 1986,
12 I joined National Fuel Gas Distribution Corporation (“NFG Distribution”) as a
13 Management Trainee in the Research and Statistical Services Department (“RSS”). I was
14 promoted to Supervisor RSS in January 1987. While employed with NFG Distribution, I
15 conducted various financial and statistical analyses related to the Company’s market
16 research activity and state regulatory affairs. In April 1987, as part of a corporate
17 reorganization, I was transferred to National Fuel Gas Supply Corporation’s (“NFG
18 Supply”) rate department where my responsibilities included utility cost of service and rate
19 design analysis, expense and revenue requirement forecasting, and activities related to
20 federal regulation. I was also responsible for preparing NFG Supply’s Federal Energy
21 Regulatory Commission (“FERC”) Purchase Gas Adjustment (“PGA”) filings and
22 developing interstate pipeline and spot market supply gas price projections. These forecasts
23 were utilized for internal planning purposes as well as in NFG Distribution’s Section
24 1307(f) purchased gas cost proceedings.

¹ Effective August 1, 2023, Canisius College became Canisius University.

1 In April 1990, I accepted a position as a Utility Analyst with Exeter. In December
2 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996, I became a
3 Principal of Exeter. Since joining Exeter, I have specialized in utility class cost of service
4 and rate design analysis, evaluating the gas purchasing practices and policies of natural gas
5 utilities, sales and rate forecasting, performance-based incentive regulation, revenue
6 requirement analysis, the unbundling of utility services, and the evaluation of customer
7 choice natural gas transportation programs.

8 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS
9 ON UTILITY RATES?

10 A. Yes. I have provided testimony on approximately 500 occasions in proceedings before
11 FERC, utility regulatory commissions in Arkansas, Connecticut, Delaware, Georgia,
12 Illinois, Indiana, Louisiana, Maine, Maryland, Massachusetts, Montana, Nevada, New
13 Hampshire, New Jersey, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Utah,
14 and Virginia, as well as before the Pennsylvania Public Utility Commission
15 ("Commission").

16 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

17 A. On July 18, 2025, Energy Center Harrisburg LLC ("ECH" or "the Company") filed an
18 application to increase base rates for its steam service by \$894,300. ECH provides steam
19 service for use in space heating, domestic hot water heating, humidification, and industrial
20 processes. Exeter was retained by the Pennsylvania Office of Consumer Advocate
21 ("OCA") to review and analyze ECH's application. My testimony addresses the rate
22 structure changes proposed by the Company in its application. My colleague, Mr. Lafayette
23 K. Morgan, addresses the reasonableness of the increase requested by ECH.

1 **II. RATE STRUCTURE**

2 Q. BRIEFLY DESCRIBE THE PRIMARY STEAM SERVICES OFFERED BY
3 ECH.

4 A. Under Rate 1 – General Service, ECH offers seasonal steam heating service from low
5 pressure mains, and at the option of the Company, from high pressure mains. Seasonal
6 steam service is available during the months of October through May. Also under Rate 1 –
7 General Service, ECH offers continuous 12 months of steam service from high and low
8 pressure mains when in the Company’s opinion it can be satisfactorily supplied.

9 ECH offers High Pressure Commercial and Industrial service under Rate 2. This
10 rate schedule is applicable to high pressure steam service under contract for Commercial
11 and Industrial customers that own and maintain a private system of distribution mains.
12 However, no customers currently purchase this service.

13 Customer taking service under Rate 1 and Rate 2 are generally assessed various
14 base rate charges which are determined by the Commission and recover ECH’s non-fuel
15 related costs of providing service. These base rate charges are determined by the
16 Commission in base rate proceedings such as this proceeding. Customers taking service
17 under Rate 1 and Rate 2 are also assessed a Steam Cost Rate (“SCR”) which recovers the
18 variable fuel costs incurred by ECH’s to provide service. The SCR is assessed based on a
19 customer’s metered steam usage. The SCR is set by ECH on a monthly basis and reconciled
20 by the Commission with ECH’s actual variable fuel costs on an annual basis.

21 For Rate 1 or Rate 2 customers with multiple energy options, service is available
22 under Rate 4 – Economic Development and Load Stabilization. Under Rate 4, a customer
23 pays negotiated base rates for steam service. Rate 4 enables the Company to retain load
24 that would otherwise not be retained by the Company or to supply load that otherwise could
25 not be supplied by the Company.

1 Q. IS THE COMPANY PROPOSING ANY CHANGES TO THE RATE DESIGN
2 STRUCTURE OF ANY OF THE SERVICES IT CURRENTLY OFFERS?

3 A. Yes. The Company is proposing rate design structure changes to the base rates currently
4 assessed under Rate 1.

5 Q. PLEASE DESCRIBE THE CHANGES THE COMPANY IS PROPOSING TO
6 THE BASE RATES ASSESSED UNDER RATE 1.

7 A. Currently, under Rate 1, seasonal steam customers are assessed a monthly minimum bill
8 based on the cubic feet of the space being heated, and continuous steam customers are
9 assessed a monthly minimum bill based on the pounds of steam used by the customer
10 during the maximum hour of use during the month or any of the preceding 11 months.
11 Monthly variable usage charges based on the actual pounds of steam used by a customer
12 during the month are also calculated for each seasonal and continuous customer, and
13 customers are assessed these variable usage charges to the extent the calculated charges
14 exceed the minimum bill charge. In this proceeding, ECH is proposing to eliminate its
15 current system of monthly minimum bill and variable usage charges, and recover all of its
16 base rate cost of service through monthly fixed capacity charges.

17 Q. WHAT ARE SOME OF THE PRINCIPLES OF A SOUND RATE DESIGN?

18 A. A sound rate design should:

- 19
- 20 • Utilize class cost-of-service study results as a guide;
 - 21 • Provide stability and predictability of the rates themselves, with a minimum of
22 unexpected changes that are seriously adverse to ratepayers or the utility
(gradualism);
 - 23 • Yield the total revenue requirement;
 - 24 • Provide for simplicity, certainty, convenience of payment, understandability,
25 public acceptability, and feasibility of application; and

- 1 • Reflect fairness in the apportionment of the total cost of service among the
2 various customer classes.²

3 Q. DO YOU AGREE WITH THE RATE DESIGN CHANGES ECH IS
4 PROPOSING FOR RATE 1?

5 A. No. ECH currently serves 9 Residential customers under Rate 1. The current rate design
6 for these customers has been in place since at least 2013. As just explained, a sound rate
7 design provides for stability and predictability in the rates themselves, with a minimum of
8 unexpected changes. A sound rate design also provides for certainty, understandability, and
9 public acceptability. ECH’s proposed rate design changes violate the principles of rate
10 design stability and predictability, do not provide for certainty, and ECH has not
11 demonstrated that the changes will be understandable to customers or accepted by
12 customers. Because of these deficiencies, ECH’s proposed rate design modifications
13 should not be approved for Residential customers, and the current rate design structure
14 should be maintained.

15 I would also note that for Residential electric, gas, and water utility customers, it
16 has generally been Commission precedent and practice to approve rate structures that
17 provide for the recovery of a portion of the base rate cost of service through fixed monthly
18 customer charges and the recovery of the majority of the base rate cost of service through
19 volumetric usage charges and not through fixed demand charges. ECH’s current rate design
20 is consistent with this practice and is another reason the current rate design should be
21 maintained.

22 Q. WHY IS ECH PROPOSING TO CHANGE ITS CURRENT RATE DESIGN
23 STRUCTURE?

² *Principles of Public Utility Rates*, Second Edition, James C. Bonbright, Albert L. Danielsen, David R. Kamerschen; Public Utility Reports, Inc., 1988, pages 383-384.

1 A. One of the reasons ECH is proposing a change in its current rate design structure is to lock
2 in fixed revenues so that non-fuel base rate revenues do not fluctuate with weather and
3 customer conservation efforts.

4 Q. WHAT IS YOUR RESPONSE TO THIS CONCERN?

5 A. In this proceeding, based on the response to discovery request OSBA to ECH-1, ECH is
6 proposing base rates to recover revenues of **BEGIN CONFIDENTIAL** [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED] **END CONFIDENTIAL** Therefore, any

11 change in Residential customer consumption due to weather or conservation efforts would

12 have an insignificant impact on the recovery of base rate revenues by ECH.

13 Q. PLEASE SUMMARIZE YOUR FINDINGS CONCERNING ECH'S

14 PROPOSED RATE DESIGN MODIFICATIONS IN THIS PROCEEDING.

15 A. ECH is proposing to eliminate its current system of monthly minimum bill and variable

16 usage charges, and recover all of its base rate cost of service through monthly fixed capacity

17 charges. ECH's proposed rate design changes violate the principles of rate design stability

18 and predictability, do not provide for certainty, and ECH has not demonstrated that the

19 changes will be understandable to customers or acceptable by customers. ECH's current

20 rate design is generally consistent with Commission precedent and practice for the design

21 of regulated utility rate structures. ECH is proposing to modify its current rate design

22 structure to eliminate the impact of weather and conservation on the recovery of base rate

23 revenues. However, any change in Residential customer consumption due to weather or

24 conservation efforts would have an insignificant impact on the recovery of base rate

1 revenues by ECH. Therefore, because of these factors, ECH's proposed rate design
2 modifications should not be approved for Residential customers.

3 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

4 A. Yes, it does; however, I reserve the right to update this testimony as may be necessary.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3055959
	:	
Energy Center Harrisburg, LLC	:	
	:	

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 2, are true and correct to the best of my knowledge, information, and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: August 22, 2025

Signature: /s/ Jerome D. Mierzwa _____
Jerome D. Mierzwa

Address: 10480 Little Patuxent Parkway,
Suite 300
Columbia, MD 21044

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY)
COMMISSION)
) DOCKET NO. R-2025-3055959
 v.)
)
ENERGY CENTER HARRISBURG, LLC)**

**SURREBUTTAL TESTIMONY OF
JEROME D. MIERZWA**

**ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE**

PUBLIC VERSION

NOVEMBER 7, 2025

1 **I. INTRODUCTION**

2 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

3 A. My name is Jerome D. Mierzwa. I am a Principal at and the President of Exeter Associates,
4 Inc (“Exeter”). My business address is 10480 Little Patuxent Parkway, Suite 300,
5 Columbia, Maryland 21044. Exeter specializes in providing public utility-related
6 consulting services.

7 Q. ARE YOU THE SAME JEROME D. MIERZWA THAT FILED DIRECT
8 TESTIMONY IN THIS PROCEEDING ON OCTOBER 22, 2025?

9 A. Yes, I am. My direct testimony addressed the rate structure changes proposed by Energy
10 Center Harrisburg LLC (“ECH” or “the Company”) in its application to increase base rates
11 which was filed on July 18, 2025.

12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

13 A. The purpose of my surrebuttal testimony is to respond to certain aspects of the rebuttal
14 testimony of Keith L. Li submitted on behalf of the Company.

15 Q. BRIEFLY DESCRIBE THE RATE STRUCTURE CHANGES ECH IS
16 PROPOSING IN THIS PROCEEDING.

17 A. ECH is proposing to modify its current rate design under Rate 1, which currently provides
18 for a monthly minimum bill and variable usage charges, and adopt a rate design under Rate
19 1 which provides for the recovery of all base rate revenues through fixed monthly capacity
20 charges.

21 Q. IN YOUR DIRECT TESTIMONY DID YOU AGREE WITH THE RATE
22 DESIGN CHANGES ECH IS PROPOSING FOR RATE 1?

23 A. No. In my direct testimony I noted that ECH currently serves 9 Residential customers under
24 Rate 1, and the current rate design for these customers has been in place since at least 2013.
25 I also noted that a sound rate design provides for stability and predictability in the rates

1 themselves, with a minimum of unexpected changes, and that a sound rate design also
2 provides for certainty, understandability, and public acceptability. In my direct testimony
3 I found that ECH's proposed rate design changes violated the principals of rate design
4 stability and predictability, did not provide for certainty, and that ECH had not
5 demonstrated that the changes will be understood by customers or accepted by customers.
6 Because of these deficiencies, I recommended that ECH's proposed rate design
7 modifications should not be approved for Residential customers, and that the current rate
8 design structure should be maintained for Residential customers.

9 In my direct testimony I also explained that for Residential electric, gas, and water
10 utility customers, it has generally been Commission precedent and practice to approve rate
11 structures that provide for the recovery of a portion of the base rate cost of service through
12 fixed monthly customer charges and the recovery of the majority of the base rate cost of
13 service through volumetric usage charges. I found that ECH's current rate design is
14 consistent with this practice and is another reason the current rate design should be
15 maintained for Residential customers.

16
17 **II. WITNESS: KEITH L. LI**

18 Q. IN HIS REBUTTAL TESTIMONY WHY DOES MR. LI CLAIM THAT ECH IS
19 REQUESTING A FIXED CAPACITY RATE DESIGN UNDER RATE 1?

20 A. Mr. Li claims that ECH is requesting a fixed capacity rate design to under Rate 1 to provide
21 more certainty for its revenue in light of the decline in the number of customers served and
22 sales the Company has experienced. Mr. Li claims that, as a result of decreasing sales with
23 a smaller customer base, ECH has a greater need to ensure it will receive the revenues it
24 needs to remain operating. He claims that a purely volumetric rate cannot provide this
25 certainty.

1 Q. WHAT IS YOUR RESPONSE TO THIS CONCERN?

2 A. In this proceeding, ECH is proposing to increase rates to recover revenues of **BEGIN**

3 **CONFIDENTIAL** [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] **END CONFIDENTIAL** Therefore, any decline in Residential consumption or

7 the number of customers served would have an insignificant impact on the recovery of base

8 rate revenue by ECH. In addition, replacing the current rate design with a fixed capacity

9 charge provides an incentive for Residential and other customers with reduced

10 consumption due to conservation efforts to completely terminate their service with ECH

11 rather than continue to take service from ECH at a reduced level. This is because a customer

12 with reduced consumption can reduce its cost of steam service from ECH under the current

13 rate design but not under the proposed rate design. Because of these factors, ECH's

14 proposed rate design modifications should not be approved for Residential customers.

15 Q. IN RESPONDING TO ETHAN H. CLINE OF THE BUREAU OF

16 INVESTIGATION AND ENFORCEMENT, MR. LI CLAIMS THAT RATHER

17 THAN USING STEAM TO HEAT THEIR BUILDINGS, CUSTOMERS CAN

18 SWITCH TO GAS SERVICE FROM UGI UTILITIES TO MEET THEIR

19 BUILDINGS' HEATING REQUIREMENTS. PLEASE COMMENT ON UGI

20 UTILITIES' CURRENT RATE DESIGN STRUCTURE FOR RESIDENTIAL

21 CUSTOMERS.

22 A. The Residential customers served by UGI Utilities are currently billed a fixed monthly

23 customer charge and a volumetric usage charge to recover UGI Utilities' base rate cost of

24 service. For a typical UGI Utilities Residential customer using 70 therms per month, 25%

25 of the typical Residential customer's base rate charges are collected through the fixed

1 monthly charge and 75% are collected through the volumetric usage charge. UGI Utilities’
2 Residential rate design structure is consistent with the Residential rate design structure
3 approved by the Commission for other Pennsylvania natural gas distribution companies,
4 and is generally consistent with ECH’s current rate design structure for Residential
5 customers.

6 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

7 A. Yes, it does; however, I reserve the right to update this testimony as may be necessary.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3055959
	:	
Energy Center Harrisburg, LLC	:	
	:	

**LIST OF TESTIMONY AND EXHIBITS FOR THE EVIDENTIARY RECORD
OF THE OFFICE OF CONSUMER ADVOCATE**

The Office of Consumer Advocate (OCA) intends to move for the admission of the following evidence into the evidentiary record in the above-captioned proceeding:

DIRECT TESTIMONY

- | | |
|-----------------|--|
| OCA Statement 1 | Public and Confidential Direct Testimony of Lafayette K. Morgan, Jr. with Appendix A, Exhibits LKM-1 through LKM-13, and Verification. |
| OCA Statement 2 | Public and Confidential Direct Testimony of Jerome D. Mierzwa with Verification. |

SURREBUTTAL TESTIMONY

- | | |
|-------------------|---|
| OCA Statement 1SR | Surrebuttal Testimony of Lafayette K. Morgan, Jr. with Verification. |
| OCA Statement 2SR | Public and Confidential Surrebuttal Testimony of Jerome D. Mierzwa with Verification. |

ADDITIONAL EVIDENCE

- | | |
|--------------------|--|
| OCA Hearing Exh. 1 | List of Evidence to be Admitted into the Evidentiary Record by the Office of Consumer Advocate |
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