

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Re: PA PUC, OSBA & OCA v.
Wellsboro Electric Company**

**Public Meeting: December 20, 2007
DEC-2007-ALJ-0192
R-00072350**

STATEMENT OF VICE CHAIRMAN CAWLEY

Before us is the base rate case of Wellsboro Electric Company (Wellsboro), filed on April 30, 2007, and the Joint Petition for Settlement filed October 26, 2007. First, I want to acknowledge the successful efforts of the parties in coming to a settlement which has some very positive aspects to it. In particular, I acknowledge the efforts of the Office of Consumer Advocate to implement changes in the original filing so as to maintain strong consumer incentives for conservation by moderating the higher customer charges proposed by Wellsboro. Additionally, consumers benefit from the reduction in the allowed rate increase from \$900,537 to \$690,000.

Paragraph 24 of the settlement deserves special mention (“that further unbundling of Wellsboro’s distribution rates and recovery through generation rates of any portion of the expenses claimed in the Company’s filing is not necessary under the Commission’s recently-issued default service regulations [at 52 Pa. Code §§ 54.182 – 54.187].” Testimony in this case is mixed regarding this issue. Appropriately, Wellsboro acknowledges that revenues and expenses related to generation supply service (bulk being purchased power) are not allocated to distribution.¹ Additionally, Wellsboro states that legal and consulting fees that Wellsboro incurs for the generation function are collected through the GSSR, and removed from distribution rates. Lastly, the cash working capital assumption for the new distribution rates is only the portion of the expenses and bill related to the distribution service. This is a positive start, but it is hardly sufficient testimony that would support full compliance with our regulations. On the non-compliance side, the Company *proposed* to allocate all wage and salary costs to the distribution function. Further, it would appear that the company *proposed* to allocate all bad debt costs,² billing costs, collection costs, and shared services to distribution service in the initial filing. Yet, testimony of Wellsboro itself demonstrates that some of these costs are not fixed and instead are partially a function of revenues. Specifically, Wellsboro testified that salaries and benefits for shared services and administrative services are billed monthly based on a pro-rata comparison of the number of accounts [60% active meters] and revenues per operating company [40% revenue].³ Revenues are

¹ Wellsboro St. #1, p.14

² Uncollectible Accounts expense was forecasted as \$22,000.

³ Wellsboro St. #2, pp. 11, 16

substantially a function of electricity generation charges. Thus, some costs are even avoidable.

However, given the “black box” aspect of this settlement, it is difficult to determine which, if any, of these additional GSSR costs were removed from the distribution rates. Perhaps if other EGSs had the regulatory resources to participate in such a proceeding, this matter would have been examined much closer. That not being the case, I reluctantly vote in favor of this Order, but in result only.

December 20, 2007

Date

James H. Cawley, Vice Chairman