**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held April 23, 2015

Commissioners Present:

Robert F. Powelson, Chairman

John F. Coleman, Jr., Vice Chairman

James H. Cawley

Pamela A. Witmer

Gladys M. Brown

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| Petition of Pike County Light & Power Company  For Authorization to Defer, for Accounting and Financial Reporting Purposes, Certain Losses From Extraordinary Storm Damage and to Amortize Such Losses | Docket No. P-2015-2470549 |

**ORDER**

**BY THE COMMISSION:**

On March 2, 2015, Pike County Light & Power Company (Pike or Company) filed a Petition for Authorization to Defer, for Accounting and Financial Reporting Purposes, Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses (Petition). Pike is requesting the Commission issue an order under section 5.41 of the Public Utility Code (52 Pa. Code § 5.41), granting it the authority to defer, for accounting and financial reporting purposes, extraordinary losses and to amortize such losses attributable to storm damage associated with a winter storm that struck the Company’s service territory November 26-27, 2014 (the Storm). At this time Pike is not requesting that the Commission decide ratemaking treatment for these expenses but only that it has the Commission’s permission to defer the costs so that it may seek recovery of these expenses in the next base rate case filed by the Company pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d).

The petition was served on the Bureau of Investigation and Enforcement, Office of Consumer Advocate (OCA), and the Office of Small Business Advocate. No parties have filed protests in this proceeding. On March 23, 2015, the OCA filed an Answer to the Petition. The OCA submitted that if the Commission grants the Petition, the following conditions should apply:

1. That the authorization granted to Pike here for deferred accounting treatment carries no assurance of future rate recovery;
2. That Pike be directed to claim its deferred losses at the first available opportunity;
3. That any authorization for deferred accounting treatment be limited to actual operations and maintenance costs, net of any insurance recovery, and not extend to straight time and capitalized costs; and,
4. That any opinion and order in this matter will in no way limit the ability of any party to a future rate case to oppose rate recovery of any of the costs deferred pursuant to the limited authorization granted herein.

For the reasons set forth below, we shall grant the Petition with certain conditions consistent with those attached to similar requests to defer extraordinary losses for regulatory accounting and reporting purposes in the past.

Pike is a regulated electric distribution company furnishing electric distribution, transmission and provider of last resort services to customers within Pike County in northeastern Pennsylvania. Pike and Rockland Electric Company (RECO) in New Jersey are subsidiaries of Orange and Rockland Utilities, Inc. (O&R) in New York. Pike, RECO, and O&R together comprise the Orange and Rockland System. Consolidated Edison, Inc. is a holding company which owns O&R and is the ultimate corporate parent of Pike.

The Storm disrupted electric service to approximately 400,000 people in the Northeastern United States. During the morning of November 26, 2014, the Storm approached Pike service territory. Heavy wet snow fell throughout the day, ending in the early afternoon of November 27, 2014. The heavy snow caused trees and tree limbs to break and sag, bringing down primary and secondary wire. These conditions created multiple faults on each of the circuits which serve the Pike service territory. Of Pike's 4,525 customers, 99% experienced a loss of electricity. Electric service was restored to 98% of the Company’s customers by 7a.m., Thursday, November 27, 2014. Throughout the Orange and Rockland System, there were twelve utility poles which required replacement, thirty overhead distribution transformers damaged and replaced, and numerous spans of overhead wire which required repair or replacement. As Pike is part of the Orange and Rockland System, it does not specifically track how many utility poles, transformers and spans of wire line crews replaced in the Company’s service territory.

In order to restore service, the Orange and Rockland System of which Pike is a part, mobilized a workforce of roughly 550 employees. In addition, approximately 355 contractor field personnel, most of who worked a minimum 12 hour shifts for the three day duration of the event, also assisted in the Company's restoration efforts. The Orange and Rockland System did not request any mutual aid. Pike’s customer call performance is tracked as part of the Orange and Rockland System rather than on a Pike stand-alone basis. During the Storm, the Orange and Rockland System received more than 295,000 outage and hazard calls. The average answer time for calls answered by the Company's automated answering system was within two seconds and the average answer time for calls answered by live agents was nine seconds.

Due to the significant widespread and extensive damage to the Company's electric system and the unprecedented amount of internal and external resources required for rebuilding and restoring of the overhead electrical distribution system, Pike is currently estimating the total operating and maintenance expenses incurred at approximately $190,000. Pike also estimates it incurred approximately $27,000 of capital expenditures as a result of the comprehensive physical damage sustained by the electrical distribution system.

Pike continues to review and authenticate the numerous bills and invoices received as a result of the Storm. This Petition represents the Company's best estimate of the expenses incurred up to the filing of this Petition, but Pike seeks approval to defer and amortize its actual storm damage expenses, excluding straight time wages and benefits. As noted, Pike incurred approximately $27,000 of capital expenditures during service restoration efforts. Pike is not seeking to defer or amortize the portion of its storm damage expenditures that are being capitalized.

The Commission has approved prior petitions seeking approval of deferred accounting treatment for extraordinary expenses, including storm related expenses. *See e.g. Superstorm Sandy, Petition of Pike County Light & Power,* Docket No. P-2013-2347108 (July 16, 2013)*.*

Pike requests that regardless of the amortization schedule, it be authorized to seek recovery of all deferred storm expenses including that portion which may have been already amortized when it files. These expenses include actual costs ‒ excluding capital costs, insurance recovery, as well as straight time wages and benefits. The issue for consideration before the Commission is whether Pike should be authorized to defer certain unanticipated expenses associated with storm damage. The ratemaking treatment of these expenses, if any, shall be addressed in a future ratemaking proceeding.

Approval of this petition is not a directive that Pike must defer these expenses, nor is it making any determination as to the veracity of the Company’s claim or the appropriate treatment for the recovery of any allowable costs in a future period. This Order only grants authorization for the Company to defer certain expenses for accounting purposes.

The issue as to whether the expenses are extraordinary and whether the expenses were reasonably and prudently incurred is not resolved in a Deferral Petition as no record is developed. Rather, the standard which a utility must meet when seeking Commission authorization for deferral accounting is whether, based on Commission precedent, the expense item appears to be within the scope of the type of items that the Commission has allowed as an exception to the general rule against retroactive recovery of past expenses.

We find that Pike has established a *prima facie* case pursuant to the above standard. However, we are not making any factual findings in this Order. A petition seeking authorization for deferral accounting is not intended to create a factual record. As such, this determination will be of no weight in such future proceeding. The burden of proof remains with Pike pursuant to 66 Pa. C.S. § 315(a). While we grant Pike’s petition subject to the conditions discussed herein, we will direct the Company to immediately begin expensing the deferred amounts in a reasonable amortization schedule; **THEREFORE,**

**IT IS ORDERED:**

1. That Pike County Light & Power Company’s Petition for authority to defer for accounting and financial reporting purposes certain expenses from damage caused to its property by a winter storm and to amortize such expenses is granted subject to the following conditions:

1. Authorization for deferred accounting treatment is not an assurance that future rate recovery is probable;
2. Pike shall claim the deferred expenses at its first available opportunity;
3. Upon entry of this Order, Pike shall begin expensing the deferred amounts on a reasonable amortization schedule;
4. This Order does not preclude Pike from seeking recovery of the total amount of its deferred expenses; and
5. This authorization is limited to Pike’s actual operations and maintenance costs for the damage caused by the storm, less insurance recovery, if any, and does not extend to straight time and capitalized costs.

2. That nothing in this opinion and order limits the ability of any party to a future rate case to seek or oppose rate recovery of all or any part of the costs deferred pursuant to this authorization.

3. That a copy of this order be served upon Pike County Light & Power Company, the Commission’s Bureau of Investigation and Enforcement, the Office of Consumer Advocate and the Office of Small Business Advocate.

4. That this docket be marked closed.

**BY THE COMMISSION**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: April 23, 2015

ORDER ENTERED: April 23, 2015